

Subawards Policies and Procedures

Johns Hopkins University School of Medicine

I. Introduction

Sponsored project awards made to The Johns Hopkins University (“JHU” or “University”) are generally conducted within the physical boundaries of JHU by University faculty and staff. Occasionally, however, a significant portion of the required work may need to be provided outside the University by a third party. The third party is made responsible for a discrete portion of the project award, providing the leadership and direction of a responsible investigator and the resources necessary to conduct that portion of the work. Costs associated with this work may include personnel costs, supplies, equipment, travel, and overhead. Such an arrangement is carried out through the issuance of a Subaward.

Uniform Guidance (2 CFR 200) requires recipients to analyze and monitor funds going to Subrecipients. The guidelines and specific office procedures set out in this manual have been developed by the Office of Research Administration (ORA) for establishing Subawards for research, development and services under federal prime grants and contracts awarded to the School of Medicine to assure compliance with U.S. Government regulations. These instructions should also be used as guidance in establishing Subawards and Subawards under non-federal prime awards as well.

A. Definitions

OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 2 CFR Chapter I, Chapter II, Part 200, et al., referred to as the “Uniform Guidance” (UG). On December 26, 2013, the Office of Management and Budget (OMB) issued Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards in the Federal Register. This "Uniform Guidance" will replace the administrative, accounting, audit rules and principles currently promulgated in the OMB Circulars, including A-21, A-110, and A-133. The UG is effective on December 26, 2014, with the exception of the audit provision, Subpart F, which go into effect at the start of the fiscal year after the effective date.

Award: Financial assistance received directly from a Federal or non-federal sponsor that provides support or stimulation to accomplish a purpose. The term award includes grants, cooperative agreements, contracts and other agreements in the form of money or property, by the sponsor to JHU.

Competitive Bid: Requires the PI to solicit bids/quotes from a number of sources (typically three or more) and make a final selection based on documented technical merit and cost objectives.

Contract: A legal agreement used to procure goods or services. Subawards under contracts are typically referred to as Subcontracts.

DUNS number: Dun & Bradstreet (D&B) provides a DUNS Number (Data Universal Numbering System), a unique nine digit identification number, for each physical location of a business. Any organization who wishes to do business with the government is required to have one. See www.fedgov.dnb.com

Facilities and Administrative Costs (F&A): Otherwise known as indirect costs, or IDC. These are costs incurred by the institution which support the JHU research enterprise but are not specifically identified with a particular sponsored project. Institutions of higher education and many non-profits have their F&A rate negotiated by the Government.

Fringe Benefits Rate: Fringe benefits are employee associated costs such as health plan expenses, pension plan expenses and workman's compensation expenses, among others. These costs are expressed as a rate by employee class. The rate is the pooled costs of these benefits divided by the total salaries in each employee class. These rates are then applied to the applicable employee salary to represent the associated benefits for that type of employee.

Pass-through Entity (PTE): Also known as the Prime Recipient, the PTE is the organization who receives funding directly from a sponsor, and then passes funds to a subrecipient.

Prime Award: A governing agreement between the PTE and the awarding sponsor.

Purchase Order: Used in cases of purchased services from an organizational entity but do not involve substantive, programmatic, or scientific research. For example, repetitive tests or activities requiring no discretionary judgment on the part of the provider. Utilized in purchaser-vendor relationships involving the procurement of goods or services when detailed terms and conditions are not required. For subawards, the Purchase Order is the identifying number and must be included in subrecipient invoices.

Risk Rating: After assessing subrecipient capabilities and resources, JHURA sets the risk rating for the subrecipient. For JHU, there are only two risk ratings: low and high. A high risk rating is initially applied to: all subrecipients who have never done business with JHU previously; all foreign subrecipients; and entities that do not require a Single Audit in accordance with Uniform Guidance.

SAM.gov Registration: Registration in sam.gov (System for Award Management), a website maintained by the General Services Administration (GSA), is required to engage in research funded by the federal government. Registrations must be updated annually, are required for all subrecipients on federal prime awards, and ensure compliance with required federal regulations.

Service/Vendor Agreement: Used in cases where purchased services involve an organizational entity but do not involve substantive scientific research. For example, repetitive tests or activities requiring no discretionary judgment on the part of the provider. Utilized in purchaser-vendor relationships involving the procurement of goods or services when detailed terms and conditions are not required.

Sole Source: In identifying subrecipients or vendors, where there is clearly and legitimately only one source of supply that meets the necessary requirements, a subrecipient or vendor can be selected without soliciting bids or collecting quotes from multiple organizations. A sole source justification is required to explain why there is only one source available for the work to be subcontracted.

Subaward: A legally binding executed agreement that transfers or delegates a portion of research or substantive intellectual effort of a prime award to another institution or organization. Subawards are not written to individuals. The term subgrant is used when the prime award is a grant and the term subcontract is used when the prime award is a contract.

Subrecipient: The recipient of a Subaward awarded to a foreign or domestic organization (either non-profit, educational institution, state or local government, or private industry) for the performance of a portion of the work statement covered by a prime agreement that is funded either directly or indirectly with sponsored funds. It does not include agreements for consulting services or purchase orders for equipment, materials or other services. A Subrecipient receives an award of assistance from a pass-through entity and conducts its own scope of work. Also referred to as subawardee, subgrantee or lower-tier institution.

Subrecipient Monitoring: Uniform Guidance requires prime recipients have the responsibility to monitor the activities of subrecipients in accordance with the governing agreement and federal, state and local laws, to assure that awarded funds are used for authorized purposes in compliance with the provisions of the agreement, and to ensure that performance goals are achieved. See 2 CFR 200.331.

B. Determining the Nature of the Relationship: Consultant v. Contractor (Vendor) v. Subrecipient

Before entering into a relationship with another entity under a sponsored award in which the other entity will provide goods or services, or substantive programmatic work to JHU as the prime recipient of funding, a determination must be made as to the nature of the legal relationship of JHU and other entity. This determination will identify the type of legal

agreement required to document the relationship. Properly classifying the relationship is essential because it determines the allocation of responsibilities and influences the appropriate application of indirect cost rates, and is critical to ensure proper accounting for costs and compliance requirements. The University follows the requirements in the UG to determine subrecipient or contractor status. The Subrecipient Determination Form is used for this purpose. See 2 CFR sec. 200.330

In the case of a subaward, it is incumbent upon the prime recipient (JHU) to ensure that subrecipients conduct their portions of research projects in compliance with all applicable terms and conditions of JHU's Prime Awards and that project costs incurred by subrecipients are reasonable and allowable. Agreements with contractors for the purchase of services, however, typically do not bind contractors to the full set of sponsor terms and conditions, and are subject to competitive bidding procurement practices, to assure that funds paid to contractors do not exceed fair market value.

It is important that the correct agreement determination is made early in the process of preparing a grant application, as F&A treatment and monitoring requirements for these types of agreements vary and will impact the award budget and, in some cases, the statement of work. In addition, if specified in the award terms and conditions, sponsor approval may be required prior to executing a subaward; sponsor pre-approval is less frequently required for JHU to enter into a contractor agreement for purchase of services. Both forms of agreement should have a clear purpose and cost.

Activities performed by private individuals who are not employees of JHU are normally administered through a "Contract for Personal Services Rendered by a Consultant/Independent Contractor." For further information on consultants and independent contractors, please refer to the Independent Contractors Guide issued by the Office of the Controller, which can be found at: <https://apps.finance.jhu.edu/policyapp/displayGuideContents.do?guideld=IND>

In cases where purchased services from an organizational entity do not involve substantive programmatic or scientific research, a purchase request may be appropriate. An example would be the performance of repetitive tests or activities requiring no discretionary judgment on the part of the provider, or which are related to the administrative support of the federal assistance program.

A **subrecipient** relationship may be appropriate when many of the following factors are present:

- Substantive, programmatic work or an important or significant portion of the research program or project is being undertaken by the other entity.
- The research program or project is within the research objectives of the other entity.
- The entity participates in a creative way in designing and/or conducting the research.
- The entity retains some element of programmatic control and discretion over how the work is carried out.
- The entity commits to a good faith effort to complete the design or conduct of the research.
- The entity makes independent decisions regarding how to implement the requested activities.
- A principal investigator has been identified at the other entity and functions as a "Co-Investigator".
- There is the expectation that the other entity will retain ownership rights in potentially patentable or copyrightable technology or products that it produces in the course of fulfilling its scope of work.
- Publications may be created or co-authored at the entity.
- The entity provides cost sharing or matching funds for which it is not reimbursed by JHU.
- The entity has responsibility for compliance with Federal program requirements.
- The entity regards itself, and/or is regarded by JHU, as "engaged in research" involving human subjects under the [Common Rule](#) and therefore requires approval for its interactions with human subjects.

