

<b>Policies of the University of North Texas at Dallas</b>	Chapter 13.000
<b>13.007 Sub-Awards and Sub-Award Monitoring</b>	<b>Research</b>

**Policy Statement.** In accepting a sponsored project award, UNT Dallas has legally committed itself to fulfill the purposes and requirements of the sponsored project through use of university personnel, resources, and facilities. When UNT Dallas makes a sub-award to assign responsibility for conducting a portion of the work required to a sub-recipient, UNT Dallas remains responsible to the sponsor for management of the funding and meeting performance requirements. This policy establishes guidelines for: (i) stewardship of funds used to pay sub-recipients; (ii) confirming that UNT Dallas and its sponsors receive value for funds expended; and (iii) promoting appropriate responsibility and accountability in university/sub-recipient relationships. Additionally, this policy promotes compliance with federal and state legal requirements related to sub-recipient monitoring.

**Application of Policy.** Faculty and staff engaged in sponsored project activities.

**Definitions.**

1. **Award.** “Award” means a grant, contract, subcontract, sub-grant, or cooperative agreement that provides funding from an external sponsor of a sponsored project and is entered into between the sponsor and UNT Dallas.
2. **Contract.** “Contract” means any written agreement or other document that creates a legally binding obligation, financial or otherwise, for UNT Dallas.
3. **Contractor.** “Contractor” means a consultant, vendor, or service provider who provides ancillary goods or services that UNT Dallas needs to conduct a sponsored project research activity. Examples include, but are not limited to, an entity or person who provides:
  - a. Expert advice or consulting
  - b. Non-University labor or services paid for as a “fee for service”
  - c. Commercially available supplies and expendable materials
  - d. Equipment or component parts for fabricated equipment or equipment which will be delivered to and used by the sponsor or an entity designated by the sponsor
4. **OMB Circular A-21.** “OMB Circular A-21” means United States Office of Management and Budget (OMB) Circular A-21, “Cost Principles for Educational Institutions,” relocated to 2CFR, Part 220, as revised or superseded.

5. OMB Circular A-110. “OMB Circular A-110” means United States Office of Management and Budget (OMB) Circular A-110, “Uniform Administrative Requirements for Grants and Other Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations,” relocated to 2 CFR, Part 215, as revised or superseded.
6. OMB Circular A-133. “OMB Circular A-133” means United States Office of Management and Budget (OMB) Circular A-133, “Audits of States, Local Governments, and Non-Profit Organizations” and August 2017 Compliance Supplement, as revised or superseded.
7. Pass-through Entity. A “pass-through entity”, “PTE”, or “prime recipient” means the direct recipient of funding from a sponsor who passes award funding to a sub-recipient through a sub-award to carry out a portion of the sponsored project. The PTE assumes responsibility for negotiation, issuance, oversight, and management of a sub-award. The PTE also assumes many of the responsibilities typically assigned to a sponsor in issuance and oversight of an award, including verification of the financial viability, adequacy of compliance controls, and audit status of its sub-recipients as well as oversight and verification of a sub-recipient's fulfillment of its portion of the sponsored project.
8. Principal Investigator. “Principal Investigator” (PI) means a single individual who, in the event of an award from an external funding agency, shall have the full and final responsibility for the conduct of the sponsored project as proposed and as set forth in the award.
9. Sponsor. “Sponsor” means any external entity that provides funding to UNT Dallas for Sponsored Projects. Sponsors may be (i) governmental agencies (for example: federal, state, or local governments or their administrative organizations); (ii) nonprofit organizations (for example: universities, nonprofit corporations, foundations, or associations); (iii) for-profit organizations (for example: corporations, partnerships, sole proprietorships, and other business entities); or (iv) individuals. Governmental, nonprofit, and for-profit sponsors are sometimes referred to by themselves and others as “agencies.”
1. Sponsored Project. “Sponsored Project” means a project funded by an external sponsor through a grant or contract with UNT Dallas where one or more of the following obligations apply (examples of sponsored projects include but are not limited to instruction projects, public service projects, or research projects):
  - a. Financial obligation – UNT Dallas is required to comply with conditions imposed when a sponsor awards funding for the performance of services or delivery of products described in a statement of work;

