

ORSO Guideline 7

Sponsored Projects Subcontracting

WASHINGTON STATE UNIVERSITY

The Office of Research

Office of Research Support and Operations

March 2015

Background and Purpose: As WSU's research and sponsored project programs continue to grow, the University has entered into an increasing number of formal cooperative relationships with other organizations, generally universities or non-profit entities, and more recently, industry and foreign organizations. These collaborative relationships are formalized in the form of a subcontract--a special type of agreement that differs in several respects from the more standardized procurement of goods and services from commercial vendors for non-research or non-sponsored project related work.

Subcontracts should not be confused with sub-awards which are generated from grant funding. Sub-awards are generally more liberal in their requirements for collaborators and institutions and, while university procurement policies for goods and services related to grant funding must still be followed, the oversight and review for sub-awardees can be less stringent than those required for subcontractors.

These subcontracts typically result from a proposal which is submitted to the sponsor which includes the anticipated participation by a cooperating entity (subcontractor) wherein the sponsor then awards the proposal through a contract. The subcontractor is usually identified by name and has a separate budget within the proposal submission. The amount of the subcontractor's total budget is included as a separate item in the "14 - Restricted" category of the WSU's proposal budget. A reference to the subcontractor's proposal is included in the proposal which at times may include a line item budget with sufficient justification specifically prepared by the subcontractor. The subcontractor's proposal (work scope and budget) must be approved by an authorized official of the subcontracting institution, which may vary depending on the type of entity, i.e., commercial versus non-profit or educational. The subcontractors portion of the proposal budget is subject to WSU facilities and administration costs (F&A costs) on the first \$25,000 of the entire budget period(s). (See [Guideline 2: Budget Assistance Information for Preparing Sponsored Program Proposals](#))

A subcontractor will receive funding if the WSU proposal is awarded directly from WSU not from the prime funding sponsor. The prime funding sponsor usually includes specific instructions and authorizations for any subcontracts issued by WSU. In some cases, approval of subcontract templates, a detailed scope of work and/or a detailed budget may have to be

approved by a the prime sponsors Contracting Officer either prior to the prime award being made to WSU and/or prior to issuing a subcontract to a collaborator.

Occasionally, the need for a subcontractor's collaboration arises after an award is issued to WSU by the funding sponsor. Under these circumstances, most sponsors require that WSU obtain sponsor approval for the use of the subcontractor in fulfillment of the duties requested prior to entering into an agreement with the collaborator. Such requests originate with the PI in writing and must be co-signed by the Associate Vice President of the Office of Research Support and Operations (ORSO), then forwarded to the sponsor for final review and approval.

Guideline:

It is extremely important to ensure the proper review and selection of collaborators and proper documenting procedures and analysis are completed and retained. The emphasis of this Guideline will focus on the specific processes which must take place in order to ensure administrative compliance with the sponsor, WSU policies and procedures, state and federal law related to subcontracting.

PREAWARD PROCESS AND RESPONSIBILITIES

Responsibilities for the various offices in the subcontracting processes are shared by the PI and his/her academic department, ORSO, Sponsored Program Services (SPS), and Purchasing as follows:

1. WSU Proposal Stage - The PI is responsible for the initial subcontract review including determination of allow-ability, reasonableness, and consistency of the direct cost portion of the subcontractor's budget relative to the work scope and complexity of the collaborative effort. ORSO is responsible for the final WSU review including making sure an authorized official has signed the subcontract proposal, especially to ensure the correct F&A cost rate has been used in the request for funding and the appropriate rate agreement documentation has been obtained.
2. WSU Award Stage - After WSU has received an award from the sponsor, the departmental administrator shall complete the [Subcontract Initiation Request Form](#) and attach all the required documents prior to returning the initiation request to ORSO for the drafting of the collaborators subcontract. Please keep in mind ORSO will not request these forms. It is the responsibility of the department to ensure that the initiation request form is completed once the review and acceptance of the prime award has been completed.
3. Collaborator Subcontract Preparation – ORSO is responsible for performing an appropriate cost analysis in accordance with [2 CFR 200](#), Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and for preparing the subcontract document, including the appropriate terms and conditions (flow-down clauses) from the prime sponsor's award. If upon review and analysis by ORSO, there is concern of inappropriate costs,

the PI and/or departmental administrator may be asked to work with the collaborator to revise the budget or request back up documentation to validate such costs requested.

