



PennState

Procedures for the Administration of Penn State Subawards

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OFFICE OF SPONSORED PROGRAMS PROCEDURES FOR THE ADMINISTRATION OF SUBAWARDS

Note: Some procedural variations exist between The Pennsylvania State University's Office of Sponsored Programs (OSP), the Hershey College of Medicine's Office of Research Affairs (ORA), and The Penn State Applied Research Laboratory (ARL). Where such differences exist, this document will outline the procedures utilized in OSP.

I. Introduction

The purpose of this document is to assist faculty and staff of The Pennsylvania State University (Penn State) in the preparation and administration of Penn State issued subawards. Penn State's official policy governing subawards appears in the **Penn State Policy Manual, Policy RA80, "Subawards and Subcontracts."**

Sponsored research funded by financial assistance awards made to Penn State is usually conducted within the physical boundaries of Penn State. On occasion, however, a collaborative effort with one or more other institutions or companies (Subrecipient) for a discrete part of the financial assistance award made to Penn State may be required. When a collaborative effort is required, the Subrecipient shall be required to provide the resources necessary to conduct that portion of the work as a semi-independent project. This would include providing a responsible project director at the work site of the Subrecipient to oversee the program activities. Costs normally associated with a collaborative effort may include any or all of the following: labor costs including fringe benefits, materials and supplies, travel, equipment, miscellaneous other direct costs, and indirect costs. In addition to these costs, it would not be uncommon to include costs such as material overhead, labor overhead, and general and administrative expenses associated with Subrecipients who are commercial organizations.

II. Subaward Relationship

- A. The term Prime Sponsor or Sponsor refers to the governmental agency or other organization that makes a financial assistance award directly to Penn State. The award document is the paperwork processed by the Sponsor and sent to Penn State specifying the terms under which the program will be conducted.
- B. The document which formalizes a collaborative relationship with a third-party institution or commercial organization is called a subaward and the party performing work under a subaward is called the Subrecipient. The document OSP generates to formalize a collaborative relationship with a third party is formally referred to as a subaward.

III. Subaward Procedures

A. Subaward Proposal

- 1. The Subrecipient's proposal format should mirror Penn State's proposal format to the Sponsor. At a minimum the Subrecipient's proposal should include a Signed Letter of Commitment by an Authorized Official Representative (AOR), Statement of Work, Certifications and Representations in the same format as those submitted by Penn State to the Sponsor, a Budget and Budget Justification to include an itemization of categories, such as appropriate salaries, wages, fringe benefits,

materials, supplies, equipment, travel and other direct costs, that are needed to accomplish the required collaborative effort, and Indirect Costs calculated using the Subrecipient's current indirect cost rate(s). A copy of the Subrecipient's negotiated rate agreement should be submitted as part of the Subrecipient's proposal. A copy of the rate agreement is needed to verify the amount of indirect cost requested.

2. In cases where a federally negotiated rate does not exist, the subrecipient should use the de minimis rate of 10%, as defined in 2 CFR Part 200.414, Indirect (F&A Costs). Certain federal agencies may deviate from this guidance; always consult agency guidelines.
3. Penn State prefers to issue fixed price subawards to higher risk for-profit and foreign entities, but prior approval may be required by the prime federal agency for subawards up to \$150,000. Unless the prime federal agency waves the prior approval requirement for fixed price subawards, approval must be received from the prime federal agency before issuing the subaward (reference 2 CFR part 200.333). This should be done at the proposal stage if anticipated at that time (foreign subrecipients). Otherwise, approval may be sought after the prime award is made (risk assessment stage).
4. The Subrecipient's proposal should be signed by a designated business official of the Subrecipient. This individual should be someone who is authorized to commit the Subrecipient's resources toward the completion of the subaward.

B. Incorporating the Subrecipient's Proposal into the Penn State Proposal

1. Subaward costs are included in Penn State's budget as a direct cost to Penn State. When calculating Penn State's indirect costs, exclude that portion of each subaward contained in the proposal which exceeds \$25,000 as required by the Uniform Guidance ([2 CFR § 200](#), Appendix III). (Note: Penn State calculates indirect cost only on the first \$25,000 of each separate subaward issued under any single Sponsored award regardless of the number of budget periods involved during performance.)
2. During proposal processing by the College, or Unit, the Subaward portion of the Penn State proposal is reviewed to ensure that items discussed in this Section III, Parts A and B above, have been incorporated. It may be necessary to clarify costs or other items with Penn State's Project Director and/or the Subrecipient's business official.
3. Proposals being submitted to the National Institutes of Health (NIH) and other PHS agencies are subject to requirements pertaining to Financial Conflict of Interest (FCOI) compliance ([42 CFR Part 50 Subpart F and 45 CFR Part 94](#)) which impact proposed subrecipients. Guidance on how to comply with these requirements can be found at OSP's website: <http://www.research.psu.edu/osp/prepare-proposals/fcoi-and-subrecipients>.

C. Preparing a Subaward

1. Upon Penn State's receipt of a fully executed award from our Sponsor, it is necessary to establish a subaward with the Subrecipient. It is OSP's responsibility to prepare the subaward document after a completed Penn State Sub (PSSUB) Request Form (See Exhibit 1) has been submitted by the College or Unit AOR to OSP. In the event a Subrecipient's proposal was not included in Penn State's proposal, prior written approval from the Sponsor may be required prior to issuance of the subaward.
2. Upon receipt by OSP of the PSSUB Request Form, the Form is reviewed by OSP's Subaward Coordinator for any conflict of interest concerns and for risk assessment purposes (in accordance

with 2 CFR 200.331). The information is then logged into SIMS, using the SIMS generated PSSUB Request Form number and assigned to the appropriate negotiator for document preparation. The Sponsor's award document is reviewed to determine whether the Penn State budget included any subawards and the maximum amount authorized to subaward; whether terms and conditions that are in text form in the Sponsor's award are applicable to the Subrecipient; whether the Subrecipient provided required certifications and representations; whether any general provisions have been incorporated into the Prime award that are required flow-down clauses or clauses that are necessary to protect the interests of Penn State and/or the Sponsor; and whether Sponsor prior written approval is required.

3. The PSSUB Request Form, mentioned above, provides OSP with the necessary information needed to develop the subaward document. Of primary importance is the statement of work and the budget that relates to the proposed effort. It is the responsibility of the project director to identify in the PSSUB Request Form any additional requirements, i.e. specific reporting requirements or equipment ownership.
4. In preparing the subaward document, it is important to "flow-down" to the Subrecipient all applicable terms and conditions of the Sponsor's award, which both Penn State and the Subrecipient must comply with.
5. A Subaward Clearance Form (See Exhibit 2) is completed for each financial action to determine that: the proposed statement of work relates to the collaborative effort identified in Penn State's prime award; the proposed period of performance for subaward effort falls within the Sponsor's award period; the proposed subaward budget corresponds to the budget that was included in Penn State's proposal to the Sponsor; the Subrecipient provided any required certifications; and whether the subaward is to be issued to a for-profit or nonprofit organization.
6. In subawards where it is known that the subrecipient will either be performing work on Penn State premises or representing Penn State at non-Penn State locations, Penn State's Policy HR99 language should be incorporated into the subaward agreement.
7. In subawards where it is known that the subrecipient will be performing work that requires interaction with minors, Penn State's Policy AD39 language should be incorporated into the subaward agreement.
8. Prior to execution of subawards issued under a PHS-Agency prime award, it is necessary to confirm that the subrecipient (1) has their own Financial Conflict of Interest (FCOI) policy that is PHS-compliant; (2) will adopt the FDP Model FCOI policy; or (3) will follow Penn State's FCOI policy. In addition, the subrecipient will certify the above and agree to report any conflict to Penn State's Office of Research Protections before signing the subaward agreement.
9. Subawards subject to the Federal Funding Accountability and Transparency Act (FFATA) requirements should be issued using the appropriate subaward template to recover the data required for reporting and compliance purposes. This applies to subawards greater than or equal to \$30,000 issued under any newly awarded Federal prime grants greater than or equal to \$30,000, dated Oct. 1, 2010 or later. *
10. After considering all the above variables, the subaward document is prepared in accordance with the requirements of the Sponsor's award.
11. The Subaward Agreement templates are designed to accommodate the majority of subawards prepared by OSP. However, changes may be made to address different or complex situations.

