

ORSP FAQ Sheet: Subawards

What is a subaward?

There are times when a third party might have to be engaged to ensure successful completion of a grant award. When it comes to working with third party entities, there are different mechanisms that can be employed. One such mechanism is a subaward. Within Uniform Guidance (2 CFR 200.92) a subaward is defined as an award provided by a pass-through entity to a third-party (subrecipient) for this third party (subrecipient) to carry out part of an award received by the pass-through entity. Establishing a subaward allows the grant recipient to engage with an outside agency/individual to work collaboratively on tasks related to a grant.

The subrecipient is responsible for an important part of the project that cannot likely be completed by another party. The subrecipient is an important piece of the project as they are likely to have responsibility for making decisions that impact the overall project. As a subaward, they are expected to contribute to the overall scholarly and scientific conduct of the project. The subaward has to adhere to the appropriate compliance regulations (IRB, IACUC) related to the scope of the project. The lead PI at the subrecipient agency can serve as a project co-PI or co-lead investigator and can publish based upon their work on the project.

The subaward mechanism should be used when the third party is expected to be a major contributor to the success of the project. Subawards take on a major component of the project and are essential to its overall success. A subaward is selected because they can bring a unique skill set to the project.

Subawards vs Pass-Through Entities

When it comes to subawards, you can be either the pass-through entity or you can be the subrecipient. If you are the pass-through entity, you are the agency who is contracting with the subaward. As the pass-through entity, you are taking part of the award and sending it to another institution. The funding is passing through the institution onto the third-party entity. If you are the subaward, the pass-through entity sends you funding through a traditional grant award.

With a subaward, the recipient agency takes part of the award and contracts with another agency to complete part of the project. The mechanism usually takes the form of a legally binding agreement between two parties. In this instance, the agency who is receiving the award is referred to as a pass-through entity, because the funds are passing through them to a third party. The third party is referred to as a subrecipient.

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Setting up a subaward

Below is a description of the process used for establishment of a subaward. This includes the description of how the subaward is established and what internal processes have to occur for final set up.

The process of setting up a subaward is a multistep process. The subaward relationship is encapsulated with the subaward agreement. This is a document that formalizes the relationship between Stockton and its subrecipient. Preparation of this material should start at the time of proposal submission with the completion of the subaward commitment form.

The subaward commitment form is submitted to ORSP from the subaward organization. The form asks various questions meant to assess and evaluate the project and the subrecipient institution. This information asks for the following:

• Identification of the Principal Investigator for the subrecipient organization
• Address of the subrecipient organization
• The UEI/DUNS and EIN of the subrecipient organization.
• Copy of subaward budget
• Copy of subaward budget justification
• Key personnel biosketches
• Current and pending for key personnel (if required by grant guidelines)
• Scope/Statement of work for subaward
• Fringe rate agreement for subaward organization/institution (if available)
• Indirect cost rate agreement for subaward organization/institution
• Copy of most recently completed financial audit
• Copy of any IRB and IACUC approval pertaining to the project.
• If providing match or cost share must provide organizational commitment letter signed by institutional official
• To affirm whether or not there is any conflict-of-interest policy in effect at the institution. By signing the form, they are confirming that there is a policy, and it is adhered to by the institution.
• Information on whether or not anyone (the PI, or any other employee or student) participating in this project are not debarred, suspended, proposed for debarment, declared ineligible, or otherwise excluded from or ineligible for participation in federal assistance programs, federal contracts, or activities. * (question requires more information if answered in the affirmative)
• Information on whether or not anyone (the PI, or any other employee or student) participating in this project is presently indicted for, or otherwise criminally or civilly charged by a government entity. * (question requires more information if answered in the affirmative)

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<ul style="list-style-type: none"> Information on whether or not anyone (the PI, or any other employee or student) participating in this project has within the last three (3) years preceding this offer, been convicted of or had a civil judgment rendered against them for commission of fraud or criminal offense in connection with obtaining, attempting to obtain, or performing a public (federal, state, or local) contract or subcontract; violation of Federal or State antitrust statutes relating to the submission of offers; or commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements or receiving stolen property. * (question requires more information if answered in the affirmative)
<ul style="list-style-type: none"> Information on whether or not the Subrecipient has, within the last three (3) years preceding this offer, had any contract terminated for default by any federal agency. * (question requires more information if answered in the affirmative)
<ul style="list-style-type: none"> If respondent responses in the affirmative to any of the above questions marked with a “*” then they have to provide more details about those situations.
<ul style="list-style-type: none"> Does the subrecipient have a self-balancing set of accounts recording cash and other financial resources which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations?
<ul style="list-style-type: none"> Does the subrecipient have a procurement system which can record and segregate goods and services for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations?

