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| Policies of the University of North Texas | Chapter 13.000 |
| 13.016 Sub-Awards and Sub-Award Monitoring | Research and Innovation |

Policy Statement. In accepting a sponsored project award, the University of North Texas (UNT) has legally committed itself to fulfill the purposes and requirements of the sponsored project through use of university personnel, resources, and facilities. When UNT makes a sub-award to assign responsibility for conducting a portion of the work required to a sub-recipient, UNT 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 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.
2. **Contract.** “Contract” means any written agreement or other document that creates a legally binding obligation, financial or otherwise, for UNT. Contracts related to sponsored project activity can include but are not limited to: documents with the title of contract, agreement, memoranda of understanding, affiliation agreement, cooperative agreement, interagency contract, professional services agreement, letter agreement, letter of intent, nondisclosure agreement, material transfer agreement, or a purchase order.
3. **Contractor.** “Contractor” means a consultant, vendor, or service provider who provides ancillary goods or services that UNT 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 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."
10. Single Audit. "Single Audit" means the organization-wide audit or examination of an entity prescribed in Subpart F of the Uniform Guidance.
11. Sponsored Project. "Sponsored Project" means a project funded by an external sponsor through a grant or contract with UNT 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 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 is required to comply with sponsor regulations, which may include federal or state regulations;

- c. Reporting obligation – UNT is required to provide to the sponsor technical performance reports or regulatory or administrative reports;
 - d. Performance obligation – UNT is required to perform within a certain period and may be required to meet other specified requirements related to performance;
 - e. Accounting obligation – UNT 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.
12. 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.
 13. 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.
 14. 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.
 15. 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 cost principles 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.

- I. Grants and Contracts Administration (GCA) is the administrative office responsible for reviewing, negotiating, and submitting grants. Research Commercial Agreements (RCA) negotiates those sub awards and sub contracts related to sponsored projects or contracts, and is responsible for obtaining signature by the sub-recipient and the appropriate representative for UNT. In performing these responsibilities GCA and RCA shall ensure compliance with the prime award, federal and state laws and regulations, institutional policies, and UNT System Regents Rules.

Responsible Party: GCA and RCA

- II. 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 GCA. The PI's original proposal must include a separate statement of work and line-item budget for each proposed sub-award. GCA is responsible for reviewing award proposals prior to submission to ensure that sub-awards are allowable and appropriately budgeted for in the prime award. RCA shall issue a sub-award only after receiving a fully executed prime award from a sponsor.

Responsible Party: Principal Investigators, GCA and RCA

- III. Before entering into a relationship with another entity in which the entity will provide goods or services or substantive, programmatic work to UNT that relates to an award, GCA must determine the nature of the legal relationship between UNT 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, GCA shall follow the Uniform Guidance requirements set forth in 2 CFR §200.330.

Responsible Party: GCA

- IV. Risk Assessment and Scoring. Prior to issuing a sub-award, a prospective sub-recipient shall be required to (1) complete and return to RCA a UNT Sub-Recipient Monitoring Form; and (2) provide a copy of their most recent Single Audit to RCA. Alternatively, RCA may obtain the most recent Single Audit from the Federal Demonstration Partnership Expanded Clearinghouse (FDP Clearinghouse) if the prospective sub-recipient is a member. If a prospective sub-recipient does not receive a Single Audit, the prospective sub-recipient must complete and return a UNT Risk Assessment Questionnaire to RCA.

RCA 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. Research focus of the sub-recipient and familiarity with U.S. regulations governing the conduct of research;
- b. The maturity of the prospective sub-recipient organization;
- c. Type of award making up the original funding source (Federal or State grants, federal or state cooperative agreements or grants with special conditions, subcontracts, or industry contracts);
- d. Sub-award amount and total percentage of the Prime Award flowing to the sub-recipient;
- e. Ability of sub-recipient's established accounting system to manage federal funds in accordance with federal regulations;
- f. Ability of sub-recipient's established procurement systems to comply with OMB procurement guidelines;
- g. Whether the sub-recipient has a negotiated indirect cost rate agreement;
- h. Sub-recipient's previous Single Audit results;
- i. Inclusion of export-controlled elements in sub-recipient's scope of work;
- j. Inclusion of animal or human subjects in sub-recipient's scope of work;
- k. Audit restrictions and transparency of sub-recipient;
- l. Adequacy of established sub-recipient facilities to perform the work;
- m. Potential for conflict of interest due to relationship between UNT PI and sub-recipient;
- n. Significance and complexity of the sub-recipient's cost-share commitment;
- o. Complexity of sub-recipient's statement of work

RCA will establish a "risk score" for each sub-award using the UNT Risk Assessment Matrix, a weighted scoring tool used to evaluate the total risk based on the compilation of the above-listed factors. For UNT, there are three risk scores: low, medium and high. Low-risk sub-awards do not require an individualized risk mitigation plan, but RCA may require additional risk-mitigating terms for such sub-award. Medium-risk sub-awards undergo an individual assessment by RCA along with GCA to determine whether a Risk Mitigation Plan is needed. High-risk sub-awards require an individualized Risk Mitigation Plan, prepared by RCA in coordination with the Assistant Vice President of GCA. Risk Mitigation Plans will be provided to the PI and must be acknowledged by PI signature prior to issuance of a sub-award.