*Secondary practice to address compliance with the expanded reporting requirements under Coronavirus Relief Funding – Penn State will identify and monitor through our current system in identifying first tier subawards of \$30,000 (as of November 2020) or more and report timely in FSRS and fully understands that any entity receiving this funding, regardless of the mechanism used to fund that entity, is considered a subrecipient subject to the FFATA reporting requirement. Furthermore, retroactive reviews of agreements will be accomplished monthly and completed by the 15th of each month in order to confirm compliance. As of May 2023, the Office of Central Procurement is conducting a bi-weekly review of all non-PO payments \$30,000 or greater to ensure any transactions meeting FFATA requirements are reported timely and appropriately.

12. If Sponsor's prior written approval is required OSP will contact the College or Unit to request documentation of approval. The Negotiator will work with the College or Unit if needed to obtain approval.
13. If a fixed price subaward is contemplated, it may require prior approval by the sponsoring agency (reference 2 CFR part 200.333). Negotiator should consult Research Terms and Conditions Appendix A (Prior Approval Matrix) and prime agreement terms.
14. The OSP Grants and Contracts Administrator responsible for drafting the subaward will complete the Subaward Clearance Form (See Exhibit 2) and forward to the OSP Grants and Contracts Manager or Director with Award Delegated Signature Authority responsible for signing the subaward.
15. OSP will forward the subaward to the Subrecipient for acceptance and signature. It is standard practice to send a copy of the subaward unsigned by OSP.
16. In cases where the subaward is sent to the Subrecipient unsigned, the following steps will be followed:
 - i. OSP will negotiate all changes to the subaward in close coordination with, and upon receiving input from, the College or Unit, as needed.
 - ii. Upon receipt of a signed document from the Subrecipient, and after review of the Subaward Clearance Form to confirm the subaward is acceptable to sign, an OSP Grants and Contracts Manager or Director with Award Delegated Signature Authority will sign the subaward on behalf of Penn State.
 - iii. OSP will forward one original fully executed subaward to the Subrecipient; distribute copies internally to the College or Unit, and the Project Director; and scan a copy of the fully executed subaward and all supporting documentation into SIMS.
17. When a signed subaward is sent to the Subrecipient, the following steps will be followed:
 - i. OSP will negotiate any requested changes to the subaward in close coordination with, and upon receiving input from, the College or Unit, as needed.
 - ii. Upon receipt of a fully executed document from the Subrecipient, OSP will distribute copies internally to the College or Unit, and the Project Director; and scan a copy of the fully executed subaward and all supporting documentation into SIMS.
 - iii. Subawards should not be sent signed in certain circumstances, including, but not limited to the following:
 - (1) the subaward is issued to a foreign subrecipient
 - (2) the subaward is issued prior to completion of the subrecipient risk assessment.

IV. Post-Award Subaward Administration

A. Technical Monitoring

1. As the prime award recipient, Penn State assumes the ultimate responsibility for the conduct and completion of the project. Subrecipient progress reports should be reviewed thoroughly by Penn

State's Project Director and discussed with the Subrecipient as needed. The Subrecipient's progress report will usually be incorporated into the progress report submitted by Penn State to the Sponsor.

