

## **VI. Sub-Awards/Sub-contracts (New subcontracts only)**

After the research award is received/accepted by the University and an award/project is setup by Grant & Contracting Accounting Office, it is the Principal Investigator's (PI) responsibility to begin processing the sub-award to the subrecipient.

### **A. Definitions:**

**Auditee** means a non-Federal entity that expends Federal awards which must be audited under Circular OMB A-133.

**Auditor** (OMB Circular A-133) means an auditor, that is a public accountant or a Federal, State or local government audit organization, which meets the general standards specified in generally accepted government auditing standards (GAGAS).

**Federal awarding agency** (OMB Circular A-110) means the Federal agency that provides an award to the recipient.

**Pass-Through Entity** (OMB Circular A-133 A-105) means a non-Federal entity (URI) that provides a Federal award to a subrecipient to carry out a federal program.

**Recipient** (OMB Circular A-110) means an organization receiving financial assistance directly from Federal awarding agencies to carry out a project or program.

**Sponsor** refers to the organization that makes an award to URI.

**Sub-award/sub-agreement/sub-contract** is a formal contract between URI and a sub-recipient to perform part of the statement of work in a URI sponsored research project.

**Subrecipient** (OMB Circular A-110) means the legal entity to which a sub-award is made and which is accountable to the recipient for the use of the funds provided.

(OMB Circulars A-110, A-133) means a non-Federal entity that expends Federal awards received from a pass-through entity to carry out a Federal program, but does not include an individual that is a beneficiary of such a program.

There must be an arms length relationship between URI and its subrecipients. If an arms length relationship exists, then it must be disclosed, and approved in writing by the Conflict of Interest committee. The subrecipient may also be another educational institution, a foundation, a for-profit entity or a non-profit entity.

**Vendor** (OMB Circular A-133 A-105) means a dealer, distributor, merchant or other seller of goods or services that are required for the conduct of a sponsored program.

## **B. Subrecipient and vendor determinations.** (OMB Circular A-133 B-210)

(a) **General.** *An auditee may be a recipient, a subrecipient, and a vendor. Federal awards expended as a recipient or a subrecipient would be subject to audit under this part. The payments received for goods or services provided as a vendor would not be considered Federal awards. The guidance in paragraphs (b) and (c) of this section should be considered in determining whether payments constitute a Federal award (sub award) or a payment for goods and services.*

(b) **Federal award.** *Characteristics indicative of a Federal award received by a subrecipient are when the organization:*

(1) *Determines who is eligible to receive what Federal financial assistance;*

(2) *Has its performance measured against whether the objectives of the Federal program are met;*

(3) *Has responsibility for programmatic decision making;*

(4) *Has responsibility for adherence to applicable Federal program compliance requirements; and*

(5) *Uses the Federal funds to carry out a program of the organization as compared to providing goods or services for a program of the pass-through entity.*

(c) **Payment for goods and services.** *Characteristics indicative of a payment for goods and services received by a vendor are when the organization:*

(1) *Provides the goods and services within normal business operations;*

(2) *Provides similar goods or services to many different purchasers;*

(3) *Operates in a competitive environment;*

(4) *Provides goods or services that are ancillary to the operation of the Federal program; and*

(5) *Is not subject to compliance requirements of the Federal program.*

(d) **Use of judgment in making determination.** *There may be unusual circumstances or exceptions to the listed characteristics. In making the determination of whether a subrecipient or vendor relationship exists, the substance of the relationship is more important than the form of the agreement. It is not expected that all of the characteristics will be present and judgment should be used in determining whether an entity is a subrecipient or vendor.*

*(e) For-profit subrecipient. Since A-133 does not apply to for-profit subrecipients, the pass-through entity is responsible for establishing requirements, as necessary, to ensure compliance by for-profit subrecipients. The contract with the for-profit subrecipient should describe applicable compliance requirements and the for-profit subrecipient's compliance responsibility. Methods to ensure compliance for Federal awards made to for-profit subrecipients may include pre-award audits, monitoring during the contract, and post-award audits by URI or sponsor.*

In addition URI should include the following in the subcontract:

- Subrecipients shall account for expenditures in accordance with generally accepted accounting principles.
- Subrecipients shall retain record for a period of three years from the completion date or longer if required by the award.
- Annually inform URI of any reportable conditions by auditors regarding the sub-contract with the University.
- Language regarding patents, inventions, copyrights and publications
- Required insurance type and amounts
- Flow down clauses from the sponsor including disposal of equipment
- Indemnification and termination clauses
- Requests of verification of F&A and Fringe benefits rates
- Prohibition against reassigning work