- b. Regulatory obligation – UNT Dallas is required to comply with sponsor regulations, which may include federal or state regulations;
  - c. Reporting obligation – UNT Dallas is required to provide to the sponsor technical performance reports or regulatory or administrative reports;
  - d. Performance Obligation – UNT Dallas is required to perform within a certain period and may be required to meet other specified requirements related to performance;
  - e. Accounting obligation – UNT Dallas is required to establish a separate accounting record of project expenditures to demonstrate allowance of costs, to maintain financial accountability, to provide financial reports to the sponsor, and to preserve appropriate records for audit purposes.
10. Sub-award – a “sub-award” (also referred to as sub-grant if the prime award is a grant, and sub-contract if the prime award is a contract or sub-agreement) means a secondary award provided by a PTE to a sub-recipient in order for the sub-recipient to carry out a portion of the sponsored effort required under the terms of the primary award between the sponsor and the PTE. The definition also includes sub-awards made by a sub-recipient to a lower tier sub-recipient. Sub-awards differ from procurement contracts used to acquire goods or services from vendors.
11. Sub-recipient – A “sub-recipient” means the recipient of a sub-award from a PTE for the performance of a portion of the work statement or programmatic effort required by a prime award. The sub-recipient's responsibility under a sub-award is also called "programmatic decision-making" under federal funding terminology. The sub-recipient is accountable to the PTE for the use of sub-award funding. The sub-recipient may be another educational institution, an independent laboratory, a foundation, a for-profit corporation, a non-profit corporation or other organization, and may be a domestic or foreign entity. A sub-recipient may be referred to as a sub-awardee, sub-grantee, or lower-tier institution.
12. Sub-recipient Monitoring – “Sub-recipient Monitoring” means a compliance requirement obligating a prime recipient of an award to monitor activities of sub-recipients. This requirement is in accordance with the terms of the prime award grant or contract, as well as applicable federal and state regulations, to assure that awarded funds are used for authorized purposes and to ensure that performance obligations are achieved.
13. Uniform Guidance – “Uniform Guidance” means *OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 2 CFR Part 200, et al.* The Office of Management and Budget (OMB) issued *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal*

*Awards in the Federal Register.* The Uniform Guidance replaces the administrative, accounting, and audit rules and principles currently promulgated in the OMB Circulars, including A-21, A-110, and A-133. The Uniform Guidance took effect on December 26, 2014.

**Procedures and Responsibilities.**

1. The Office of Sponsored Projects (OSP) is the administrative office responsible for reviewing, negotiating, and submitting grants and contracts related to sponsored project sub-awards for signature by the sub-recipient and the appropriate representative for UNT Dallas. In performing these responsibilities, the OSP shall ensure compliance with the prime award, federal and state laws and regulations, institutional policies, and UNT System Regents Rules.

Responsible Party: OSP

2. The Principal Investigator (PI) is responsible for determining the need for a sub-award and providing notice and justification for selection of the sub-recipient to the OSP. The PI's original proposal must include a separate statement of work and line-item budget for each proposed sub-award. The OSP is responsible for reviewing award proposals prior to submission to ensure that sub-awards are allowable and appropriately budgeted for in the prime award. Unless the Provost and Executive Vice President for Academic Affairs makes an exception, the OSP shall issue a sub-award only after receiving a fully executed prime award from a sponsor.

Responsible Party: OSP

3. Before entering into a relationship with another entity in which the entity will provide goods or services or substantive, programmatic work to UNT Dallas that relates to an award, the OSP must determine the nature of the legal relationship between UNT Dallas and the other entity. The classification of contractor versus sub-recipient will determine the type of legal agreement required to document the relationship. Properly classifying the relationship is essential because it determines the allocation of responsibilities as well as influences the appropriate application of indirect cost rates, proper accounting for costs, and other compliance requirements. In making the determination regarding classification, the OSP shall follow the Uniform Guidance requirements set forth in 2 CFR §200.330. The OSP shall document its determination of classification of contractor versus sub-recipient and shall retain documentation in the file for the prime award.

Responsible Party: OSP

4. Risk Assessment and Rating. Prior to issuing a sub-award, a prospective sub-recipient shall be required to complete and return a UNT Dallas Sub-Recipient Risk

Assessment Questionnaire to the OSP. The OSP will assess and document the sub-recipient's risk of non-compliance considering the following factors and any other factors determined to be relevant:

- a. Responses to the UNT Dallas Sub-Recipient Risk Assessment Questionnaire;
- b. Prior experience with the sub-recipient;
- c. Sub-recipient's previous audit results;
- d. Sub-recipient's direct federal funding and monitoring results;
- e. Sub-award amount, complexity, and original funding source (federal, state, private);
- f. Percent of total award amount passed through;
- g. Proximity of worksite in relation to the sub-recipient's main operations;
- h. Significance and complexity of the sub-recipient's cost share commitment;
- i. Sophistication of and changes in sub-recipient's personnel and/or systems; and
- j. When the sub-award involves federal funding:
- k. Sub-recipient's inclusion on the list of debarred and suspended (excluded) parties (at SAM.gov or successor website to ensure that the sub-recipient is eligible to receive federal contracts or assistance);
- l. Sub-recipient's ability to comply with federal audit requirements;
- m. Status of sub-recipient's property control system (either federally approved or meets federal property regulations, unless exempted by special terms and conditions).

