

Working with Subrecipients



Presented by:
Office of
Contracts and
Grants

University of California
Agriculture and Natural Resources

Agenda

- Definitions of Subrecipients (Subawards) versus Contractors
- Internal Processes for Setting up a Subaward
- Monitoring Requirements
 - Risk Assessment of subrecipient (OCG)
 - Reviewing Subrecipient performance reports (PI)
 - Reviewing Subrecipient Invoices (PI)
 - On-site or other monitoring activities (PI)
- Helpful Resources

Subrecipient or a Contractor?

When UC ANR provides funds under an existing sponsored project to an outside organization, that organization will be classified as either a subrecipient or a contractor based on the work that they'll be performing.

Its important to classify an outside organization correctly at time of proposal as subrecipients and contractors are subject to different policies and budgeting requirements.

Subrecipient or a Contractor?

Definitions from the Federal costing guidelines:

- **Subrecipient means an entity**, usually but not limited to non-Federal entities, **that receives a subaward from a pass-through entity to carry out part of a Federal award**; but does not include an individual that is a beneficiary of such award. A subrecipient may also be a recipient of other Federal awards directly from a Federal awarding agency.
- **Subaward means an award provided by a pass-through entity to a subrecipient for the subrecipient to carry out part of a Federal award** received by the pass-through entity. **It does not include payments to a contractor** or payments to an individual that is a beneficiary of a Federal program. A subaward may be provided through any form of legal agreement, including an agreement that the pass-through entity considers a contract.
- **Contractor means an entity that receives a contract** as defined in this section.
- **Contract means**, for the purpose of Federal financial assistance, **a legal instrument by which a recipient or subrecipient purchases property or services needed to carry out the project** or program under a Federal award.

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How to Distinguish a Contractor?

Contractor or Vendor have substantially the same meaning and may be used interchangeably. This category also includes consultants and independent contractors.

Per federal costing guidelines: Contract means, for the purpose of Federal financial assistance, a legal instrument by which a recipient or subrecipient purchases property or services needed to carry out the project or program under a Federal award.

Contractors, in general:

1. Provide goods or services as part of their normal business operations.
2. They provide similar goods or services to many different purchasers.
3. They operate in a competitive environment.
4. They will NOT be involved in the programmatic decision making of the sponsored project.
5. Contractors typically will not be co-authors on publications.
6. They are not subject to the compliance requirements of the prime award.

How do I Budget for a Contractor?

Contractors are typically more of a procurement relationship and will be processed through the UC Davis Business Contracts Office. Please work with your contact in the BOC to start this process.

Include Contractors under Other Costs on the budget. ANR will assess indirect costs on the full amount of the line item in accordance with our federally approved indirect cost rate agreement.

At time of proposal, if the contractor/vendor is known, they should provide a quote or signed letter that includes their rates. If entity is To Be Determined, you should estimate costs based on historical experience or rates for similar services. If using historical rates, include projected increases in your budget estimate.

How do I Budget for a Contractor, cont.

For more information visit: <https://supplychain.ucdavis.edu/procure-contract>

Dependent upon the dollar amount and funding source, the goods/services may need to be competitively bid out or a sole source justification provided.

Federal regulations require all procurement transactions be conducted in a manner providing full and open competition and consistent with the procurement standards of 2 CFR 200.317 – 200.327.

UC Small Business First Program requires formal consideration of a certified Small Business (SB) or Disabled Veteran Business Enterprise (DVBE) for purchases from \$10K to \$250K, unless your purchase contains one or more identified exemptions.

How to Distinguish a Subrecipient?

Subrecipient or Subawardee may be used interchangeably.

Subrecipients, in general:

1. Have programmatic decision making of the sponsored project.
2. Their performance is measured against whether the objectives of the project are met.
3. They have responsibility for adherence to the applicable program compliance requirements.
4. They have the right to publish project results or serve as a co-author.
5. They have the option to develop patentable technology.

How do I Budget for a Subaward?

If working on a proposal with subawards, they should submit their subaward documents ~10 days prior to the proposal due date. Time is needed to incorporate their documents into the overall proposal and route to OCG for review 5 days in advance of the due date.

When using our standard indirect cost rate agreement, ANR will assess indirect costs on the first \$25,000 of each outgoing, non-UC subaward.

Each subawardee will need to provide:

1. A Subrecipient Commitment Form;
2. A Statement of Work for the portion of work that they are responsible for performing;
3. A detailed budget and budget justification;
4. And, dependent on the sponsor, applicable items may also include biographical sketches for Key Personnel, Other Support Documents, Facilities & Equipment documents, Conflict of Interest Lists for NIFA proposals, Letters of Institutional Commitment, etc...

Case Study



Photo by [Andreas Dress](#) on [Unsplash](#)

Our PI is preparing a proposal that includes hiring a company to perform aerial imaging of agricultural fields using Unmanned Aerial Systems. Company A provides this type of service as part of their primary business operations and gave us a quote for the specific tasks provided to them by our PI.