*(f) Compliance responsibility for vendors. In most cases, the auditee's compliance responsibility for vendors is only to ensure that the procurement, receipt, and payment for goods and services comply with laws, regulations, and the provisions of contracts or grant agreements. Program compliance requirements normally do not pass through to vendors. However, the auditee is responsible for ensuring compliance for vendor transactions which are structured such that the vendor is responsible for program compliance or the vendor's records must be reviewed to determine program compliance. Also, when these vendor transactions relate to a major program, the scope of the audit shall include determining whether these transactions are in compliance with laws, regulations, and the provisions of contracts or grant agreements.*

If the contract does not meet either of the above definitions then the vendor will be treated as Independent Contractor ([URI Purchasing Manual Section 2.7](#)) and an Independent Contractor Questionnaire <http://www.uri.edu/hr/> needs to be completed.

### **C. Proper Classification Resolution**

The Principal Investigator and the Research Office will make the initial decision at the proposal stage of classifying the work required based on the guidelines of section B above. If there is disagreement at any time the party who believes the transaction is misclassified may petition in writing to the URI Controller and include the reasons why the transaction is misclassified. The

Controller shall render the final decision in writing, since he/she has authority to approve purchasing exceptions.

**In order for a sub-award agreement to be drawn up, the following conditions must be met:**

- The sub-award must be budgeted in the URI proposal budget.
- The role of subrecipient/sub-award must be explained in the proposal.
- A letter of intent is required from the collaborating institution/company.
- If the sub-award is with a for-profit company and the PI is recommending a sole source or the company is named in the proposal then the PI must attach a sole source justification form. [URI Purchasing Manual Section 2.5](#), [Sole Source Form and Instructions](#)

**D. Requesting a Sub-Award/Sub-Contract**

**The PI begins the process by sending a completed college requisition, containing the information itemized below to Grant and Contract Accounting:**

- Legal name, address, PeopleSoft (PS) vendor # of subrecipient.
  - If the subrecipient is not in PS, it is the PI's responsibility to obtain a [W9 Request for Taxpayer Identification Number and Certification](#), and forward it to General Accounting
- **Specify** if the subrecipient is for-profit **or non-profit**
- Subrecipient PI contact name, address, phone and fax
- Subrecipient administrative contact name, address, phone, e-mail and fax
- Specify dollar amount
  - If an amendment, include amount of increase/decrease and /or changes in contract dates
- Beginning/ending date of sub-contract
- URI project number and account codes
  - 5447 < \$25,000 F&A charged
  - 5446 > \$25,000 No F&A charged
- Please send invoices to:
  - URI Accounting Office, 103 Carlotti Administration Building, 75 Lower College Road, Kingston, RI 02881
  - URI Accounting Office GSO, Fish Building, South Ferry Road, Narragansett RI 02882 .....
- Statement of work specific to the subrecipient (**attachment from proposal**)
- Budget specific to the subrecipient (**attachment from proposal**)

**URI Grants & Contract Accounting (G&CA) Office will review:**

- Availability of funds
- Allowability
- Start and end date of the sub-award
- Amount of the sub-award (budget)
- Signature authorization
- Account Code Verification

- After approval, G&CA Office will forward the requisition package to the Research Office, Office of Sponsored Projects Review (OSPR).

### **Office of Sponsored Projects Review (OSPR) responsibilities**

- OSPR working with the PI will be responsible for the completion of the sub-contract.
- Sub-contract (3 copies) is prepared by OSPR and sent to the subrecipient for review, acceptance and approval.
- The subrecipient returns three signed original sub-contracts to the OSPR.
- OSPR sends the college requisition package with two signed original sub-contracts to the Purchasing department
- The Purchasing department encumbers a purchase order and sends:
  - The original sub-contract and P.O. to the subrecipient
  - A copy of the P.O. and sub-contract to the department
  - A copy of the P.O. and sub-contract to Accounts Payable (A/P)
  - A copy of the P.O. and the original sub-contract is kept in Purchasing

### **Principal Investigator responsibilities**

- The PI is responsible for the monitoring the programmatic progress and financial payments of the sub-contract.
- The PI must carefully review the invoices for spending in accordance with the approved budget and sub-contract.
- The PI or appointed designee must write the P.O number, sign and date the invoice, indicating approval of expenditures then forward to the A/P department in a timely manner.
- The final invoice is must be marked “**Final**” and a copy of the PO must also be marked “**Final**” and sent to A/P department.
- The PI needs to make sure that all required reports are submitted in a timely manner.
- If an amendment is required to the PO, then an advice of change on URI college requisition needs to be completed, please include a copy of the original PO and forward it to G&CA for review.
- If a PO needs to be canceled prior to the end of the contract date, then a college requisition needs to be processed and forwarded to G&CA for approval.