Practical Guide to Proposing, Receiving, and Managing a Subaward from the University of Minnesota

Please see the companion document entitled “Subaward Terminology” for further explanation about terms that may be unfamiliar to you.

1. What is a subaward?

A subaward is a written agreement with another organization (subrecipient) performing a portion of a University of Minnesota sponsored project (i.e., a project funded from an outside sponsor under a grant, contract, or other financial assistance agreement). The terms of the relationship (subaward) are driven by the requirements of the award that the University of Minnesota has received, plus any requirements that the University of Minnesota has added to ensure that it can adequately monitor the work and associated costs being performed. The UMN Grant Administrator in the Sponsored Projects Office (SPA) attempts issue a subaward as soon as possible after the University accepts its award or after the UMN principal investigator (“PI”) has decided a subaward is needed. The UMN Principal Investigator and their University department play an important role in establishing these complex transactions, as do your Principal Investigator and business office. To ensure your subaward is handled as expeditiously as possible, we ask that you follow this workflow and make sure the UMN Principal Investigator and UMN SPA Grant Administrator have the information they need to initiate your subaward.

2. What forms must I complete, when are they due and to whom? (See workflow)

A. Proposal Stage—before the University proposal is submitted for consideration by the funding agency (all of these forms are to be sent to UMN PI. If there is a question about what form or format should be used, please contact the UMN PI.)
   1. Commitment Form or alternative endorsement of the proposal by the subrecipient’s Authorized Organizational Representative.
   2. Statement of Work (SOW)
   3. Budget & Budget Justification
   4. Financial Conflict of Interest Disclosure (if the award is funded by a Public Health Service agency or other agency using their requirements – see list here)

B. Award Stage
   1. An updated version of the Commitment Form if more than 12 months from date of authorized signature (this form should be sent to UMN SPA Grant Administrator)
   2. Updated SOW and or budget information if requested by the UMN Principal Investigator (e.g., because the award amount was significantly reduced and the work must be adjusted accordingly). (these forms should be sent to UMN Principal Investigator)
   3. An Audit Certification and Financial Questionnaire Form (This form should be sent to UMN SPA Grant Administrator)
   4. Upon receipt of the draft subaward from the UMN SPA Grant Administrator, review and sign subaward document and return to the UMN SPA Grant Administrator. If you have questions or concerns about the terms of the subaward, contact the UMN SPA Grant Administrator before signing. Once both parties have signed the subaward, you may start work.
3. How do Indirect Costs or Facilities and Administration (F&A) impact my subaward?

Facilities and Administrative Costs (F&A) are costs incurred during the normal business activities of an organization that cannot be readily identified with or directly charged to a specific project or activity. F&A costs are real, auditable costs incurred by the subrecipient each time it accepts a subaward. If a federal agency or its program has a published statutory F&A cap, that rate must be used. This is also true if the sponsor is a federal or state program or non-profit organization with a published policy on the payment of F&A costs. If this is the case, the UMN Principal Investigator or their departmental personnel will have told you, or it will be listed in the Funding Opportunity Announcement or proposal guidelines issued by the funding agency.

If there is no published F&A cap, and if your organization has a federally negotiated F&A rate, that rate must be used. Contact your Controller’s Office or senior financial official to find out if you have a negotiated rate.

If your organization does not have a negotiated F&A rate, a 10% modified total direct cost [see Glossary] F&A rate must be used instead. The federal government calls this a “de minimus” rate – basically a modest amount that the federal government will automatically pay you to cover your F&A costs, without your having to negotiate a rate for your organization.

In certain rare circumstances the UMN PI may request an F&A rate be negotiated with the subrecipient. Your organization may also volunteer to accept the subaward with no F&A costs included in the budget, but UMN will not ask or recommend that you do so. Subrecipients are entitled to F&A at the applicable rate shown above and UMN is committed to ensuring that subrecipients receive the F&A to which they are entitled.

