UNIVERSITY OF MIAMI
SPONSORED PROGRAMS POLICIES AND PROCEDURES

Section F: Cost Principles
Policy F1.5: Subcontracts/Subgrants

Approval: April 22, 1996
Reviewed: December 2006

PURPOSE:

To establish the policy and procedures when the university is contracting a significant part of research or substantive effort under a sponsored award to a third party, i.e., subcontract or subgrant agreements. This policy does not supersede the requirements established in the sponsored award document.

DEFINITIONS:

Subgrant/Subcontract: An award of financial assistance originating under a grant or contract received by the University. The award issued by the University to a subgrantor or subcontractor is referred to within this policy as 'subcontract'.

Project Activities: are specialized activities that are central to the purposes of the sponsored award and are not general in nature, such as overhead type services, clerical or transportation activities, and purchase of supplies, equipment, or automatic data processing services. Contracts for general type activities are considered vendor contracts and not subcontracts. In cases of reasonable doubt as to whether a given activity is a project activity or a general activity, the Research Administration Office judgment will govern.

Prime Award: An award of financial assistance (grant or contract) when received directly from the awarding agency. If the award is received from the prime award recipient, it is considered a subcontract.

Third Party: Any organization legally distinct from the university (whether affiliated or not with the university) or any individual not employed by the university other than a consultant or volunteer acting directly under the university’s direction and control.

POLICY:

The university requires:

- any subcontract be awarded on a competitive basis to the maximum extent practicable while remaining consistent with the objectives and requirements of the prime award;
- the subcontract be consistent with the university’s policy regarding the use of small and minority-owned businesses;
- all subcontracts to be written documents and, at minimum, to detail the activities to be performed, the period of performance, the maximum amount of money for which the university may become liable, and any special reports required by the university. Subcontracts will also state or incorporate by reference the clauses and restrictions of the prime award that are applicable to the subcontract.
In all instances, the university will ensure that sufficient rights and controls over the subcontracts are retained to enable the university to fulfill its responsibilities and accountabilities to the sponsor under the prime award.

In no event will a subcontract be entered into which allows the reimbursement on a cost-plus-a percentage-of-cost basis. Furthermore, no subcontract will be entered into which will adversely influence the performance of the project, including the quality of the product, the cost of the project, or the timeliness of its completion.

Subcontractors are required to submit to the university an audit report under OMB Circular A-133 for any subcontracts issued equal to $300,000 or greater, unless they are a foreign entity.

REFERENCES:

*PHS Grants Policy Statement*
*NSF Grants Policy Manual*
*OMB Circular A-133*

PROCEDURES:

1. Excluding the procurement of supplies, materials, equipment, or general support services, no significant part of the research or substantive effort under a sponsored award may be contracted to another organization without prior agency approval. The intent to enter into such arrangements should be disclosed in the proposal submission.

2. If it becomes necessary to contract a significant part of the research or substantive effort after a grant has been made, approval from the awarding agency must be obtained in writing prior to making a commitment to subcontract.

3. Subcontracts must be approved by appropriate university officials. This approval process is the same as that used for proposal approval. See Sponsored Programs Policy/Procedure section B, Proposal Preparation.

4. At minimum, the subcontract must include the following:
   - scope of work;
   - identification of the proposed subcontractor, contact person, address, and phone number;
   - the proposed subcontract price;
   - identification of the type of subcontract to be used (i.e., reimbursable and fee-for-services);
   - the methodology proposed by the principal investigator (PI) to monitor execution of the subcontract;
   - clause for changes which require written approval;
   - clause identifying payment method to subcontractor;
   - authorized start and end dates;
   - termination clause;
   - liability clause;
   - clause stating the prime award terms and conditions apply to the subcontract;
– subrecipient audit clause;
– the CFDA title and number as reflected in the federal prime award and the CSFA title and number as reflected in the state prime award, and
– other information as required by the contract officer and university reviewers.

5. Research Administration (Pre-Award) will assist in preparing a subcontract and aid in selecting the appropriate type of agreement. Copies of blank subcontracts are available in the Research Administration website.

6. Lease agreements and the purchase of equipment are covered in the following Sponsored Programs Policies/Procedures: F1.2, F1.3, & F1.4. The purchasing department can also provide guidance on these types of agreements.

7. All subcontracts will be in the name of the university and, therefore, will be approved and signed only by an authorized officer of the university.

8. A subcontract will not be entered into without a review of the applicable prime award clauses and the flow-through of required clauses. In a dispute concerning a subcontract, Research Administration will be notified immediately. If deemed appropriate, the advice of the university’s legal counsel may be sought by authorized personnel.

9. UM’s Principal investigators bear the responsibility for monitoring subrecipients activities as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved. At the discretion of the Principal Investigator to discharge his responsibilities, monitoring procedures may include a combination of any of the following: ongoing communication with the subrecipient, on-site visits, review of progress reports, review of documentation supporting requests for reimbursement, limited scope audits

10. Sponsored Programs - Financial Administration bears the responsibility to request audit reports from the subcontractors as required by OMB Circular A-133.