Subawards should have a detailed scope of work and a budget that specifies salary, fringe, supplies, and other direct costs, as well as appropriate F&A costs consistent with the subrecipient's indirect cost rate. Terms and conditions from a Prime Award are typically imposed on the subrecipient to the same degree that they are imposed on JHU as the prime recipient.

A **contractor** relationship may be appropriate when many of the following factors are present:

- The entity is providing specified services in support of, or ancillary to, the research program.
- The entity has not significantly participated in the design of the research or program itself, but is implementing the research plan or program activities of the JHU investigator.
- The entity is not directly responsible to the sponsor for the research, or program, or for determining research results.
- The services are performed in the entity's normal course of business and marketed to a range of customers, both for-profits and non-profits.
- Little or no independent decision-making is involved in the design and conduct of the research or programmatic work being completed.
- The agreement only specifies the type of goods/services provided and the associated costs.
- The entity commits to deliverable goods or services which if not satisfactorily completed will result in nonpayment or requirement to redo deliverables.
- The entity does not expect to have its employees or executives credited as co-authors on papers that emerge from the research or programmatic work.
- The expectation is that the work will not result in patentable technology or copyrightable products that would be owned by the entity.
- In the case of an individual vendor of consulting services, the person has no employment relationship with JHU, either academic or administrative in nature.

It is not expected that all of the characteristics will be present. The PTE must exercise judgment should be used in determining whether an entity is a subrecipient or contractor. See 2 CFR 200.330 (c). Further information regarding vendor procedures and relationships can be found at the Sponsored Shared Services Supply Chain website:

<http://ssc.jhmi.edu/supplychain/policies.html>

Misclassification may result in delays of subaward processing, and failure to include or exclude Facilities and Administrative (F&A) costs will lead to significant errors in budget calculations. The Principal Investigator (PI), through the department's administrative official, is expected to provide detailed information about the proposed vendor or subrecipient as well as a final Statement of Work to SOM so that an accurate determination can be made. Any questions or concerns about this process should be directed to SOM.

C. Process

1. Determinations are made by SOM on a case by case basis, **at the proposal stage**, upon review of the Subrecipient Determination Form completed by the department for each entity. A determination for "TBD" organizations will still be made at proposal stage to be either a subrecipient or contractor based on a statement of work, to the extent possible.
2. Before a proposal is submitted to an agency, SOM will make the final determination, in consultation with the PI.
3. If organization is a subrecipient:
 - a. All parties will engage in discussions to ensure subrecipient can comply with all requirements.
 - b. If awarded, normal subaward process occurs, beginning with the request for paperwork from ORASUBCONTRACTS@jhmi.edu, as described in this guide.
4. If organization is a contractor:
 - a. There will be no waiver of F&A on full amount.
 - b. Contractor may be paid directly through a PO or if the department needs to manage deliverables, SOM may draft a Contract Services Agreement, which will be managed similar to a subaward, but will be signed by the Chief Procurement Officer, rather than SOM, which is entered into the purchasing system through an ECPO created by the department, instead of an SPPO.
5. Once awarded, the department submits the **ORIGINAL** Subrecipient Determination Form with the requested paperwork to the ORA subawards team.

II. Overview of the Subaward Process

A. Administrative Process

Administrative responsibilities at various stages in the process are shared by the PI, SOM ORA and the Controller's Office/Shared Services as indicated:

Pre-award Stage

- The Subrecipient's proposal to perform a portion of the project's work generally is sent directly to JHU's PI, who reviews the proposal, determines whether the cost/price is acceptable, and incorporates it into his or her proposal. The proposal is forwarded to ORA (Grants Associate or Specialist/Director) via COEUS, where it is examined for form, policy adherence and sufficient detail.
- Subawards under prime government contracts require competitive bidding or sole-source justifications for their selection, to be provided by the department/PI at the time of selection of the Subrecipient to the sponsor if required at the proposal stage, or at the time the department submits the COEUS proposal.
- Subawards under any funding source must submit a Subrecipient Determination Form ("SDF") at the time of the COEUS proposal upload during grant application. Each time a new Subsite is identified on an application, the PI must submit a Subrecipient Determination form to ORA for verification. This form is used to document the characteristics of the relationship between an external entity and JHU to determine that the entity is properly treated as a Subrecipient as opposed to a vendor.
- If required under FAR Clause 52.219-9 (Subawards exceeding \$700,000 issued under federally funded prime contracts) the department must obtain a Small Business Subcontracting Plan from the Subrecipient, which is provided to ORA with the other application materials.

Subaward Creation: Paperwork Submission to ORA

- Once the Prime Grant or Contract is awarded, the Outgoing Subawards team will email the department via ORASUBCONTRACTS@jhmi.edu requesting the necessary paperwork required to begin the subaward process. The department should only use the forms that are provided in the email, as the forms can change based on the type of award and may have been updated with more or less information since the last notification the department received.
- The department prepares the Subaward Information Sheet, and submits it to ORASUBCONTRACTS@jhmi.edu along with an accurate budget, a statement of work with clear deliverables, and any other required requested paperwork, for the subsite. The paperwork will not be accepted unless all required forms are submitted and correct. In addition, if the site will be conducting vertebrate animal research and/or human subjects research, the department should submit the site's IACUC and/or IRB approval, as applicable. If the site is foreign, the department must also have the site submit a Wire Transfer Authorization form, Vendor Bank Information form, W8 (only if the site is using a domestic bank). Foreign sites under federal awards must also acquire a DUNS number and register in the SAMS database. Domestic sites that have never done business with JHU must also submit a W9 so that the Subawards Team can request a vendor number.
- Subrecipients which are foreign, for profit or have never done business with JHU must complete a Financial Subrecipient Questionnaire along with available audit documents. For JHU, there are only two risk ratings: low and high. A high risk rating is for all subrecipients who have never done business with JHU previously, all foreign sites and for profit sites, all entities that do not conduct a Single Audit. Subawards to any new subrecipients will not be sent out until the questionnaire is received by SOM. SOM will establish a risk classification for a new subrecipient, which will specify the additional monitoring terms required for the Subaward. Existing subrecipient risk ratings are posted on the Controller's website. See https://apps.finance.jhu.edu/depts/frc/sub_risk_rating.html for risk rating spreadsheet.

- If the subsite is not registered in the FDP Clearinghouse (http://sites.nationalacademies.org/PGA/fdp/PGA_070596), the department is required to obtain the Significant Financial Interest Statement form from the site and submit that with the other required paperwork.
- If the Subrecipient Determination Form was not completed at the time of application, the department is required to submit one with the paperwork for the first year of each Subaward.
- Once the paperwork is received and considered complete, the file is assigned to Subawards Team Member (“STM”) for processing and drafting of the subaward.

Subaward Creation: Subaward Draft and Negotiation

- For an Original Agreement (year 1 or competitive renewal year of the prime award and/or first year of the subaward agreement), the STM requests a 96 I/O via the Award Change Form, and then creates a shopping cart in SAP to initiate the PO creation process. If the Subrecipient’s payment address does not exist in SAP, the department will be asked to also get a W9 (domestic site) or W8 (foreign site using a domestic bank) from the Subrecipient, so that the STM can request a vendor number for that payment address. If the subsite is a foreign entity, the Wire Transfer information on subsite letterhead will suffice for vendor number requests.
- JHU is required to advise Subrecipients of requirements imposed on them by Federal laws, regulations, and the provisions of the prime award as well as any supplemental requirements imposed.
- The STM drafts and negotiates the Subaward and once finalized, the Subrecipient Authorized Official signs and returns the partially executed copy to SOM Subs Team. Only the Subawards Manager or any ORA director has sole signature authority to enter into the Subaward. Work should not begin until the Subaward is fully executed and, if new, the PO# has been issued.