Is this a Contractor or Subrecipient?

Case Study



Photo by [Andreas Dress](#) on [Unsplash](#)

Contractor

This service is part of their normal business operations.

They provide similar services to many different purchasers.

They operate in a competitive environment.

And they will not be involved in the programmatic decision making of the sponsored project.

Need Help Determining how to Classify the Entity?

https://ucanr.edu/sites/anrstaff/Administration/Business_Operations/Contracts_-_Grants/Proposals/Budget_Preparation/Subrecipients/

Determining a.....

Contractor (Vendor/Consultant)	Subrecipient (Subaward)
Does the entity provide the goods or services within normal business operations?	Will the entity's performance be measured against whether the objectives of the project are met?
Does the entity provides similar goods or services to many different purchasers?	Does the entity have responsibility for programmatic decision making?
Does the entity operate in a competitive environment?	Does the entity have responsibility for adherence to applicable program compliance requirements?
The entity will NOT be involved in the programmatic decision-making of the project?	Does the entity have the right to publish project results or serve as a co-author?
The entity will NOT be subject to applicable program compliance requirements?	Does the entity have the option to develop patentable technology?

Need Help Determining how to Classify the Entity?

Sometimes an entity may not fit neatly into either category.

If you're unsure talk to your analyst to discuss the entity's role on the project.

Awarded Project - Subaward Setup

Congratulations on your proposal being funded!

For Contractors/Vendors/Consultants, please reach out to BOC or your Business Manager to initiate the agreement through the UC Davis Business Contracts office.

For Subrecipients/Subawards, the Office of Contracts and Grants will process the outgoing subawards. If there are no changes from the proposal budget, our office will typically automatically initiate processing of the subaward. Please note that MCA's to other UC Campuses cannot be issued until the Fund number has been set up which can take a couple of weeks. If you don't hear from your analyst within 2 to 3 weeks, please reach out to them to check on the status of the subaward.

Subaward Setup, Continued

Prior to issuing a subaward, the Office of Contracts and Grants performs a risk assessment and will review the Subawardee's:

- Budgets and Budget Justifications to confirm allowable costs, correct indirect cost rate, cost share, etc...
- Federal Single Audit Findings
- Debarment and Suspension Status
- Unique Entity Identifiers (UEI), if federal funds

Based on the risk assessment, additional monitoring requirements may be imposed and will be communicated to the PI.

If any questions or if any revisions are needed, OCG will reach out to the PI prior to issuing the subaward.

Subawards are typically issued in annual increments and confirmation from the PI/PD that the subrecipient has been meeting performance expectations is required prior to releasing subsequent budget year funding.

Subrecipient Monitoring

Regulations require us to monitor the performance of our subrecipients to ensure proper oversight and compliance with the award terms and conditions.

Potential areas of concern could be either programmatic or fiscal.

- Programmatic examples may include items such as progress reports being vague or not submitted at all, deviations from the scope of work, concerns with quality of work, etc...
- Fiscal examples could include items such as expenditures not matching up to the work being performed, low burn rate, large amount of expenses at the end of a project, not providing back-up documentation, etc...

Subrecipient Monitoring – PI Responsibilities

Per federal guidelines, **the Principal Investigator and staff must monitor subrecipients to ensure that 1) performance goals are met, and 2) subrecipients comply with Federal laws and regulations and with the provisions of the agreement that governs the subaward.** This requirement applies to all subawards issued under sponsored programs made to ANR, without regard to the funding source.

The PI must monitor subaward performance to ensure compliance with award terms and satisfactory performance of the project. Upon receipt of a completed subaward agreement, the PI should familiarize themselves with the subaward terms and conditions, subaward scope of work/budget, and prime award requirements including invoicing or progress report requirements. These are the items/requirements that you will be monitoring your subrecipient against during the course of the award.

Subrecipient Monitoring – PI Responsibilities, Cont.

Monitoring activities include:

- Communicate regularly with the subrecipient about project progress.
- Review their performance reports or other specified deliverables on a timely basis. Any unforeseen issues should be documented, investigated, and resolved.
- Conduct on-site visits to evaluate subrecipient's compliance with the project's objectives.
- Verify their compliance approvals are up to date.
- Additional monitoring requirements may be required depending on OCG's risk assessment.

PI and staff must **maintain documentation** and be prepared to demonstrate their compliance with the subrecipient monitoring requirements to provide to auditors upon request.

Processing Subaward Invoices – PI Responsibilities

- PI must review and authorize payment of sub recipient invoices to verify the completeness and acceptability of work performed, the reasonableness of expenditures, and fulfillment of any cost-sharing commitments.
- Request additional information if any concerns or significant deviations from approved budget prior to approving an invoice for payment. Budget changes might require prior approval from the sponsor before approving the invoice.
- Invoices must be signed by the Subrecipient's authorized official and include the federally required certification language. If not included, the invoice must be returned to the subrecipient for revision.
- After the PI approves the invoice, the PI must reach out to their applicable BOC/Statewide/REC program account manager. The PI must either sign the invoice itself or communicate their approval via email as supporting documentation for the financial transaction.