4. When does the monitoring of subrecipient begin?

The process of monitoring a subrecipient begins at the proposal stage. The PI obtains the proposal from you, the prospective subrecipient, for participation in the project, and includes the proposal statement of work and budget in the prime proposal to the awarding agency. The PI also obtains the Subrecipient Commitment Form from you. The UMN PI reviews your proposal and determination that the proposed work and budget is acceptable and desirable for inclusion in UMN’s proposal constitutes the first steps in subrecipient monitoring.

5. Why is a Subrecipient Commitment Form needed before an award is issued?

This form documents your organization’s compliance with regulations and is a tool to expedite the issuance of the subaward. Having material submitted at proposal stage will allow subawards to be processed and issued more quickly; however this form may alternatively be submitted at the award stage if it wasn’t possible to include it with the proposal.
6. How is the Subrecipient Commitment Form used by UMN? Does it get submitted to the Funding Agency too?

The Subrecipient Commitment Form is to be completed and signed by an authorized representative of your organization and provided at proposal stage with other proposal documents. The form also is used for instances where a subaward was not included in a proposal, but later determined to be necessary to perform the project. The UMN SPA Grants Administrator reviews the form to verify that the subrecipient can and will adhere to certain compliance obligations, such as the appropriate use of human and animal subjects, the eligibility of the subrecipient to receive sponsor funds, and the entity’s audit status. The form is used by UMN and does not get submitted to the Funding Agency.

7. Why is Assessing and Managing Risk Important?

UMN SPA is responsible under federal regulations and University requirements to evaluate each proposed Subrecipient’s risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward. This risk assessment is performed prior to the subaward first being issued and is refreshed at least annually.

Some of the attributes that will place a potential subrecipient into a higher risk category include:

- A qualified audit report or failure to have a current audit report
- An incomplete or inadequate response to the audit questionnaire (used when the subrecipient is not subject to a federal audit)
- A known history of non-compliance (programmatic, compliance controls, or financially)
- History of non-performance or failure to use funds for authorized purposes
- A new subrecipient or the subrecipient is new to the type of work being performed
- A large percentage of project funds is being passed-through to the subrecipient
- The subrecipient’s sponsored research portfolio is small and the subaward amount is large.
- The subrecipient has new or substantially changed systems (including its financial system)

UMN is also required to find out whether there is a potential conflict of interest between the UMN Principal Investigator and the entity or its principals. This happens within the University so the subrecipient need not take any action itself. UMN also reviews to make sure a Subrecipient is not debarred or suspended from doing work with the federal government. UMN will not issue a subaward to an entity that is debarred or suspended or in the event of an unmanaged conflict of interest.

8. What is Subrecipient monitoring and why is it required

It is primarily the UMN Principal Investigator’s responsibility to monitor the progress of the subrecipient. Subrecipients are partners in the research enterprise so it is important to identify and establish good communication with subrecipient’s representatives from the beginning. UMN Principal Investigators consider the following factors in monitoring the progress of their subrecipients:

- Is the work progressing according to schedule and consistent with the Scope of Work?
- Are deliverables/reports being provided in a timely manner?
- Are compliance requirements (e.g., human- and animal-subjects approvals, conflict of interest approvals, if required) up to date?
- Do invoices reflect allowable, allocable, and reasonable costs?
- Are funds being spent according to the budget and project time lines?
• Is committed cost sharing verified?
• Has the Subrecipient done an adequate job of timely requesting any needed prior approvals (e.g. items requiring prior approval will be listed in the subaward, and might include such things as unanticipated use of humans or animals, issuing a subaward to another entity, purchase of equipment, a change in the goals of the project, etc.)
• If there are unanticipated delays, has the UMN Principal Investigator been notified in a timely manner of the problems that have arisen, and has a corrective action plan already been worked out?

