



NORTHWESTERN
UNIVERSITY

Responsible University Official:

Vice President for Research; Vice President of
Finance Operations and Treasurer

Responsible Office:

Office for Sponsored Research (OSR); Accounting
Services for Research and Sponsored Programs
(ASRSP)

Origination Date: November 20, 2006

SUBCONTRACTING ON SPONSORED PROGRAMS

Policy Statement

Northwestern University engages with other organizations in a range of scholarly collaborations, many of which occur under the auspices of sponsored programs. Collaborating with other institutions can help Northwestern more effectively compete for and execute sponsored programs. When Northwestern is the Prime Institution (or Pass-through entity), subcontracting can increase risks associated with compliance and audit. Northwestern University is responsible for overseeing the programmatic and financial activities of Subrecipients, in the management of sponsored research. This document sets forth the University policy on subcontracting throughout the “lifecycle” of a sponsored program, which spans pre-award and post-award sponsored programs management.

Reason for Policy/Purpose

Subcontract agreements typically provide the formal, legal mechanisms required to facilitate scholarly collaborations. This policy guides the University’s obligations under a sponsored program when the University delegates responsibility for conducting a portion of its scope of work to another organization through a subcontract agreement. Additionally, the University recognizes its responsibility to comply with federal regulations outlined in the Office of Management and Budget (OMB) “Uniform Guidance” (2 CFR 200), effective December 26, 2014. While not all sponsored programs are federally funded, federal regulations provide a standard for the internal control environment at the University associated with all subcontracts.

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Who Approved This Policy

Vice President of Finance Operations and Treasurer

Vice President for Research

Who Needs to Know This Policy

All Northwestern University faculty and staff involved in the performance or administration of sponsored programs.

Website Address for this Policy

<http://osr.northwestern.edu/agreements/subcontracts>

http://osr.northwestern.edu/sites/default/files/subcontract_policy.pdf

Contacts

If you have any questions about this policy, you may contact:

- a. Director, Evanston Campus
OSR-Subcontract-EV@northwestern.edu
 - b. Executive Director, Chicago Campus
OSR-Subcontract-CH@northwestern.edu
 1. Accounting Services for Research and Sponsored Programs (ASRSP)
 - a. Executive Director
 - b. Associate Director
ASRSP-Subk-EV@northwestern.edu
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Definitions

Northwestern derived the following definitions from the [Federal Uniform Guidance](#) and modified them in some instances to apply broadly across all types of sponsored research.

Pass-through entity: An entity that provides a Subaward to a Subrecipient to carry out part of a research program. §200.74. Pass-through entities are not always Prime Institutions; an organization may be both a Subrecipient and a Pass-through entity under the same sponsored program.

Prime Institution: The grantee or entity that has entered into or will enter into an agreement (e.g., grant, cooperative agreement, contract) directly with the Originating Sponsor. A Prime Institution may also be referred to as a Prime Award Recipient or Pass-through entity.

Subcontract: A formal agreement between a Pass-through entity and a Subrecipient under a sponsored program. The Subcontract defines the nature and the purview of the Subrecipient's involvement in the sponsored program, and includes a scope of work (representing programmatic effort) and a corresponding budget. In addition, the Subcontract incorporates the appropriate terms and conditions from the agreement between the Originating Sponsor and any Pass-through entities. The term "Subcontract" is sometimes used interchangeably with "Subaward." This policy does not distinguish between the two, and uses "Subcontract" throughout.

Subaward: An award provided by a Pass-through entity to a Subrecipient for the Subrecipient to carry out part of a sponsored award received by the Pass-through entity. It does not include payments to a Contractor or payments to an individual that is a beneficiary of a research program. A Subaward may be provided through any form of legal agreement, including an agreement that the Pass-through entity considers a contract. §200.92

Subrecipient: A legal entity that receives a Subcontract from a pass-through entity to carry out a portion of a sponsored program. A Subrecipient has responsibility for programmatic decision making; has its performance measured in relation to whether objectives of a programmatic scope of work were met; and is responsible for adherence to applicable sponsored program requirements specified in the sponsored award, as opposed to providing routine goods or services for the benefit of the Pass-through entity. A Subrecipient may also be a direct recipient of other awards directly from a sponsoring governmental agency or organization. This policy refers to Subrecipient organizations, not individuals. The term "Subrecipient" is sometimes used interchangeably with "Subawardee." This policy does not distinguish between the two, and uses "Subrecipient" throughout.

Subrecipient Monitoring: The process by which a Pass-through entity reviews Subrecipient performance to ensure proper accountability and compliance with program requirements and achievement of project goals.