After assessing sub-recipient capabilities and resources, the OSP, in conjunction with OSP Accounting, shall set a "Risk Rating" for the sub-recipient. For UNT Dallas, there are two risk ratings: low and high. A high-risk rating is for all sub-recipients who have never completed business with UNT Dallas previously, all foreign sub-recipients, all for-profit sub-recipients, and all entities that do not conduct a single audit. At the discretion of the OSP, other sub-recipients may be rated as high-risk. The OSP shall notify the PI of a sub-recipient's risk rating.

Responsible Party: OSP and OSP Accounting

5. Sub-awards shall be set forth in a written document negotiated by the OSP and executed by an appropriate representative for UNT Dallas. The terms and conditions of the sub-award shall be consistent with the sub-recipient's risk rating. A sub-award shall include the following information and must document the terms of the sub-recipient's responsibilities regarding:
  - a. Federal award identification elements, if applicable (CFDA name and number, FAIN, award date, agency name, agency contact information, R&D indicator, FFATA information, etc.);

- b. Flow-down provisions from the prime agreement and any additional risk-based conditions are imposed;
- c. Additional terms necessary to mitigate risk;
- d. Performance obligations;
- e. Period of performance;
- f. Appropriate indirect cost rate;
- g. Sub-award budget and any revision restrictions;
- h. Cost accounting systems;
- i. Property management, when applicable;
- j. Invoicing;
- k. financial and performance reporting requirements and other reporting as necessary;
- l. Audit requirements;
- m. Procedures and timeline for award closeout; and
- n. Remedies for noncompliance.

The OSP shall ensure that sub-agreements executed with sub-recipients are accurate, complete, and compliant with the prime award.

Responsible Party: OSP, Principal Investigator

- 6. When the Principal Investigator has an interest in or a relationship with the sub-recipient entity, it shall be managed as required by UNT Dallas Policy 13.009, *Professional Commitment and Conflicts of Interest in Research*.

Responsible Party: OSP, Principal Investigator

- 7. Sub-awards related to federally-sponsored prime awards issued prior to December 26, 2014 are subject to OMB Circular A-21, OMB Circular A-110, and OMB Circular A-133. Sub-awards related to federally sponsored prime awards issued December 26, 2014 or later are subject to the Uniform Guidance. A federal sponsor may require adoption of the Uniform Guidance on awards made prior to December 26, 2014, in which case the Uniform Guidance shall apply.

Responsible Party: OSP; Principal Investigators; faculty and staff engaged in sponsored project activities

- 8. In accordance with Regents Rule 03.900, *Delegation of Authority for Contracts and Agreements*, and UNT Dallas Policy 4.002, *Contracts and Agreements*, the OSP shall obtain authorized signatures on the final sub-award grant or contract from the appropriate representative for UNT Dallas and the sub-recipient. The OSP shall provide a copy of the fully executed sub-award grant or contract to the PI.

Responsible Party: OSP

9. Sub-recipient Monitoring. As a recipient of federal funding, UNT Dallas is required under Uniform Guidance to monitor the activities of sub-recipients to ensure that sub-award funding shall be used for an authorized purpose and in compliance with laws, regulations, and terms of the prime award.

The OSP, OSP Accounting, and the PI shall be responsible for verifying and documenting, with appropriate evidence, a sub-recipient's compliance with the requirements of this policy and the terms and conditions of the sub-award when sub-awards are executed, prior to payment of each invoice, and at the closeout of all sub-awards.

The OSP shall obtain a completed Sub-recipient Monitoring Form from a prospective sub-recipient prior to the issuance of a sub-award. Thereafter, on an annual basis, the OSP shall obtain a new Sub-recipient Monitoring Form from the sub-recipient. For sub-recipients that report material weaknesses specifically related to sponsored project activities contained in the pending sub-agreement or do not provide the completed Sub-recipient Monitoring Form in a timely manner, the OSP shall develop and implement a plan of corrective action.