Subaward Management Stage

- The PI is ultimately responsible for ensuring compliance by reviewing all invoices and the technical progress of work completed by the subrecipient, before payments are authorized. Invoices must be reviewed for cost reasonableness, including confirmation of appropriate IDC rate, as well as appropriateness based on work performed. Each invoice requires completion of the “PI Certification for Payment and Performance Form” in order to be processed.
- JHU via the PI, remains accountable to the prime sponsor for funds management and compliance by Subrecipients.
- Upon completion of the Subaward, all appropriate closing documents are completed by the PI and dept administration and forwarded to the sponsor, if required or requested by the sponsor. In some situations the ORA director may forward the Subaward information to the sponsor.
- The complete file is retained by SOM for a predetermined period of time to satisfy all audit requirements. The Subrecipient PI and Authorized Official, as well as the department PI and administrator receive fully executed copies of the signed Subaward.
- A Subrecipient Annual Audit Request will be sent annually by the Controller’s Office to Subrecipients with JHU pass-through federal funding in excess of \$750,000 per fiscal year.
- In accordance with the terms and conditions of each Subaward, all Subrecipients shall make financial records available for review or audit for Federal agencies or JHU as requested.

B. Roles and Responsibilities

Principal Investigator/Dept	Subs Team	SPSS/FRC/Controller’s Office
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Review Subaward SOW for technical feasibility and review/approve Subsite budget for accuracy and allowability	Determine appropriate organization conflict of interest status	Consult with SOM regarding risk assessment when required
Perform cost and price analysis, including reasonableness of fringe benefits and IDC	Review Subrecipient Questionnaire and determine risk rating; notify dept and FRC	Ensure receipt of all necessary Subrecipient audit information
Complete and sign the Subrecipient Determination Form	Verify and sign Subrecipient Determination Form	Process invoices
Provide competitive bid information or sole source justification	Screen Subrecipients to assure not debarred, suspended, OFAC restricted, or ITAR/Commerce restricted (via language in the Subaward Agreement).	Approve and execute assignment and release forms at closeout
Complete Subaward Information Sheet with all required information and attachments included	Draft, negotiate and execute Subaward	Set up 96# with appropriate F&A
Monitor Subrecipient technical performance; review and approve reports and deliverables	Final signature authority for all administrative actions including re-budgeting approval, carry forward approval, and subaward modification (with PI initial approval)	
Monitor Subrecipient spending; review and approve invoices prior to payment, and financial reports including program income and cost sharing	Request 96 I/Os and vendor numbers; create shopping carts; maintain and close Purchase Orders	
Perform in depth audits of invoices for High Risk sites every 6 months	Report to Federal govt under FFATA	
Confirm receipt of final technical report and all deliverables at closeout	Close out PO/SC	
Add money to 96# each year after set up		
Monitor SAP reports and Prime award spending		

III. Compliance Policies

A. JHU Responsibilities

As a recipient of sponsored research funding, the University is required to ensure that funding is used for authorized purposes in compliance with applicable grant and contract terms, Federal and State regulations and University policies and procedures. As a pass through entity, JHU remains ultimately responsible and accountable to the prime sponsor for funds management and compliance by its Subrecipients.

To satisfy the requirements of Uniform Guidance, it is the responsibility of prime recipients of sponsored funding to advise Subrecipients of requirements imposed on them by laws, regulations, and the provisions of contracts or grant agreements as well as any additional requirements imposed.

All Subrecipients receiving Federal funds under JHU Subawards are required to certify that they have Conflict of Interest Policy that adheres to 42 CFR part 50.604(a). Any Subrecipient that does not have a compliant policy is required to submit to the JHU policy and receive training under that policy. In addition, Subrecipients are required to notify JHU if a conflict occurs. Subrecipients who fall under JHU policy agree to allow JHU to manage and/or reduce the conflict.

Under the Federal Funding Accountability and Transparency Act (FFATA), prime recipients of federal funding are required to report Subawardee information to the FFATA Subaward Reporting System (FSRS). The data must be entered into FSRS within 60 days following the date of the last signature. Specifically, on federal grants issued after October 1, 2010, Subawards \$25,000 and over must be reported. The threshold for subcontracts is \$30,000. The data required for reporting includes the DUNS and confirmation of SAM registration for Subawardee.

The terms of the Subrecipient relationship is thoroughly documented in an agreement executed by ORA and by an authorized representative of the Subrecipient organization. After ORA establishes the risk classification, Financial Research Compliance (FRC) in the Controller's Office shall verify and maintain the risk classification for each Subrecipient. Such Subrecipient classification shall specify the additional financial, audit, and report monitoring that may be required in the Subrecipient agreement. When a subrecipient receives a high risk rating, JHU requires it to submit general ledger back up for each invoice. SOM ensures the Subaward contains broad termination and audit language, and any other additional terms that may be appropriate for the risk basis.

New Subrecipients who receive a Subaward from JHU will also receive a [Subrecipient Welcome Packet](#), which provides guidance on financial compliance with federal regulations and JHU policies. The Welcome Packet includes best practices, good financial principles, and sample worksheets for accounting for costs.

B. Advance Payments

The University's preferred method of payment to a subrecipient is on a cost reimbursable basis. In situations where the Subrecipient lacks sufficient capital, and the request has been approved by the respective Divisional Business Office, advances may be possible. Contact Financial Research Compliance ("FRC") for more information. When a prime award explicitly approves an advance payment, ***federal regulations limit the advance to only funds for immediate need, which they define as 30 days***. Documentation of determination of immediate need should be retained in department files, and submitted with the Subaward paperwork. The payment shall be funded from a special GL under the 96 number and PO, which SOM will establish. General ledger detail is required for each invoice/reconciliation report in order to confirm the advance was properly expensed. In addition, the subrecipient is required to deposit funds into an interest-bearing account, and remit interest earned over \$250 per entity to JHU. JHU's FRC office will then remit interest to the government.

C. Audits

The Controller's Office (Office of Financial Research Compliance) is responsible for obtaining and reviewing annual audit reports for the subrecipients. If their audit review reveals a problematic issue, they will contact SOM and SOM may modify Subaward language as appropriate.

Subrecipients are required to make financial records available for review or audit by Federal agencies or pass-through entities as requested, under the terms and conditions of their Subaward.

D. Subrecipient Monitoring

The PI is ultimately responsible for ensuring compliance with sponsor regulations and JHU policy by reviewing all invoices and the technical progress of work completed by the subrecipient, before payments are authorized. The PI is also responsible for monitoring requests for rebudgeting and reviewing the technical and financial reports of the subrecipient. The PI shall work with SOM to request additional subawards or modifications if increases or decreases in time and/or support, or changes in the Scope of Work, are necessary for the collaboration.

JHU, as prime awardee, must maintain records of the receipt and disposition of all related program income generated by sponsor-funded activities and verify how cost sharing commitments are met. Accordingly, the subrecipient shall include the receipt of program income and cost sharing documentation, if applicable, on invoices and financial reports submitted to JHU.

When JHU departments have a field office that monitors subrecipients in a foreign country, the Chief of Party for that field office must certify annually that they are in compliance with all U.S. and country laws and regulations, and are not aware of any fraud.

The JHU PI is required to sign and submit a Subrecipient Payment and Performance Certification form with every invoice submitted to Accounts Payable.

E. Prior Approval for Foreign Subawards under NIH-funded Prime Awards

NIH funded Investigators will be required to obtain prior approval from their program officers to issue subawards to foreign subrecipients for any subawards ***that were not originally proposed and included in the NIH prime award.*** SOM ORA will provide assistance to Investigators to submit the request for prior approval. Subawards requiring NIH prior approval will not be issued until such JHU receives (1) written prior approval from the appropriate NIH official; or (2) written communication from the appropriate NIH official stating that no prior approval is needed.

IV. Procedures

A. Preaward/Proposal Stage

1. Selection of Subrecipient

The PI is responsible for the due diligence involved with selecting a potential Subrecipient at the proposal stage. It is the responsibility of the PI to ensure that the selection of a Subrecipient is conducted in a manner to provide, to the maximum extent practical, open and free competition. The easiest way to do so is to competitively bid the work to be performed, which is appropriate when multiple possible sources exist to do the work. Solicitations for proposals from possible subrecipients shall be based upon a clear and accurate description of the technical requirements for the service to be provided and should clearly set forth all requirements that the offeror must fulfill in order for his or her bid to be evaluated by JHU. Subsequent awards to subrecipients should be made to the offeror whose bid is most responsive to the solicitation and is most advantageous to JHU, price and other factors considered, including that the proposed subrecipient is technically qualified. Positive efforts also should be made to utilize small business and minority owned business sources.

Steps for Competitively Bidding a Portion of your Research Project
1. Collect ROEs (Rough Orders of Estimate) from all qualified entities.
2. Narrow the bidders based on those ROEs and submit to each a RFQ (Request for Quote) which includes specifications for the work. Include the financial questionnaire if necessary.
3. Collect responses and choose the appropriate entity based on a number of criteria, not just cost or price.
4. Document every step of your process for audit.