B. Financial Monitoring

1. In accordance with the Payment article of the subaward, Subrecipient's invoices are to be sent to Penn State's financial contact in the applicable College or Unit for review, approval, and processing.
2. Prior to approval by the Project Director, the invoice should be reviewed in accordance with Guideline RAG80 of Penn State's Policy Manual and the invoice checklist (See Exhibit 3). Normally, the Project Director would most likely be familiar with effort performed by the Subrecipient through telephone conversations, technical meetings, progress reports or possibly site visits. If there are questionable expenses in the invoice, such as equipment purchased without required prior approval or more labor charged than Penn State's Project Director feels was expended, the invoice SHOULD NOT BE APPROVED. The College or Unit may consult OSP to resolve any problems with the Subrecipient. Once the College or Unit is satisfied with the invoice, the College or Unit shall process payment(s) through SIMBA.
3. If the invoice received results in an account balance of zero, the College or Unit should be communicating with the subrecipient to confirm that this is the final invoice and that they are not expecting additional funds. College or Unit should confirm that it is marked "Final Invoice", reduce the period of performance (if beyond thirty (30) days from the current end date), and proceed with closeout procedures (Section V).
4. Any problems encountered during the life of the subaward should be appropriately coordinated with Penn State's Project Director; College, or Unit; and OSP.
5. The Subrecipient shall be required to furnish all reports identified in the subaward document.

C. Subaward Amendments

1. Should it be necessary to amend a subaward, the College or Unit should complete and submit a completed PSSUB Request Form to OSP. The request should include the necessary information required to prepare the amendment, i.e., extending project period or period of performance, adding funds, revising, or realigning budgets etc.

D. Termination

1. Should it become necessary to terminate a subaward, OSP shall coordinate the termination with the College or Unit. OSP will expeditiously forward a termination notice via electronic mail to the Subrecipient.
2. For subawards awarded under federal assistance awards, Penn State shall terminate the subaward in accordance with the subaward's termination clause and Uniform Guidance, 2 CFR 200.
3. For subawards awarded under non-federal awards, Penn State shall terminate the subaward in accordance with its termination clause.

V. Closing Requirements

1. The Subrecipient is required to submit the following documents at subaward completion in accordance with the standard Reporting Requirements of the subaward:
 - a. Technical progress report.
 - b. Final statement of costs.
 - c. If federally funded, Subrecipient shall notify Penn State's Administrative Contact, in accordance with 37 CFR 401.14, within sixty (60) days after Subrecipient's inventor discloses invention(s) in writing to Subrecipient personnel responsible for patent matters. Subrecipient shall use form DD882 to report invention(s). A negative report may be required.
 - d. If NASA funded, the Subrecipient shall submit to Penn State's Administrative Contact NASA Form 1679 "New Technology Disclosure" for *each* discovery of new technology individually, at the time of its discovery. If this subaward is a multi-year award, the Subrecipient shall submit to Penn State's Administrative Contact NASA's "New Technology Summary Report" marked "interim." Final new technology reports will be submitted using NASA's "New Technology Summary Report," marked "final."
2. When the final invoice has been received by Penn State's financial contact, the College or Unit shall be responsible for the same type review and approval procedures as required for the routine monthly invoice evaluations mentioned under Section IV, Paragraph B, Subparagraphs 1 through 2.
3. The College or Unit shall forward a copy of the final invoice along with a completed Certification of Technical Completion (See Exhibit 4) to OSP for approval to release final payment. Upon review of the final invoice by OSP, authorization is provided to the College or Unit to release final payment. The College or Unit shall process final payment through SIMBA. (NOTE: If the subaward is going to be extended, this certification is not required, and OSP should be notified immediately so the close-out procedure may be stopped.) OSP shall not approve final payment until Certification of Technical Completion has been received.
 - a. If Subaward was issued as fixed price, the Subrecipients Certification of Completion (Exhibit 5) is required to be submitted to OSP along with the final invoice.
4. OSP will complete the Subaward Closeout Checklist (See Exhibit 6) to ensure compliance with the terms of the subaward and audit requirements. A copy of this form will be saved in SIMS with the related Subaward documents (This form will be completed for all subawards issued.)
5. The Subaward Closeout Desk Review Worksheet (See Exhibit 7) is prepared by the OSP at the time of subaward closeout and is used in conjunction with the final invoice review and approval as noted under Section V, Paragraph 3. This form is used in determining the allowability of costs incurred by the Subrecipient and the appropriateness of the costs incurred to the subaward guidelines. The Cost Review form is not required when closing a fixed price subaward.
6. An Administrative Closeout Memorandum (See Exhibit 8), is used in lieu of a closeout audit of a subaward unless a formal audit is deemed appropriate due to the nature of the program and/or the result of the Subrecipient's Single Audit.

VI. Exhibits