9. How do I get paid?

The subrecipient sends invoices to sub-inv@umn.edu on the schedule listed in the subaward. After review and approval by the UMN Principal Investigator and UMN SPA Grant Administrator, the invoice will be paid. Invoices are paid within 30 days after receipt by the University. (Sample invoice). If any programmatic reports were due during the period covered by the invoice, these reports must be submitted to and approved by the UMN Principal Investigator before payment will be made.

A subrecipient can request their payments be direct deposited by completing UM Vendor ACH Authorization Agreement and returning the completed for to UM Disbursement Services (disbsvcs@umn.edu).

10. What is required if the subrecipient does not have enough working capital and needs an advance payment from the University?

The University may, in rare circumstance, provide a subrecipient with a working capital advance if the subrecipient does not have sufficient working capital to initiate the scope of work described in the subaward. A letter from the authorized official in your organization (e.g., Executive Director, Finance Director) to SPA should be submitted, including the following information:

1. A sound rationale for why a working capital advance is needed and verifying that the proposed subrecipient does not have access to sufficient capital to perform the work and be reimbursed
2. The amount of the proposed advance payment. Note: the amount should be only enough to cover the projected short term working capital needs of the subrecipient organization. In this case, “short term” refers to a period of not more than 2 months, and should not exceed a 2 month pro-rata share of the first year budget unless there are unusual up front expenses (e.g., equipment, recruitment costs, etc.) If there are unusual up front expenses, explain what those costs are and how much additional money is needed.
3. An explanation of whether ongoing advance payments are needed or if this is a one-time request. If on-going advance payment is needed, the Subrecipient should typically plan to provide monthly documentation of actual expenses and projections of new cash needs. For example:

Initial Request for Months 1 and 2 - $25,000 x 2 months = $50,000
After first month of performance -
  Actual Expenses for Month 1 = $22,000
  Cash on Hand: $28,000 ($50,000 advance - $22,000 actual expenses for Month 1)
  Projected Expenses for Month 3 = $25,000
Working Capital Cash Request from UMN = $22,000 (Cash On Hand + Projected Expense for Month 3 - Estimated Cost for 2 months)

4. An endorsement by the authorized representative of the subrecipient.

Please Note: Advance payments to subrecipients will only be considered if the subaward has been signed by both parties.

11. How can a subaward be changed / amended? When does the subaward need to be changed and when can a Subrecipient simply get UMN’s approval without changing the subaward?

The UMN PI or UMN SPA determines when a subaward is to be amended. Common reasons for amending a subaward include providing additional funding, extending the period of performance or modifying the reporting schedule. It is important to note that some changes, such as scope of work changes, or a change in the Subrecipient’s Principal Investigator may require the prior approval of the prime sponsor (i.e. awarding agency). If a change requiring funding agency approval is required, the Subrecipient must write to the UMN PI (signed by both the Subrecipient PI and the Subrecipient’s institutional representative) and request the necessary prior approval. In general, Subrecipient’s should plan to submit their requested changed 45 days in advance of when it is needed, as time is needed both for UMN to review the request and, if acceptable, to obtain agency approval. Federal agencies normally respond within 30 days from the time UMN has submitted the request. Subrecipients may not write directly to funding agencies, but must instead submit all of their prior approval requests through UMN.

12. How is a subaward closed out?

The UMN Principal Investigator is responsible for submitting any required technical, property, and invention reports and /or any other required deliverables required by the awarding agency. Failure by the Subrecipient’s Principal Investigator to provide their reports and deliverables according to stated timelines can have a negative impact on submission of UMN reports to the awarding agency and may impact future funding from the sponsor. Prior to UMN making final payment to the subrecipient the Subaward Release Form must be received by the UMN Grant Administrator.
Subaward Workflow for Subrecipients

Proposing a Subaward

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Subaward Issuance

What forms must I complete in the award stage, when are they due and to whom?

Why is assessing and managing risk important?

How do I get paid?

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Subaward Closeout

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