In cases where the nature of the program is collaborative with one or more outside entities, such collaboration should be clearly identified in the proposal. If the project requires performance from a single source because the required services or expertise are not available from other sources, the PI is required to provide sole source justification, identifying the need for the particular services and why the selected subrecipient is the only source available for those services.

Sole Source Justifications Must Include:
• Specific description of the supplies and services required to meet the needs
• A statement of facts that show the unique qualifications of subcontractor to meet those needs
• A description of efforts made to locate other sources of supply
• Documentation that the anticipated cost is fair and reasonable
• Any other information supporting the use of other than full and open competition

If subrecipient is a foreign entity, for-profit or small non-profit, a determination of the following must be made before deciding to engage them as potential recipients of federal funding:

- Are they qualified to receive Federal funds?
- Do they have internal controls in place to manage and track the funds?
- Have they ever received Federal funds?
- Is prior approval from the NIH required?

A subrecipient questionnaire is used to gather this and other financial and accounting information about an organization to determine if the potential subrecipient is an organization with whom JHU should do business.

In the case of subawards on prime government contracts, ORA requires that documentation concerning the selection (from a competitive bidding process or a sole source written justification) be included with the COEUS record.

2. Cost and Price Analysis

The PI is responsible for conducting and properly documenting a cost and price analysis when selecting a Subrecipient, both when competitively bidding and when using a sole source. Cost and price analysis is required to be performed each time a Subrecipient is proposed or selected, in accordance with Uniform Guidance. The PI will ultimately determine the appropriate cost or price for the required services. Prior to selection, the PI may contact ORA to determine whether or not the potential subrecipients are debarred or suspended from receiving federal funds. Cost or Price Analysis should be done **at the proposal stage**, before a subaward is proposed.

Questions to ask in performing a cost or price analysis
• Have multiple quotes been received and compared for the services?
• Has cost/price been compared to similar services available in the marketplace/industry?
• Has the subrecipient provided a copy of their indirect cost rate agreement? If not, has some other appropriate documentation been reviewed for reasonableness?
• Have all costs been evaluated for reasonableness, allocability and allowability?
• Have details been documented in response to the questions above?

Cost Analysis - the review of separate elements of cost and supporting data. Required for cost-reimbursement subawards.

- Review of each cost element and supporting information
- Determine whether labor rates/hours/effort are reasonable in both cost and time required to perform the work
- Determine whether each cost is necessary and reasonable
- Evaluate cost trends and reasonableness of estimates
- Evaluate the application of F&A rates. Rates may be considered “reasonable” if:
 - Subrecipient has a federally negotiated indirect cost rate agreement
 - Subrecipient is requesting the 10% “de minimus” rate in accordance with Uniform Guidance
 - A Cognizant Federal Agency, such as DCAA, has reviewed and approved the rate
- Evaluate the application of fringe benefits rates. Rates may be considered “reasonable” if:
 - Subrecipient has a federally negotiated fringe benefits rate agreement
 - Individual costs (health insurance, life insurance, tuition assistance, etc.) are direct charged as actual costs
 - A Cognizant Federal Agency, such as DCAA, has reviewed and approved the rate
 - Subrecipient has received recent federal funding that included the same rate
 - Subrecipient has an independent audit approved financial statement with rates described
- Comparison of proposed subrecipient costs with:
 - Actual costs previously incurred by subrecipient;
 - Previous cost estimates from the subrecipient or other subrecipients for similar items;
 - Other cost estimates received in response to the solicitation; or
 - Independent estimates by technical personnel

Price Analysis - the review of the entire contract price without looking at individual items of cost. Appropriate when there is adequate price comparison. Required for fixed-price subawards.

- Used to evaluate the total price under fixed price awards
- The review of the full price of the subaward without evaluating the individual cost elements
- Evaluate based on price comparisons:
 - Competitive bids
 - Published price lists
 - Compare to cost estimates
 - Market research
 - Historical data/experience

3. Subaward Payment Type

During discussions with potential subrecipients, anticipated payment mechanism should be raised. While the type of Subaward issued by SOM is usually a Cost reimbursement agreement (payment is made after an invoice is submitted and approved by the JHU PI), we can provide Fixed Price or Cost Reimbursement budgets to the Subrecipient. Cost reimbursement Subawards should be used when the work is general and few, if any, deliverables are anticipated other than progress reports. Fixed price Subawards may be used when specific, well-defined deliverables are listed in the statement of work. Under Uniform Guidance, the use of a fixed price Subaward requires prior approval and cannot be written for over \$150,000. (See 2 CFR 200.332 and 200.201) Cost reimbursement Subawards involve much more monitoring of performance and cost during the life of the project, and each invoice must be analyzed for reasonableness and for determining whether adequate work is being completed. With fixed price Subawards, due diligence is done at the proposal stage through a price analysis, and invoices are paid only when deliverables are received and approved.

Cost Reimbursement (CR)	Fixed Price (FP)
<ul style="list-style-type: none"> Provides for payment of allowable incurred costs to the extent permitted in the prime award 	<ul style="list-style-type: none"> Provides for a price that is not subject to any cost adjustment on the basis of the subcontractor's experience in performing the contract
<ul style="list-style-type: none"> Establishes an estimate of total costs for the purpose of obligating funds and establishes a ceiling that the subrecipient may not exceed 	<ul style="list-style-type: none"> Provides for the maximum incentive for the subcontractor to control costs and perform the work plan in the most effective manner
<ul style="list-style-type: none"> Work cannot be precisely defined or cost precisely estimated 	<ul style="list-style-type: none"> Appropriate if there can be a clear work scope, solid cost estimate and well-articulated deliverables
<ul style="list-style-type: none"> Allows greatest flexibility (add \$ or time and perform work within scope until funds/time are exhausted) 	<ul style="list-style-type: none"> Lower administrative burden for JHU
<ul style="list-style-type: none"> Common for other educational institutions, hospitals, and non-profits 	<ul style="list-style-type: none"> Common for foreign entities and for-profits. May be appropriate for small entities

Cost Reimbursement:

Why might you want to issue one?

- SOW cannot be sufficiently detailed at start to create specific milestones
- Cost analysis at proposal stage is easier
- More control over spending – can monitor by budget line item

Why might you *not* want to issue one?

- More onus on PI to ensure continued performance
- Increased reconciliation and financial reporting required
- If Subrecipient runs out of money, they aren't required to continue working

Fixed Price:

Why might you want to issue one?

- Subrecipient has freedom to rebudget within funding ceiling
- Limited financial reporting - less administrative burden, no reconciliations
- Risk is on Subrecipient to provide all work within established price
- Effective way to provide initial funds to cash-strapped organizations
- Payments tied to deliverables provide incentive to complete work

Why might you *not* want to issue one?

- Comprehensive price analysis needs to be done upfront, before Subaward is issued
- SOW and deliverables/milestone schedule needs to be specific and detailed; the more milestones, the better
- Modifications on price cannot occur unless there is a corresponding increase in SOW tasks/deliverables
- Subrecipient must perform work for a fixed price – if they run out of money, they may lose incentive to complete performance
- Federal Sponsor may require prior approval before Subaward issuance if it was not part of the original proposal

On rare occasions, a Subaward can include elements of both cost reimbursement and fixed price. If the project is large and ongoing, SOM Subawards Team can issue a master agreement and issue specific Task Orders for work. Task Orders under the same master agreement can be either cost reimbursement or fixed price, depending on the type of work.

Keep in mind that the Subaward type does not have to match the prime award type – SOM Subawards Team can issue a fixed price Subaward on a cost reimbursement prime award, and vice versa. Cost and/or price analysis, subrecipient risk assessment, and subrecipient statement of work should determine Subaward type.

4. Incorporating the Subrecipient Proposal into the Prime Proposal

Statement of Work

The PI and the Subrecipient negotiate the Statement of Work (“SOW”) for the Subaward and it is included as part of the proposal submitted to the prime agency. The Statement of Work should be a concise narrative abstract of the work to be undertaken by the Subrecipient. The Statement of Work should also contain performance standards and deliverable/milestone schedules. Guidelines for the development of statements of work and deliverable schedules are attached as an Appendix.

In the case of a fixed price Subaward, the Statement of Work should also contain performance standards and deliverable/milestone schedules. Again, it is very important that the schedule is clear: they must list *how much* will be paid *when* for *what*. When you list deliverables in the SOW, those same deliverables should be included in your schedule.