Contractor: A Contractor in the context of a sponsored program is an entity that provides the goods and services within normal business operations; provides similar goods or services to many different purchasers; normally operates in a competitive environment; provides goods or services that are ancillary to the operation of the sponsored program. In contrast to Subrecipients, Contractors do not have programmatic control over a portion of the sponsored program. The term “Contractor” is sometimes used interchangeably with “Vendor.” This policy does not distinguish between the two, and uses “Contractor” throughout.

Originating Sponsor: The entity that provides an award directly to a recipient. §200.37

Recipient: An entity that receives an award directly from the Originating Sponsor, for the purpose of carrying out an activity under a specified program. The term recipient does not include Subrecipients. §200.86

(The “Related Information” section of this policy document contains additional definitional resources.)

Acronyms

ASRSP: Accounting Services for Research and Sponsored Programs

COI: Conflict of Interest

F&A Rate: Facilities and Administration Rate (also referred to as “indirect” or “overhead” rate)

IACUC: Institutional Animal Care and Use Committee (reviews projects involving animal subjects)

INVO: Innovation and New Ventures Office

IRB: Institutional Review Board (reviews projects involving human subjects)

NUCOI: Northwestern University Conflict of Interest Office

OECC: Office for Export Controls Compliance

OSR: Office for Sponsored Research

PI: Principal Investigator

SOW: Scope of work (or statement of work)

Policy/Procedure

I. Major Considerations in the Engagement of Subrecipients

At the pre-award and award stages, the University must consider the following factors on a case-by-case basis regarding the engagement of a potential Subrecipient:

- Determination of Subrecipient vs. Contractor/Vendor status
- Unique capabilities of the Subrecipient to execute the work
- Subrecipient location (domestic or foreign)
- Subrecipient type (university, hospital, nonprofit organization, government organization, for-profit organization or foreign organization)
- Subrecipient size
- Subcontract award size, particularly relative to Northwestern award size
- Complexity, sensitivity of the work and/or extensiveness of the regulations governing the sponsored program
- Northwestern's prior experience with the Subrecipient (e.g., Subrecipient prior performance under a Subcontract issued by Northwestern)
- Volume and type (federal/nonfederal) of Subrecipient's sponsored research portfolio
- Degree of external oversight of Subrecipient by sponsoring/cognizant agencies or auditors
- Audit results and management plans
- Debarment/suspension status

II. Requirements for the Engagement of Subrecipients

A. Pre-award Stage

Northwestern subcontracts to private and public American colleges and universities, hospitals, non-profit organizations, government organizations, for-profit organizations and foreign organizations. At pre-award stage, materials collected by local administration (school, center, or departmental staff) from the Subrecipient should be consistent with the Originating Sponsor's solicitation and/or proposal guidelines. It is required that Northwestern collect the following minimum institutionally endorsed materials from the Subrecipient:

- Letter of intent (or relevant Originating Sponsor proposal face page) signed by the Subrecipient's authorized official;
- Subrecipient's Statement of Work (SOW), outlining the programmatic work to be performed during the project period, and identifying deliverables, as appropriate; and
- Subrecipient's detailed budget and budget justification.

These entities must be able to demonstrate compliance with the requirements of the Originating Sponsor and the applicable terms of the award to Northwestern.

B. Award Stage

At award stage, Office for Sponsored Research (OSR) gathers updated program-related information and internal authorization from the Principal Investigator (PI), in order to issue a Subcontract to the proposed Subrecipient. This information includes the finalized award documentation as well as updated information regarding the Subrecipient. OSR must assign or flow down the applicable terms from the award to the Subrecipient in order to ensure that Northwestern meets its institutional program and compliance-related obligations to the Originating Sponsor and any Pass-through entities.

C. Subcontract Issuance

During the process of issuing a Subcontract to a Subrecipient, OSR analyzes the Subrecipient in order to assess: whether the designated role of Subrecipient under the program is appropriate (as opposed to a contractor or vendor role); Subrecipient's risk of non-compliance with Originating Sponsor regulations and applicable award terms; and to determine appropriate Subrecipient monitoring. The information gathered by local administration at the pre-award stage regarding a Subrecipient assists OSR in this analysis. The Subrecipient must provide additional documentation to Northwestern that evidences sound business practices and compliance with Originating Sponsor regulations prior to the execution of the Subcontract.