Amending Subawards

As mentioned previously, subawards are typically issued in annual increments.

Also, during the project other changes may be required. For example, changes may include budget revisions, scope of work revisions, changes in key personnel, carry forward approval, or no cost time extensions.

To request a subaward amendment be issued, the PI should send an email to their OCG analyst with the request and provide confirmation whether the subrecipient has been meeting performance expectations.

Helpful Resources

Budget Preparation:

https://ucanr.edu/sites/anrstaff/Administration/Business_Operations/Contracts_-_Grants/Proposals/Budget_Preparation/Subrecipients/

Fiscal Oversight:

https://ucanr.edu/sites/anrstaff/Administration/Business_Operations/Contracts_-_Grants/Award_Management/Fiscal_Oversight/

Monitoring Your Subawardee

PI Subrecipient Monitoring Responsibilities summary document

<https://ucanr.edu/sites/anrstaff/files/372709.pdf>

Helpful Resources

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OFFICE OF CONTRACTS AND GRANTS

UC AGRICULTURE AND NATURAL RESOURCES

Subrecipient Monitoring – PI Responsibilities

Per federal guidelines, the **Principal Investigator and staff must monitor subrecipients to ensure that 1) performance goals are met, and 2) subrecipients comply with Federal laws and regulations and with the provisions of the agreement that governs the subaward.** This requirement applies to all subawards issued under sponsored programs made to ANR, without regard to the funding source.

Responsibilities

The Principal Investigator (PI) or Project Director (PD) must monitor subaward performance to ensure compliance with award terms and conditions and satisfactory performance of the subrecipient's portion of the project. Upon receipt of a completed subaward agreement, the PI/PD should familiarize themselves with the subaward terms and conditions, subaward scope of work/budget, and prime award requirements including invoicing or progress report requirements. These are the items/requirements that you will be monitoring your subrecipient against during the course of the award.

Monitoring activities include:

- PI/PD should maintain an active collaboration and communicate regularly with the subrecipient PI about project progress.
- PI/PD should review technical performance reports or other specified deliverables on a timely basis. Is the Subrecipient sticking to their Statement of Work? Is the content and form of the deliverables/reports satisfactory and provided by the required due dates? Any unforeseen issues should be documented, investigated, and resolved.
- PI/PD and staff should perform an expense-to-budget comparison when reviewing invoices.
- PI/PD will review and authorize payment of sub recipient invoices to verify the completeness and acceptability of work performed, the reasonableness of expenditures, and fulfillment of any cost-sharing commitments.

Questions?

Contact us at: ocg@ucanr.edu

OCG website with analyst assignments and contact information:

https://ucanr.edu/sites/anrstaff/Administration/Business_Operations/Contracts_-_Grants/#Staff

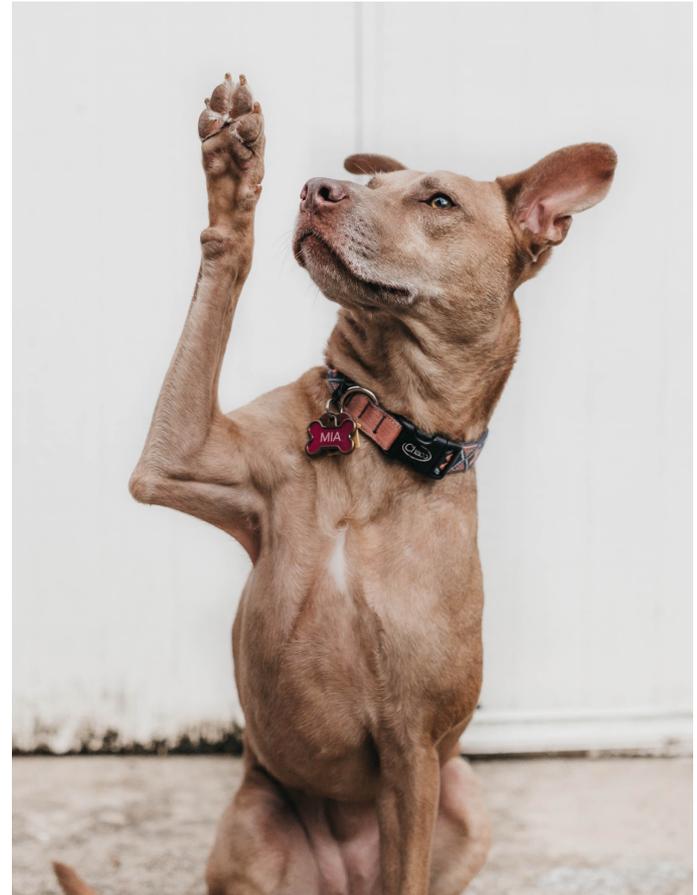


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