Development of Subaward Agreement

The form and the accompanying supporting material are submitted to Stockton’s ORSP. The information is then used to develop the subaward agreement between the two institutions.

The agreement is sent to Legal for their review and then to the subrecipient for their signature. The following forms/documentation are required to accompany to subaward agreement to be set up:

<ul style="list-style-type: none"> Completed Agreement template
<ul style="list-style-type: none"> Copy of terms and conditions
<ul style="list-style-type: none"> Budget and scope of work
<ul style="list-style-type: none"> Original signed agreement from the sponsor
<ul style="list-style-type: none"> W9 form
<ul style="list-style-type: none"> Chapter 51 approval.
<ul style="list-style-type: none"> Employee Information Certificate or a Letter of Federal Affirmative Action Plan Approval.
<ul style="list-style-type: none"> Ownership Disclosure - Pursuant to N.J.S.A. 52:25-24.2, vendors are required to provide a statement of ownership. (if subrecipient is a non-academic institution)
<ul style="list-style-type: none"> Disclosure of Investment Activities in Iran
<ul style="list-style-type: none"> Source Disclosure

• Certification of Non-Involvement in Prohibited Activities in Russia or Belarus
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Upon completion this material is then sent to Stockton Contracts for the establishment of the formal relationship between the two parties, The PI and their local support personnel (the Budget Unit Director) then establish the subaward as a vendor in the Banner system to ensure that they can invoice the university for their effort.

Risk Determination

When the subrecipient sends back the subaward commitment form, the institution needs to assess the risk level of the subrecipient. This needs to happen prior to the establishment of the subaward agreement between the two parties. The risk level will determine the level of post award monitoring that must occur throughout the life of the subaward. This is important because failure to accurately assess the risk level can pose a financial threat to the university as with a subaward we take on the risk posed by the subaward. If they are unable to fulfill their commitment to the project, the institution can find themselves liable for their work. Monitoring risk is crucial and is an essential and required part of the process. To gather this information, ORSP completes a Risk Assessment questionnaire.

The level of risk for a subrecipient is determined by their scoring on the assessment questionnaire and their current audit status. A series of questions determine the risk status of the subrecipient organization, and corresponding actions are taken from there. When there is low risk, the subaward will be processed and monitored according to normal and standard guidelines. When the risk is higher in nature, more oversight and granular review is required when processing and monitoring the subaward.

To determine risk level, the questionnaire asks about a variety of relevant issues pertaining to the institution, the project, and the nature of the award. A point and scaling system will be employed to determine risk level. Answers are weighted and that overall score determines their risk level.

Risk Level Determination

Below is a listing of the questions asked broken down by question category:

Types of Questions asked

- i. Institution type:
 1. Foreign or domestic
 2. Specific type of institution (college/university, industry, other)
 3. Is subaward mature regarding their level of experience with subawards and subaward management. (level of experience in years: 1-4, 5-9, 10+, no experience)
- ii. Concerns around project:
 1. Type of the prime sponsor
 2. Type of award
 3. Total amount of subaward

4. Percentage of overall award that is being subcontracted to the subrecipient
 5. Whether or not there is human or animal subject research as part of the scope
 6. Has the scope of work (including deliverables) been defined?
 7. Place where subcontract work is being done- Whether it is on or off campus
- iii. Threshold or Status Questions
1. Is the subrecipient institution debarred?
 2. Is the PI debarred?
 3. Is subrecipient institution delinquent in any federal debt, does this show up in SAM (System of Award Management)?
 4. Does subrecipient have a conflict-of-interest policy?
 5. If so, has a conflict been identified?
 6. Does subrecipient have an acceptable accounting system?
 7. Does subrecipient have an acceptable procurement system?
 8. Have they completed an audit under Uniformed Guidance for the most recently completed fiscal year?
 9. Does subrecipient have an indirect cost rate? (or experience setting up such a rate?)
 10. Is any of the project covered by International Traffic in Arms (ITAR) or Export Administration Regulations (EAR)? (Work involving export of military-regulated goods and services and technology – ultimate goal of these regulations is to prevent the unauthorized export of controlled items to foreign persons.)
 11. Does the project involve cost share?
 12. Does the project involve participant support?
 13. Does subrecipient have experience managing same or similar federal awards?

These questions determine whether there are any potential risk issues. If the subrecipient is determined to be high risk, a more stringent and cautious financial, compliance, and performance monitoring process is put into place with overseeing the financial administration of the subaward.