For proposals issued under calls for federal contracts, ORSO will also, where necessary, obtain a Certificate of Current Cost or Pricing Data in accordance with [FAR Part 15](#) and will negotiate subcontract terms in accordance with Public Law 87-563 Truth in Negotiations as well as obtain, where necessary, a Small Business Subcontracting Plan, pursuant to Federal Acquisition Regulation (FAR) [Part 19.7](#) and [52.219-9](#).

ORSO will request any additional necessary documents from the collaborator as well as mail the final subcontract to the collaborator for completion and contract signatures.

POSTAWARD PROCESS AND REQUIREMENTS

4. Invoice or Voucher Review and Approval – Review of the subcontractor’s vouchers to assure appropriateness and consistency with the terms of the subcontract, and that subcontract performance goals are being achieved, is the responsibility of the PI and his/her academic department. Subcontractors are typically required to invoice no more frequently than monthly. In accordance with WSU specified policies, invoices are approved by the PI as acceptable for payment, then forwarded to Sponsored Program Services for payment. SPS will process the payment within 5 business days.

5. Modifications to Collaborators Subcontract - Often a prime sponsor will not fully fund the entire WSU proposal, rather it is funded on a year to year basis. Should that be the case, when funds are added to the WSU prime award or when the a time extension is provided to WSU, a [Subcontract Change Request Form](#) should be completed by the departmental administrator or PI and promptly submitted to ORSO for completion of a modification to the subcontract. The request should include all the necessary documents to complete the modification. For example, attach a detailed budget for the next years allotment, the updated scope of work, end date requested, etc. After review for compliance and completeness, ORSO will prepare the modification and send it for signature to the subcontractor. The process for invoicing and payment is the same as noted above.

6. Close-out - Upon completion of the Subcontract, the PI is responsible for seeing that an acceptable final technical report (normally written, sometimes more informal) is received from the subcontractor. He/she, in conjunction with their academic department, is also responsible for review of the subcontractor's final invoice, which is usually due no later than 60 days following termination, before forwarding it to SPS for final payment. Be aware that all invoices must contain the following statement and be signed by the Subcontractor’s appropriate official:

"I certify that all expenditures reported (or payment requested) are for appropriate purposes and in accordance with the provisions of the application and award documents."

SPS performs a review of the subcontract at each contract action to ensure that the subcontract is in compliance with the prime award. SPS reviews the subcontract at the time of completion again to assure that all necessary amendments or other closing actions have been achieved, including receipt of audit reports and the Exhibit D Close-Out Certification form. Finally, 30 days following the end date of the subcontract, a reminder memo from the SPS is sent to the PI and departmental administrator regarding these close-out matters and the remaining responsibilities of the PI and staff.

Please note that after the final invoice has been paid, any remaining allocations under the subcontract may be liquidated by writing to or emailing SPS.

Subcontractor Property:

In those rare cases where WSU (nor subcontractor) does not retain title to equipment acquired through the use of prime sponsor's funds (normally Federal contracts), SPS will notify the subcontractor that they need to provide an itemized equipment listing that includes items to be acquired or fabricated by the contractor or furnished by the U.S. Government (including any resulting scraps not consumed in performing the subcontract or delivered to the U.S. Government ([FAR 52.245-2\(i\)](#))); second, if necessary, there are special (for example annual) reporting requirements that must be adhered to by the contractor; and finally, that within 60 days following termination, a request (using the Exhibit D Close Out Certification form) shall be made by the contractor concerning final disposition of ownership of the equipment.

NOTE: Federal Research Terms and Conditions (used to be Federal Demonstration Partnership terms and conditions) for Sub-Awards:

WSU currently observes the Federal Research Terms and Conditions as issued by FDP to streamline the operations of grants management between US universities and certain agencies. FDP makes available agreements to use as common templates and attach agency specific terms and conditions which can greatly reduce the length of time to process these awards between collaborators. WSU uses the FDP templates and attachments with minor changes. WSU templates for sub-awards (prime grant funding) and subcontracts (prime funds issued by contract) look similar but have differing language and processing requirements. It is also important to note that while sub-awards issued under grants may be less restrictive, in some cases certain purchasing procedures will still need to be followed for purchases made on grant funds both at the prime recipient level and the sub-recipient level. WSU's Purchasing procedures should be reviewed to better understand when those procedures apply to purchases made with grant funds or subcontract funds. See [Purchasing Policies and Procedures](#).