D. Subrecipient Monitoring

Federal regulations (principally OMB Uniform Guidance, 2 CFR Part 200) describe Subrecipient Monitoring. Consistent with the guidance, Northwestern performs the following over the duration of a subcontract:

- Review of required programmatic and financial reports
- Follow up on the status of addressing deficiencies related to the specific subcontract issued by Northwestern identified in previous audit findings or directly by Northwestern
- Issuance of a management decision for audit findings related to the specific subcontract issued by Northwestern
- Verification that the Subrecipient is audited as required by Uniform Guidance Audit requirements

Originating Sponsor or program-specific requirements may additionally influence Northwestern's Subrecipient Monitoring approach.

Different parties and processes comprise the Subcontract control environment at Northwestern, including Subrecipient Monitoring. For more information, please refer to the [Roles and Responsibilities](#) section linked on OR's website.

III. Additional Considerations in the Engagement of Subrecipients

A. Conflict of Interest

When serving as a prime award recipient, Northwestern will apply Originating Sponsor Conflict of Interest (COI) requirements to the Subrecipient. Therefore, Northwestern University Conflict of Interest Office (NUCOI) must identify whether or not a Subrecipient has a COI policy compliant with applicable Originating Sponsor COI requirements. If a Subrecipient does not have a COI policy compliant with applicable Originating Sponsor COI requirements, the Subrecipient must agree to abide by Northwestern's COI policy relative to the Subrecipient investigators and the specific Subrecipient research activity for the duration of that activity. The subcontract agreement must incorporate terms that establish whether the COI policy of Northwestern or that of the Subrecipient will apply to Subrecipient investigators. For more information, please refer to Northwestern's [Conflict of Interest in Research Policy](#).

B. Cost sharing

Occasionally, Subrecipients share with Northwestern the burden of cost sharing on sponsored programs. In these situations, Northwestern must clearly document the cost sharing commitments of the Subrecipient at the pre-award and post-award stage. Northwestern is ultimately accountable for its Subcontractors' cost sharing on a sponsored program. For more information, please refer to Northwestern's policy on [Cost Sharing on Sponsored Programs](#).

C. Debarment/Suspension

Northwestern screens Subrecipients against restricted and excluded party lists published by the federal government. Northwestern cannot engage a Subrecipient if doing so would be contrary to federal regulations.

E. Export controls

Northwestern, through its Office for Export Controls Compliance (OECC), complies with the various export control regulations issued by the federal government, including but not limited to the Export Administration Regulations, 15 C.F.R. 730-774, and the International Traffic in Arms Regulations, 22 C.F.R. 120-130. A Subrecipient shall be responsible for its own compliance with the export control regulations. For more information, please refer to Northwestern's policy on [Export Controls Compliance](#).

F. Federal Funding Accountability and Transparency Act (FFATA)

Northwestern, as a Prime Recipient of new federal grants and contracts greater than or equal to \$25,000, as of October 1, 2010, is subject to FFATA subcontract reporting requirements, as indicated in the OMB Uniform Guidance 2 CFR 200. Northwestern is required to file a FFATA subcontract report by the end of each month following the month in which Northwestern awards any Subcontract greater than or equal to \$25,000. Northwestern complies with this requirement by submitting FFATA reports through the [FFATA Subaward Reporting System](#).

G. Compliance with regulations governing research subjects

When a Subrecipient is involved in animal or human subject research, the Subrecipient has a responsibility to ensure compliance with relevant regulations. The [Office of the Institutional Animal Care and Use Committee](#), as well as the [Office of the Institutional Review Board](#) provide information and guidance as appropriate.

H. Federal Acquisition Regulations (FAR)

The FAR is a system of policies and procedures governing the acquisition or procurement actions of federal agencies.

In instances where Northwestern receives sponsored funding that is subject to the FAR, Northwestern must ensure that any Subcontract includes flow down of the appropriate FAR clauses, which is driven by the identity of the Subrecipient and the nature of the Subrecipient's work, among other considerations. Contract cost principles and procedures are outlined in 48 Part 31 of the FAR, which specifies allowable costs for commercial (for-profit) organizations, educational organizations, non-profit organizations, and state, local and federally-recognized tribal organizations.

Forms/Instructions

Appendices

Related Information

[Office for Sponsored Research](#)

[Accounting Services for Research and Sponsored Programs](#)

[Northwestern University Conflict of Interest Office](#)

[Office for Export Controls Compliance](#)

[Office of Management and Budget final guidance on “Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards”](#)

[Federal Acquisition Regulations \(FAR\)](#)

History/Revision Dates

Origination Date: November 20, 2006

Last Amended Date: November 23, 2015

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