Responsible Party: RCA and GCA

- V. Sub-awards shall be set forth in a written document negotiated by RCA and executed by an appropriate representative for UNT. 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;
 - c. Additional terms set forth in the Risk Mitigation Plan;
 - d. Certification that the Sub-Awardee is not debarred or suspended;
 - e. Performance obligations;
 - f. Period of performance;
 - g. Appropriate indirect cost rate;
 - h. Sub-award budget and any revision restrictions;
 - i. Cost accounting systems;
 - j. Property management, when applicable;
 - k. Invoicing;
 - l. Financial and performance reporting requirements and other reporting as necessary;
 - m. Audit requirements;
 - n. Procedures and timeline for award closeout; and
 - o. Remedies for noncompliance.

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

Responsible Party: RCA

- VI. When the Principal Investigator has an interest in or a relationship with the sub-recipient entity, it will be managed as required by UNT Policy 13.005, *Conflict of Interest for Sponsored Projects*.

Responsible Party: Principal Investigator, RCA, ORIC and GCA

- VII. 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: Principal Investigators; GCA; RCA; faculty and staff engaged in sponsored project activities

- VIII. In accordance with Regents Rule 03.900, *Delegation of Authority for Contracts and Agreements*, and UNT Policy 10.4, *Contracts and Agreements*, RCA shall obtain authorized signatures on the final sub-award grant or contract from the appropriate representative for UNT and the sub-recipient. RCA shall supply such fully executed sub-award grant to GCA who shall provide a copy of the fully executed sub-award grant or contract to the PI.

Responsible Party: GCA and RCA

- IX. Sub-recipient Monitoring. As a recipient of federal funding, UNT 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.

GCA, College Research Officers (CROs) 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.

For prospective sub-recipients who are participants in the Federal Demonstration Partnership Expanded Clearinghouse (FDP Clearinghouse), RCA shall review the most recent Single Audit and other financial information from the FDP Clearinghouse prior to issuance of a sub-award. If a prospective sub-recipient is not a participant in the FDP Clearinghouse, RCA 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, GCA shall obtain updated information from the FDP Clearinghouse. If a new Sub-recipient Monitoring Form is required from a sub-recipient because they are not included in the FDP clearinghouse, RCA will contact the sub awardee as a part of the negotiation process to obtain the form.

If an active sub-recipient's Single Audit reports any findings of noncompliance, significant deficiencies, or material weaknesses, RCA will coordinate with GCA to assess the risk and,

if necessary, establish a Risk Mitigation Plan for the sub-recipient. The Risk Mitigation Plan will be signed by the AVP of RCA and the PI. 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, GCA 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 the College Research Officers or GCA Post Award by email. By approving the invoice, the PI is 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 action also 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 GCA 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 GCA 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 the CRO's or GCA Post Award for payment must have the PI approval documented. The CRO or GCA Post Award 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 allowability of a cost;
- c. Payroll records;
- d. Copies of paid invoices;
- e. Descriptions of services performed; and
- f. Travel documentation.

Responsible Party: CRO's, GCA Post Award, Principal Investigator

- X. In the event of noncompliance, nonperformance, or inadequate performance by the sub-recipient, the PI should immediately contact GCA 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 GCA; the PI should not discuss such possibilities with the sub-recipient without first speaking with GCA because of potential legal implications.

Responsible Party: GCA, Principal Investigator

- XI. Sub-Award Closeout. The PI, Departmental Administrators, CROs and GCA Post Award, 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 approval of the final invoice.
 - c. Completion of any necessary final review of costs charged to the UNT by the sub-recipient and final closeout of all commitments, accrued costs, or payables.

The PI is responsible for seeing that an acceptable final report and all deliverables are received from the sub-recipient. GCA Post Award shall be responsible for overseeing financial aspects of the closeout and GCA Pre Award shall be responsible for overseeing the non-financial aspects of the closeout. If there is a problem obtaining a final report from a sub-recipient, the PI should promptly notify GCA Pre Award. 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 CRO or GCA.

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

Responsible Party: Principal Investigator, CROs and GCA

- XII. GCA shall maintain official files of each sub-award in accordance with the terms of the prime award, UNT Policy 4.008 *Record Management and Retention*, and applicable federal and state regulations; and GCA 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 Policy 4.008 *Records Management and Retention*. During this period, GCA Post Award shall maintain the accounting records and documentation of expenditures for sub-awards.

Responsible Party: GCA

References and Cross-references.

UNT System Regents Rule 03.900, Delegation of Authority for Contracts and Agreements

UNT Policy 10.4, Contracts and Agreements

UNT Policy 04.008, Record Management and Retention

UNT Policy 13.007, Sponsored Projects

UNT Policy 13.005, Conflicts of Interest for Sponsored Projects

Forms and Tools.

Principal Investigator Handbook

Risk Assessment Matrix

Risk Mitigation Plan Template

Sub-recipient Risk Assessment Questionnaire

Sub-recipient Monitoring Form

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