Budget:

Indirect costs and fringe benefits should be calculated using the Subrecipient’s negotiated rate agreement, or other substantiating documentation to support how the rate was derived, which must be submitted as part of the Subrecipient’s proposal and at the award stage with the required paperwork. At the award stage, the SOM Subaward Team will verify the rate contained in the subrecipient budget is appropriate to the Subrecipient’s negotiated F&A rate agreement and is reasonable and allowable. The SOM Subaward team may also review other supporting documentation to support (i.e. detailed budgetary explanation of how the rate(s) was derived, acceptance by the federal government on another recent federal award, acceptance by the federal government of the rate(s), etc.). If the rate is considered unreasonable, or the subrecipient does not provide the supporting documentation, SOM will request a review by Finance for internal acceptance of the rate(s).

If cost sharing is required, the percentage and amount required should also be included in the Subrecipient’s budget. SOM ORA will review the subrecipient budget for overall reasonableness in light of the proposed activity.

When the anticipated Subaward will be fixed price, a price analysis must be completed by the department prior to submitting the JHU proposal to the sponsor (see previous section). The fixed price amount can be listed as a single line on the JHU proposal budget, and described in the budget justification.

Some sponsors limit foreign subrecipients, or organizations without a federally negotiated rate agreement, from recovering indirect costs. Non-Federal Entities (see definition at 2 CFR 200.69) without a federally recognized indirect

cost rate may elect to charge a de minimis indirect cost rate of 10% of modified total direct costs (MTDC), which may be used indefinitely. The department should review the sponsor rules to ensure all costs included in the Subrecipient's budget are allowable under the applicable federal rules and regulations. When including budgets for foreign subrecipients, all amounts must be listed in U.S. dollars (USD).

Other Documents

A Subrecipient "Letter of Intent" form, signed by a designated business official of the Subrecipient, may be included as part of the Subrecipient's proposal. This individual should be someone who is authorized to commit the Subrecipient's time and resources toward the work described in the Subrecipient's proposal. This form also certified that Subsite PI's COI status at the time of application.

If required under FAR Clause 52.219-9, JHU must also obtain a Small Business Subcontracting Plan from the subrecipient and incorporate the Plan into the prime proposal when the total subrecipient budget will be \$700,000 or above over the life of the project. For more information contact your SOM department Director for non-commercial contracts.

SOM ORA reviews the Subrecipient's proposal to determine compliance with solicitation instructions and federal and/or sponsor guidelines. Under federal law, agreements should be made only with responsible contractors who possess the potential ability to perform successfully under the terms and conditions of the proposed Subaward. Consideration is given to matters such as subrecipient integrity, record of past performance, financial and technical resources and accessibility to other necessary resources. An online database is available to ORA SOM for checking the status of potential vendors and contractors to assure the organization is not debarred or suspended from receiving federal funds and to assure that the subrecipient is not otherwise considered a restricted party.

ORA is responsible for ensuring that an analysis of the Subrecipient's proposed budget or price has been performed by the PI. This is generally accomplished by review of the budget justification included in the proposal. Evaluation and verification may be necessary for each element of the cost/price to determine reasonableness, allocability, and allowability.

At this stage of the proposal process, ORA may require the Subrecipient to submit a Certificate of Current Cost or Pricing Data, if applicable (Subcontracts of \$750,000 and over on federal proposals).

The procedures outlined above are designed to accommodate the majority of Subawards prepared by ORA. In some cases, however, it may be necessary to issue a Subaward which was not planned for or listed in the contract proposal. In such instances, these guidelines shall be followed as closely as possible and in consultation with the ORA Subawards Team.

If prior approval for foreign subawards is required, documentation of the approval must be submitted to SOM ORA.

DUNS Number and SAM registration for Subrecipients

For Subawards governed by FFATA (Federal sponsors, Subgrants over \$25,000//\$30,000 for subcontracts), a DUNS number is required for each subrecipient, including foreign subrecipients, for regulatory compliance and reporting purposes. Dun & Bradstreet (D&B) provides a DUNS Number, a unique nine digit identification number, for each physical location of a business. See <http://fedgov.dnb.com/webform/CCRSearch.do?val=1>.

New DUNS numbers should be sent to the requesting party within a week. Once the subrecipient received the DUNS number, they must go into <https://www.sam.gov/SAM/> and complete a record for their organization. This record must be maintained and updated annually.

B. Subaward Negotiation Stage

1. Submission of a Subaward Paperwork

Once a fully executed prime award is received from the sponsor, the SOM Subawards Team will email the JHU PI and department administrator (as provided on the COEUS PD record of the completion of the prime award) and request documents required to start the Subaward process. The department should wait until the email request is sent to them before submitting paperwork, UNLESS

- **The PD did not indicate that the prime award contained outgoing Subawards;**
- **The department contact on the PD has changed;**
- **A new subsite has joined the study/project mid-budget year;**
- **A modification to a Subaward is required mid-budget year.**

In these cases the department can send an email to the Subawards Manager explaining the situation and requesting an email requesting documents from ORASUBCONTRACTS@jhmi.edu.

For any actions required of the Outgoing Subawards Team, the department must complete a **current** JHU School of Medicine Subaward & Subcontract Information Sheet at a minimum. The infosheet is part of the attachments sent in the request email. **DO NOT USE SAVED COPIES, AS THE VERSION MAY HAVE CHANGED.** The completed infosheet is sent to ORASUBCONTRACT@jhmi.edu, along with a subsite budget, subsite statement of work, subsite IACUC/IRB approval (as applicable), a Significant Financial Interest Statement (applicable only to federal awards), a Subaward Determination Form (for original Subawards only). There may be other documents specified in the email that departments may have to consider on a site by site basis and submit. **Departments should only send documents as requested in the email and should send all documents together as a reply to the original email request. ORA will return any partial or incorrect paperwork with a request to resubmit them all together.**

Each sponsor has its own approval requirements regarding Subawards. In most cases, approval is required for all Subawards. This approval is often implied if the Subaward was incorporated as part of the approved prime proposal budget. Under the new Uniform Guidance regulations Federal agencies may require prior approval of Fixed Fee Subawards. In certain instances, the sponsor's cognizant administrative official may require either the approval of the Subaward document itself prior to execution or the provision of a copy of the executed document. It is strongly advised that the PI contact ORA well in advance concerning the required turnaround time for Subaward approval.

2. Risk Assessments

If the subrecipient is one with whom JHU has not previously done business, SOM Subawards Team will require the completion and submission of the Financial Subrecipient Questionnaire, including a copy of the most recent Single Audit or recent audited financial statements, as applicable, from the Subrecipient.

SOM Subawards Team shall establish a risk classification, High or Low, for each new subrecipient and communicate the rating to Financial Research Compliance (FRC), PI and department. Such Subrecipient classification shall specify the additional monitoring that may be required in the Subaward. FRC maintains a Subaward Risk Assessment Spreadsheet. The process for completing the risk assessment will include:

- Consulting the initial Subaward Risk Assessment Spreadsheet;
- Reviewing the Financial Subrecipient questionnaire;
- Reviewing last two years of Single Audits or financial statement audits

Contingent upon the specific subrecipient organization risk classification and the nature of the work proposed, JHU resources are focused on monitoring the subrecipients who demonstrate the greatest potential for non-compliance.

The following factors will be considered during the risk classification process:

Risk Factors to Consider
▪ Prior, favorable experience with the organization and staff
▪ Subrecipient membership in the Federal Demonstration Partnership
▪ Subaward amount
▪ Prime award terms and conditions, and applicable regulations
▪ Subrecipient is a foreign entity and/or performance location is foreign
▪ Subrecipient compliance history as a recipient or subrecipient
▪ Subrecipient will use a lower-tier contractor
▪ Subrecipient has well documented accounting guidelines, policies and procedures
▪ Subrecipient is a small start-up or a for-profit entity
▪ Subrecipient has required policies and process to assure compliance with federal regulations
▪ Amount of Federal funding subrecipient has received
▪ Results of subrecipient Single Audit

University policy states that the following situations require the subrecipient be classified as high risk:

- **Subrecipient is a foreign entity**
- **Subrecipient is a for-profit entity**
- **Subrecipient is a domestic entity without a formal compliance audit**
- **Subrecipient is an entity with no prior JHU work history**
- **Subrecipient has received less than \$1m in Federal funding in either of the last two years.**

All other subrecipients would be classified as low risk, and typically remain low risk unless audit findings or other extenuating circumstances warrant a change to high risk. Most domestic universities and established, larger domestic non-profit organizations are low risk.

All high risk Subawards must include the following high risk language:

“Each invoice must be accompanied by a progress report, and: (i) be sequentially numbered; (ii) indicate the date(s) of performance by the Subrecipient; (iii) state the JHU Purchase Order number, the title of the project and the name of the JHU Principal Investigator; (iv) itemize costs in detail, in accordance with the Subaward budget; (v) include both current costs and cumulative costs ; (vi) include the Subrecipient certification, with authorized official’s signature, that costs are appropriate and accurate and that payment has not yet been received; and (vii) **be supported by a general ledger report originating directly from the Subrecipient’s** financial record keeping system. JHU may request supporting documentation in certain categories prior to or subsequent to approving the invoice. Supporting documentation includes, but is not limited to, travel receipts, purchase orders, invoices for services or supplies, or time records. All supporting documentation shall be retained and provided by Subrecipient to JHU upon request.”

High risk language includes a review of general ledger (GL) detail with every invoice submission. In addition, the Department must conduct a desk audit at least twice a year.

3. Human Subjects Research Conducted in Subaward

If the Subrecipient’s research plan involves human subjects research, JHU is “engaged in human-subjects research” whether the PI is conducting the research or merely flowing money to an entity conducting the research. As such, the JHU PI should contact the appropriate Institutional Review Board well in advance of requesting a Subaward to assure that IRB approval is obtained.

The JHU PI should obtain the Subsite’s IRB approval letter prior to submission of the documents to SOM Subawards Team. However, if this does not occur, SOM Subawards Team will obtain the documents from the subsite prior to fully executing the Subaward Agreement. If the Subsite does not have their own IRB, the JHU PI should coordinate with the JHU IRB to include the Subsite PI under the JHU IRB approval. The Subawards Team will need the JHU PI’s IRB approval letter showing the Subsite as part of that approval prior to completing the Subaward.

4. Drafting the Subaward

The prime award is reviewed by SOM Subawards Team to determine any budgetary constraints; whether the terms and conditions that are included in the prime award (special provisions) are applicable to the Subrecipient; whether any general provisions incorporated into the prime award are required to be flowed down to the Subrecipient; and whether there are any certifications required of the Subrecipient.

A Subaward is drafted which is consistent with the terms and conditions of the prime award (type and provisions of award) and which is appropriate for the specific Subrecipient (i.e. non-profit v. profit; risk category). Only the SOM Subawards Team is authorized to enter into negotiations with the subrecipient and execute the final Subaward agreed to between the parties.

Applicable general provisions of the prime award must be incorporated into the Subaward.

PRIME AWARD TYPE	PRINCIPLES & PROCEDURES THAT APPLY:
Federal Government Grant	Code of Federal Regulations, including Uniform Guidance Terms and Conditions of the Prime Award, Agency policy guidelines
Federal Government Contract	Federal Acquisition Regulations (Title 48 of CFR) Terms and Conditions of the Prime Contract
Non-Federal Sponsor	Sponsor Requirements Terms and Conditions of the Prime Award Generally accepted accounting standards or Government Accounting Standards

All applicable terms and conditions, special provisions and certifications detailed in the prime awards are required to be passed through to the subrecipient. These terms are included in the Subaward (e.g. Cost Sharing, Program Income, Intellectual Property and Publications). Additionally, SOM Subawards Team reviews and confirms compliance with Conflicts of Interest or Conflicts of Commitment regulations.

As required by Uniform Guidance, the Subrecipient shall be informed of the prime award Catalog of Federal Domestic Assistance (CFDA) title and award name, award number (FAIN), award year, award type, prime sponsor, Subrecipient name, Subrecipient DUNS number, Subaward period of performance start and end date, amount obligated, total amount of federal award, project description, name of federal awarding agency, whether the award is R&D, and indirect cost rate, in accordance with 2 CFR 200.331.

The Subaward will also include certifications for research involving the use of human subjects or vertebrate animals, conflicts of interest, debarment and suspension, research compliance and compliance with other flow down requirements by the Subrecipient organization, as necessary. For all Subawards written on DHHS prime awards, additional Conflict of Interest language is included which requires Subrecipients to have an enforced Conflict of Interest policy, and requires all conflicts to be reported to JHU. No DHHS funds may be used by a Subrecipient until all conflicts are adequately managed.

The SOM Subawards Team does not begin drafting the agreement until ALL the necessary documents are correctly and completely submitted.

The department should expect the following maximum turnaround times once all correct paperwork is received by the Subawards Team Member:

- Original Subawards under Federal grants: 15 business days
- Modification Subawards: 10 business days

- All other Original Subawards, Subcontracts and agreements under Prime Awards with more than 10 subsites may take longer

5. Subaward Financial Set Up

For new Subawards, the Subawards Team Member (STM) submits a request for “96” I/O via the Award Change Form. This form is managed by the Office of Financial Operations, Sponsored Projects Shared Services.

Additions or budget changes to the 96 are processed by the PI’s department financial administration prior to submission of modification paperwork or PO increase request.

Examples of these changes include:

- Invoices under per patient/per sample/per enrollment budgets
- Year 2+ of a Subaward
- Additional money provided to a subsite in the current budget year
- Reduction of a subsite budget

Once a 96 is provided to the STM and a vendor number has been created/obtained the STM submits a shopping cart which is approved by the PI’s department administration and allows Purchasing to create a Purchase Order. Additions to the PO are done by the Subawards Team upon signature of a Modification Subaward or upon request from the department for invoices under per patient/per sample/per enrollment budgets.

C. Negotiating the Subaward

ORA exercises final approval rights and issues and executes all Subawards and modifications. To ensure that Subrecipients conduct their portions of research projects in compliance with laws, regulations and that project costs incurred are reasonable and allowable, the Subaward will outline the expectations and requirements of JHU as the prime recipient and those of the Subrecipient. The JHU PI and all related department administrators and financial contacts should read the final Subaward agreement to ensure that they understand the obligations of the JHU PI/department as well as those required of the Subrecipient and Subsite PI. These obligations vary based on the sponsor, the subsite, the project, the budget, the SOW, the deliverables and/or the negotiator, so the terms will be different for each agreement.

Any changes or modifications to the Subaward shall be approved and executed through ORA Subawards Team. This includes all JHU PI/departmental and Subrecipient requests for carry over funds wherein approval by the JHU PI or the Sponsor is required, re-budgeting, foreign travel, equipment purchases, Subrecipient PI changes, lower tier Subawards and the hiring of consultants.

SOM Subawards Team will keep Subaward documentation, stored in Oculus, in accordance with the University’s Records Retention guidelines. Information about records retention is available online at:

<https://apps.finance.jhu.edu/policyapp/displayGuidePDF.do?guideId=RET>

D. Subaward Administration

1. ORA Subaward Monitoring Responsibilities

SOM Subawards Team is solely responsible for approving any administrative changes or requests from the subrecipient, including approval for rebudgeting, foreign travel, the purchase of equipment, and the hiring of consultants. SOM Subawards Team will consult with the PI before approving or rejecting such requests. Sponsor approval may be necessary for certain changes. During the course of the Subaward, it may be necessary to issue Subaward modifications. SOM Subawards Team is responsible for the issuance and execution of all Subaward modifications.

2. PI Subaward Monitoring Responsibilities

The PI holds final approval rights for all technical components of the Subaward. The PI is responsible for reviewing Subrecipient invoices, and providing payment approval. For High Risk sites this includes additional review of financial documentation. The FRC can provide guidance and support to the department when the review takes place. 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 if there will be sufficient funds for the duration of the project. The PI is responsible for monitoring all work in progress. Generally this will entail informal contact between investigators, although it may be desirable to request monthly or quarterly technical reports in the Subaward document if the PI deems necessary. The PI should ensure compliance with the reporting requirements and inform ORA if he or she needs assistance in attaining compliance from the Subrecipient. For audit purposes, documentation of any communication with the Subrecipient during the course of the Subaward should be maintained.

Prior to issuing a Subaward modification, the PI must determine if the proposed modification will involve a change in scope of work or objectives which will impact the project. In such a case, ORA may be required to obtain sponsor approval prior to issuing a Subaward modification.

3. Communication with Subrecipient

Information contained in the Subaward states the deliverables required, administrative requirements and applicable laws and regulations with which the Subrecipient must comply. The Subaward and the referenced prime award define the Subrecipient relationship. The PI and any designees administering the Subaward should be familiar with the terms and conditions of the Subaward. Communication should continue throughout the collaboration through telephone calls, emails, letters and site visits, as necessary, and documented. Any potential conflicts or issues regarding noncompliance should be immediately brought to the attention of the PI and SOM Subawards Team.

In the event of noncompliance, nonperformance, or inadequate performance by the Subrecipient, the PI should immediately contact SOM Subawards Team to discuss possible courses of action, which may include withholding payment, suspending work, or terminating the Subaward. Notice of such actions can only be issued by SOM Subawards Team, and the PI and/or department should not discuss such possibilities with the Subrecipient without first speaking with SOM Subawards Team because of potential legal implications.

4. Invoice and Payment Processing

When approving invoice payments to subrecipients on cost reimbursable Subaward budgets, the validity of expenses must be verified along with achievement of scientific and technical progress by the PI. This verification should be indicated by the PI signing and dating every invoice. Departments are required to request and review general ledger detail for each invoice to confirm the validity of expenses with high risk Subrecipients.

When approving invoice payments to subrecipients on fixed price Subaward budgets, it is essential that the PI confirms that the Subrecipient has completed satisfactorily all work required for a particular payment, and all deliverables and reports were submitted by the Subrecipient and accepted by JHU.

Each approved invoice must be accompanied by a "Subrecipient Payment and Performance Certification" form, signed by the PI. See the Appendix for a copy of the form. **Invoices should not be approved if Subrecipient work was not performed, was performed unsatisfactorily, or was not accepted.** Each certification form should be uploaded into SAP so that invoices can be processed.

Be sure all Subrecipient invoices include the following standard data elements:

Checklist of Required Information for Subrecipient Invoices	
<input type="checkbox"/>	Name of the Subrecipient
<input type="checkbox"/>	JHU Purchase order number

Checklist of Required Information for Subrecipient Invoices	
<input type="checkbox"/>	Date of the invoice
<input type="checkbox"/>	Invoice number and project title
<input type="checkbox"/>	Period of performance covered by the invoice*
<input type="checkbox"/>	Description of work performed and/or deliverables completed during the invoice period of performance
<input type="checkbox"/>	Invoice amount requested
<input type="checkbox"/>	Breakdown of costs in accordance with expenditure categories*
<input type="checkbox"/>	Previous, current period costs and cumulative project costs*
<input type="checkbox"/>	Cost sharing, if applicable
<input type="checkbox"/>	Program income generated, if applicable
<input type="checkbox"/>	Cash balance & interest earned (for advanced payments)
<input type="checkbox"/>	Contact person for invoice questions
<input type="checkbox"/>	Certification as to the truth and accuracy of the invoice, such as: "As an authorized representative of the organization, I certify that all Deliverables and required work product due to date have been submitted, and expenditures reported (or payments requested) are for appropriate purposes and in accordance with the Statement of Work, Approved Budget and other requirements as set forth in the Subaward."

*This information is not required on fixed price or fixed fee agreements.

In addition, invoices should be reviewed for financial accuracy, which include the following:

Subrecipient Invoice Review for Financial Accuracy	
<input type="checkbox"/>	Expense in line with budget category amounts
<input type="checkbox"/>	Amounts aren't round dollars solely based on a percentage of budget
<input type="checkbox"/>	Previous expense + Current expense = Cumulative expense for each budget category
<input type="checkbox"/>	Column totals equal the amount of individual column amounts in total
<input type="checkbox"/>	Fringe cost are in line with salary expense for the agreed upon fringe rate
<input type="checkbox"/>	Facilities and Administrative (F&A) costs are in line with applicable costs for the agreed upon F&A rate
<input type="checkbox"/>	Period of performance invoiced is not in advance of the current calendar date unless Immediate cash needs are being met. If so, cash balances and interest must be tracked and reconciled before additional payments can be made

As mentioned, high risk subrecipients with cost reimbursable awards must submit a general ledger (GL) detail with every invoice. Summary review should be performed by comparing GL detail to the invoice amounts. Review should be performed at the sponsor class level (i.e. salaries, supplies, equipment, travel, F&A, etc.), and total amount invoiced should be compared to the total per GL. Any discrepancies from this review should prevent invoice from being approved. Discrepancies should be resolved with the subrecipient and follow up actions properly documented.

For high risk subrecipients, detail review should be conducted twice a year, which includes summary review described above, detail review of selected line items to confirm if the cost are allowable, allocable, reasonable, approved in budget or within rebudgeting criteria as it relates to the terms and condition of the award and agency guidelines. Discrepancies from this review may trigger a desk audit, which is a full review of all expenses and corresponding supporting documentation for selected invoices. This may also include review of F&A agreement, time cards, effort, reporting, receipt for supplies and travel, etc. If issues are encountered, the subrecipient can be required to provide additional backup documentation, or other steps can be taken to ensure financial compliance. If you discover any issues during a desk audit of your subrecipient, please contact the Controller's office immediately.

Failure by the subrecipient to submit any deliverables or required reports by the due date or an invoice with inadequate information is considered just cause for JHU to withhold any payments due or terminate the Subaward. Incomplete

invoices should be rejected by the PI and a new invoice should be obtained or additional information may be attached to the original invoice. No Subaward invoices should be approved if the review notes discrepancies; these discrepancies and any other questions should be addressed directly by the PI and SOM Subawards Team for resolution.

Uniform Guidance requires subrecipient invoices to be paid within 30 days of receipt, so it is imperative that invoices are carefully reviewed, approved, and submitted for payment in a timely manner. If an invoice cannot be approved in a timely manner, be sure to inform the Subrecipient of the situation.

Invoices expenditures should match the budget line items, including PI effort percentage. The time period of the invoice should follow the previous invoice, not overlap the previously paid time period, and the current invoice time period should **NEVER** exceed the expiration date of the Subaward.

If an invoice has to be split across lines of a PO, the department should indicate such on the invoice itself or in the email communication to AP. The department should use the ME23n function in SAP GUI to determine what line the invoice should be posted to and to ensure the invoice was posted correctly prior to completing a Goods Receipt.

When submitting invoices to AP for per patient/per sample/etc invoices the department should:

1. Add money to the 96 via the Award Change Form or SAP's Budget Create
2. Email ORASUBCONTRACTS@jhmi.edu requesting that the invoice amount be added to the PO (provide the amount and PO #) **DO NOT EMAIL PURCHASING/AP/SPSS/SAP/PO MAINTENANCE FIRST!**
3. Once confirmation of the PO update has been provided, send AP the invoice indicating what line(s) to add the invoice to.
4. Wait for a Goods Receipt (GR) request to populate in the ECC Inbox in SAP. **DO NOT DO A GR PRIOR TO THIS STEP. WAIT.** If the invoice was entered incorrectly, the message in the ECC Inbox will indicate that there is a discrepancy and AP will need to correct the posting. Reject the GR back to AP with a note on the error. (The department financial administrator can also see the invoice posting via ME23n for verification purposes).
5. Once the GR request populates, go to the Central Receiving tab in SAP and complete a Goods Receipt. (The SAP code for the Central Receiving role is ZESC_SC_RCV_CNT_All. The department ISR person can request this for anyone who needs to do GRs).
6. IF the GR request does not populate, check ME23n to verify that the invoice was submitted correctly and completely and go to the Central Receiving tab in SAP and complete a Goods Receipt.
7. Check back in SAP ME23n/BW report to ensure the payment has been sent out.

All invoices should be reviewed for financial accuracy

- Expense in line with budget category amounts
- Amounts aren't round dollars solely based on a percentage of budget
- Previous expense + Current expense = Cumulative expense for each budget category
- Column totals equal the amount of individual column amounts in total
- Fringe cost are in line with salary expense for the agreed upon fringe rate
- Facilities and Administrative (F&A) costs are in line with applicable costs for the agreed upon F&A rate
- Period of performance invoiced is not in advance of the current calendar date unless immediate cash needs are being met. If so, cash balances and interest must be tracked and reconciled before additional payments can be made.

High risk subrecipients require some additional invoice review and audits:

- High-risk subrecipients will be required to submit general ledger summary and detailed financial reports along with all invoices
- Departmental personnel will be responsible for completing a summary comparison of the invoice to the general ledger and financial reports
- Review should be performed at the sponsor class level (i.e. salaries, supplies, equipment, travel, F&A, etc.), total amount invoiced should be compared to the total per general ledger detail
- Every six months, departmental personnel will complete a more detailed review of a subrecipient financial report supporting one invoice, including obtaining supporting documentation for a selection of charges to

confirm if the cost are allowable, allocable, reasonable, approved in budget or within rebudgeting criteria as it relates to the terms and condition of the award and agency guidelines

- The Certification for Payment and Performance form has been revised to evidence these reviews
- Problems identified with billings must be resolved and the resolution documented

Should the Financial Analyst/PI find discrepancies during the invoice review additional steps should be taken: FRC should be contacted if assistance in carrying out the following steps is needed:

- Must be resolved prior to payment
- Partial payments of invoices are allowable (e.g., withholding questioned costs)
- Significant discrepancies may indicate the need for a 100% desk audit of the specific invoice or all invoices depending on the nature of the concern. This may also include review of F&A agreement, time cards, effort, reporting, receipt for supplies and travel, etc.
- Resolutions must be formally documented on the invoice or payment certification form
- At discretion of departments, results may dictate future invoicing requirements (e.g., submission of timesheets with every invoice)

5. Program Income and Cost Sharing

JHU, as the prime awardee, must maintain records of the receipt and disposition of all grant related income generated by sponsor funded activities and documentation regarding how cost sharing obligations are met, if applicable. The Subrecipient shall maintain appropriate records to support JHU in fiscal compliance and responsibility under the prime award. The Subrecipient shall include the receipt of program income and cost sharing on invoices submitted to JHU.

6. Annual Subrecipient Monitoring (Compliance Reports)

Tracking the status of Subrecipients for the completion of audit reporting status shall be coordinated by Financial Research Compliance in the Controller's Office.

A Subrecipient Annual Audit Request will be sent annually to University Subrecipients by the Controller's Office. Upon receipt of the completed Subrecipient Annual Audit Request, the Financial Research Compliance office will coordinate on-going risk management initiatives.

7. Close Out of Subawards (JHU PI)

The JHU PI reviews the Prime Award to determine what closing actions and documents are required from the Subrecipient. The following reports are sent to the PI and are typically required for closeout within 60 days of termination:

- Final technical report
- Final equipment report
- Final patent report
- Final voucher
- Release documents

The PI is responsible for seeing that an acceptable final report and all deliverables are received from the Subrecipient. The PI reviews and approves the final invoice for authorization of the final payment to the Subrecipient. The department performs a final desk audit of expenditures and, if necessary, may request that there be a full audit of the Subaward. The department and ORA each retain the file for a predetermined period of time to satisfy all audit requirements.

The Subrecipient award closeout process shall begin promptly upon the conclusion of the period of performance. Final invoices must be submitted to JHU in accordance with the time period specified in the Subaward. Deliverables include audit documentation, performance reports, technical reports, financial reports, final invoices, property and invention reports, and Contractor's Release forms. Final payments to Subrecipients shall not be approved until all closeout documents and deliverables have been received and approved by JHU.

8. Close out of Subawards (Subaward Team)

ORA closes the Purchase Order once the final invoice is approved, submitted to AP, confirmed and paid. If the period of performance for the subaward has expired, the department sends the ORA Subawards Team (ORASUBCONTRACTS@jhmi.edu) and email with the PO number indicating to close it. **DO NOT EMAIL PURCHASING/AP/SPSS/SAP/PO MAINTENANCE FIRST!** The Subawards Team does not move money off of or unencumber money from the 96. If this does not automatically happen when the PO closes, please reach out to Purchasing@jhu.edu or SAPHelp@jhu.edu for more help.

There are several situations where a Subaward might need to be closed out before the period of performance expires. Below are some examples and procedures for closing the subaward in those cases.

1. If the period of performance has not expired **AND** a final invoice has been paid:
 - a. The department should send an infosheet to ORASUBCONTRACTS
 - b. On the infosheet the period of performance should start on the date of their last agreement and end on the final invoiceable date
 - c. On the infosheet the amount should be the total amount paid for that period of performance
 - d. ORA will send the site a termination modification **AND** close out the PO/SC once the mod is fully executed

2. The period of performance has not expired **AND** a final invoice has not been sent:
 - a. The department should send an infosheet to ORASUBCONTRACTS
 - b. On the infosheet the period of performance should start on the date of their last agreement and end on the last date the sub PI completed work for JHU
 - c. ORA will send the site a termination modification
 - d. The department should email ORASUBCONTRACTS when the final invoice is paid
 - e. ORA will close out the PO/SC at that time

3. If the subsite PI is moving to another subsite **AND** will still conduct work for JHU under the project
 - a. The department should request paperwork from ORASUBCONTRACTS for a new subsite
 - b. The department should complete and return the paperwork to ORASUBCONTRACTS
 - c. ORA will draft and submit the new sub **AND** create new 96/PO

4. If the subsite is appointing another sub-PI to do the work at their Institution
 - a. The department should send an infosheet to ORASUBCONTRACTS with the new PI's information on it and a new budget for that PI for the remaining portion of the current grant year
 - b. ORA will modify the current agreement with the subsite
 - c. The existing 96/PO will continue to be used

V. JHU SOM Subaward Process Summary

Subaward Process Summary
1. ORASUBCONTRACTS contacts department administration and JHU PI via email with a copy of the NGA, necessary templates and a request for required documents.
2. Department completes Subrecipient Information Sheet and sends it to ORASUBCONTRACTS, along with a subsite budget, statement of work, IRB/IACUC approval (as applicable), a wire transfer authorization form W8 (as applicable), Significant Financial Interest form (as applicable), Subrecipient Determination Form (SDF), and all other documents requested by ORA.
3. For new Subsites: ORASUBCONTRACTS assesses risk and provides risk rating to Controller's office and PI/Dept.
4. ORA submits request for "96" IO via the online Award Change Form. This email account is managed by the Office of Financial Operations, Sponsored Projects Shared Services.
5. SPSS establishes "96" IO and sends email confirmation to ORA.
6. Each time a PO needs to be modified the department will add money to the 96 via SAP Budget Create or via the Award Change Form.
7. If Subsite does not exist in SAP, ORA requests a W9 (W8 for foreign sites using a U.S. bank) from the department and uses the W9/W8 and Vendor Add form to request a new vendor number from Purchasing.
8. ORA receives notification of Subaward IO creation from Shared Services, and uses new IO to create an SPPO shopping cart (SC).
9. SPPO shopping cart is work flowed to the department for review and approval.
10. Approved shopping carts are routed to Purchasing for final approval and become purchase orders (PO) after their approval; rejected shopping carts are sent back to ORA; approved modifications are updated in system by Subawards Group member and the fully executed document is sent to the Subrecipient.
11. ORA utilizes information from requested forms to verify the whether the SOW classifies the recipient as a Subsite or a Vendor/Contractor classification per the SDF and then creates the Subaward/Subcontract (Original or Modification)
12. The Subaward is emailed to Subrecipient for review and signature. Negotiations may occur.
13. Once partially executed Subaward has been received by ORA, it is processed for JHU signature and a fully executed copy of the Subaward is sent to the Subrecipient. <ul style="list-style-type: none"> • For new Subawards and subcontracts, Subawards Group confirms PO# and notifies department and Subrecipient of the number, and emails a copy of the fully executed agreement to all parties. • For modifications, Subawards Group increases PO by adding a new line to PO and notifies department of increase, and emails a copy of the fully-executed agreement all parties.
14. The fully-executed Subaward or subcontract is saved on the ORA internal network drive. The fully-executed agreement and SDF are also uploaded into OCULUS.
15. Departments are responsible for processing invoices and financial reports once PI approves activity.
16. Approved invoices are sent to Accounts Payable for processing.
17. Goods Receipts are forwarded to and approved by the department financial contact listed on the infosheet.
18. Upon termination of a Subaward, department contacts Subawards Team via email to remove PO encumbrance (if necessary). ORA reviews request and closes the PO and SC.

VI. References

- A. JHU SOM Office of Research Administration
<http://www.hopkinsmedicine.org/Research/ora/>
- B. JHU Research Administration Offices
<http://jhuresearch.jhu.edu/>
- C. Federal Demonstration Partnership Homepage
<http://thefdp.org/default/>
- D. FDP Subaward Forms
http://sites.nationalacademies.org/PGA/fdp/PGA_063626
- E. Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards
<http://thefdp.org/default/subaward-forms/>
- F. Federal Audit Clearinghouse Homepage
<https://harvester.census.gov/facweb/>
- G. Excluded Parties List Service
<https://www.sam.gov/portal/SAM/#1#1>
- H. FDP Clearinghouse
<https://fdpclearinghouse.org/>
- I. Financial Research Compliance
http://finance.jhu.edu/depts/frc/about_frc.html