The PI holds final approval rights for all technical components of the sub-award. The PI shall be responsible for reviewing sub-recipient invoices and providing payment approval to Sponsored Projects Accounting by signing sub-recipient invoices attesting that the stipulated sponsored project scope of work is being or has been completed according to specifications and schedules in the statement of work. This enables the PI to monitor the rate of expenditure to determine if costs are reasonable, confirm that the work is progressing as planned and in accordance with spending, and determine if there will be sufficient funds for the duration of the project. The PI is responsible for monitoring all work in progress. At a minimum, this shall entail regular, informal contact with the sub-recipient (although monthly or quarterly technical reports should be required in the sub-award agreement if the PI or the OSP deems necessary). If required, the PI shall ensure the receipt of reports on a timely basis. The PI shall maintain documentation of any communication with the sub-recipient during the performance period of the sub-award. The PI must follow OSP procedures for monitoring sub-recipient compliance during the period of performance of the sub-award and during closeout of the sub-award.

Sub-award invoices presented to OSP Accounting for payment must be signed by the PI. OSP Accounting shall perform a secondary review of all approved invoices to ensure they meet budgetary restrictions. When necessary, additional documentation or clarification may be requested from the sub-recipient to ensure unallowable costs do not exist. Such documentation or clarification may include, but is not limited to, the following:

- a. Clarification of invoiced charges that appear unusual, excessive, or questionable;
- b. Detailed documentation to verify the allow ability of a cost;
- c. Payroll records;
- d. Copies of paid invoices;
- e. Descriptions of services performed; and
- f. Travel documentation.

Responsible Party: OSP, OSP Accounting, Principal Investigator

10. In the event of noncompliance, nonperformance, or inadequate performance by the sub-recipient, the PI should immediately contact the OSP to discuss possible courses of action, which may include withholding payment, suspending work, or terminating the sub-award. Decisions regarding such actions can only be made by and issued by the OSP; the PI should not discuss such possibilities with the sub-recipient without first speaking with the OSP because of potential legal implications.

Responsible Party: OSP, Principal Investigator

11. Sub-Award Closeout. The OSP, OSP Accounting, and the PI must begin sub-award closeout actions immediately following conclusion of the sub-award period of performance and/or when final technical deliverables are received and financial matters are concluded. Sub-award closeout requirements must include, but are not limited to, the following:
  - a. Receipt of final invoice;
  - b. Collection of all required deliverables (technical/progress reports, patent/invention documentation, equipment reports, patent reports, financial reports, audit documentation, etc.) to be provided by the sub-recipient and final verification of technical completion by the PI, indicated by the PI's signature and date on the final invoice;
  - c. Completion of any necessary final review of costs charged to the UNT Dallas by the sub-recipient and final closeout of all commitments, accrued costs, or payables.
  - d. Completed Sub-recipient Release Form.

The PI is responsible for seeing that an acceptable final report and all deliverables are received from the sub-recipient. OSP Accounting shall be responsible for overseeing all financial aspects of the closeout and the OSP shall be responsible for overseeing all non-financial aspects of the closeout. If there is a problem obtaining a final report from a sub-recipient, the PI should promptly notify the OSP. The PI must review and approve the final invoice for authorization of the final payment to the sub-recipient. Final payment to a sub-recipient shall not be approved until all closeout documents and deliverables have been received and approved by the OSP.

During the closeout process for a sub-award, the OSP, OSP Accounting, and the PI shall ensure adherence with the closeout requirements of the prime award to which the sub-award is related.

Responsible Party: OSP, OSP Accounting, Principal Investigator

12. The OSP shall maintain official files of each sub-award in accordance with the terms of the prime award, UNT Dallas Policy 4.003 *Records and Information Management*, and applicable federal and state regulations; and the OSP shall continue to do so until conclusion of the sponsor audit (or audit vulnerability period) and the conclusion of the record retention period set out in UNT Dallas Policy 4.003 *Records and Information Management*. During this period, OSP Accounting shall maintain the accounting records and documentation of expenditures for sub-awards.

Responsible Party: OSP

#### **References and Cross-references.**

- UNT System Regents Rule 03.900, Delegation of Authority for Contracts and Agreements
- UNTD Policy 4.002, Contracts and Agreements
- UNTD Policy 4.003, Records and Information Management
- UNTD Policy 13.001, Sponsored Projects
- UNTD Policy 13.002, Sponsored Project Proposals
- UNT Policy 13.003, Sponsored Project Awards
- UNTD Policy 13.009, Professional Commitment and Conflicts of Interest in Research

#### **Forms and Tools.**

- Principal Investigator Handbook
- Sub-recipient Risk Assessment Questionnaire
- Sub-recipient Monitoring Form
- Sub-Recipient Release Form

Approved: 8-1-2018

Effective: 9-1-2018

Revised: