



Subaward Definition

The term subawarding is defined herein as those situations that call for substantive work or project activities that are a primary part of a research program supported by a grant, contract, or cooperative agreement to be conducted by another institution. The activities involved must constitute a significant portion of the sponsored research program and require the leadership and direction of a responsible investigator located at the worksite of the cooperating institution. On research projects, a subaward is usually for collaboration with colleague(s) at another institution. Subrecipients shall be independent entitie(s) and cannot be an employee or agent of Loyola University Chicago.

These procedures DO NOT apply to (1) vendor-type relationships, i.e., routine purchase of equipment, supplies, and services; and (2) employment of outside consultants.

Establishing a Subaward

The Office of Research Services (ORS) assists in the preparation of and endorses subawards on sponsored projects. Once an award is issued to Loyola that involves co-investigators at other institutions, the Principal Investigator at Loyola (PI) should verify with ORS at Loyola that all of the necessary documentation is in place to authorize preparation of the subaward with a different institution. Note that if the awarded amount to Loyola is less than the proposed amount, a revised subaward budget may need to be prepared before issuing to the other institution.

Under OMB "Uniform Administrative Requirements, Cost Principles, and Audit Requirements" (2 CFR Part §200), the University is required to flow-down the requirements of the prime award on fiscal activities, inventions, and equipment to all subrecipients. The documentation will be included in the formal subaward agreement as part of the contracting procedures. The PI is responsible for ensuring that any required programmatic reports or documents are submitted as part of the reporting process. For additional information, the PI should refer to the prime award documents and the subaward documentation, or contact the Office of Research Services.

Subaward Costs

In accordance with OMB Uniform Guidance (2 CFR Part §200), and formalized in Loyola University Chicago's approved [federal rate agreement](#), the distribution base for F&A costs for applicable sponsored agreements and other benefiting activities is modified total direct costs, consisting of all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, **and up to the first \$25,000 of each subaward (regardless of the period of performance of the subawards under the award.)**



Preparing people to lead extraordinary lives

Loyola University of Chicago applies indirect costs to the first \$25,000 of every subaward associated with a grant or contract, unless otherwise specified in the primary award. When two or more subawards are established for a project, the first \$25,000 of each subaward should be budgeted to account 6580 (Subawards under \$25,000)

6580 (Subawards under \$25,000) - Represents the first \$25,000 budgeted for each subaward entered into over the life (competitive segment) of an externally funded grant or contract.

6581 (Subawards over \$25,000) – Represents the balance of subaward costs (including the non-competing years of continuation), once the initial indirect cost allowance of \$25,000 is satisfied. Account 6581 may also be utilized for subawards that do not allow indirect costs.

If accounts 6580 and 6581 are not used appropriately, the University could potentially lose indirect costs to which we are entitled, or overcharge the primary funding agency.

Subawards: Encumbrance and Payments

To ensure that funds budgeted for subawards are not expended for purposes other than payment to the subrecipient, the amount of the subaward, as stated in the agreement, will be encumbered (committed) upon inception. Encumbering the subaward funds up-front will reserve them for payments owed the subrecipient, thus ensuring the University's ability to fulfill its financial obligation to the subrecipient institution.

Encumbrance (commitment): Upon awarding a subaward to another institution, the Office of Research Services or the awarding department should forward a copy to Sponsored Program Accounting (grntcon@luc.edu). The Staff Accountant in Sponsored Program Accounting will then create a purchase order for the amount of the subaward, therefore encumbering (committing) the funds for future payment under a specific purchase order number. A fully-executed copy of the subaward must be received in order to create the purchase order.

Payments: Invoices received by LUC from the subrecipient require the approval of the PI; the signature of the Principal Investigator on the LUC payment requisition accompanying the invoice constitutes satisfactory performance of the subrecipient. The completed check/payment requisition and supporting invoice should be sent to Accounts Payable (accounts-payables@luc.edu) by the PI. Upon receipt of a completed check/payment requisition, AP will run through its normal intake process and route to Sponsored Program Accounting for final approval. The amount of the invoice is applied towards the PO and payment is made to the subrecipient. The invoice amount is then deducted from the total subaward encumbrance (commitment), becoming an actual expenditure. All payments should be reviewed and processed in a timely manner.



Final Payment: Subaward agreements typically terminate annually, at the end of the prime award's budget period. As financial reports are often required within 90 days of the prime award end date, final invoices should be received from the subrecipient no later than 60 days after the subaward end date, and must be clearly marked as "Final" by the subrecipient. The PI should work with the collaborating institution to ensure that the final invoice is received within the 60 day timeframe; Sponsored Program Accounting will assist as needed. An invoice that is received beyond 60 days may not be honored at the discretion of the principal investigator. Generally an invoice will not be honored if received later than 90 days after the end of the prime award's project period.

Mandatory Annual Progress Reports

When Loyola is the prime recipient of a grant award and issues a subaward to another institution, the co-investigator from that institution will be required to provide an annual progress report to the Principal Investigator and the department. The progress report is necessary for two reasons:

- It will serve as official documentation that the work stated has been performed
- It will also support the invoices that are submitted during the course of the funding period.

The awarding PI/department is responsible for maintaining the progress reports.

Unsatisfactory Performance/Early Termination

The Principal Investigator is to determine the validity of the invoice based upon the progress of the subrecipient. The Principal Investigator reserves the right to reject any invoice based upon insufficient or unsatisfactory performance. The Principal Investigator should notify the subrecipient, ORS, and SPA in the event an invoice is rejected, and provide adequate documentation detailing the lack of performance.

In the event that subrecipient shall be in breach, violation or default of any of its obligations under the subaward and shall fail to remedy such default, the PI shall have the option of terminating this subaward upon written notice thereof.

Upon any termination action, subrecipient shall within thirty (30) days of the termination date, submit a final invoice. The subrecipient shall be reimbursed for all allowable non-cancelable costs and commitments incurred in the performance of this subaward up to date of termination, not to exceed the maximum reimbursable amount set forth in the agreement.

The subrecipient will be required to furnish all necessary reports of research completed or in progress through the date of termination.



FAQs

Are Principal Investigators required to review and approve subaward agreements?

Prior to ORS endorsing a subaward agreement, Principal Investigators should review and acknowledge that the terms and conditions of the award, along with any supporting documentation (i.e. budget) are acceptable.

Is the PI obligated to honor an invoice that's more than 90 days old?

In many cases awards from federal agencies, such as NIH, are made for a specific **project period and not budget period**. Under expanded authorities (NIH), institutions have been given more latitude to manage sponsored projects; however, we are required to be fiscally responsible.

The 90 day policy calls for the posting of expenditures and other costs within 90 days of the end of the month in which they were incurred. The 90 day rule is not a standard established by regulation or law. It is based upon a practical standard that it is reasonable to expect that costs can be properly assigned within 3 months of their occurrence.

It's not unusual to receive invoices that are older than 90 days. It is recognized that executing subaward agreements with other institutions often requires additional time that may extend beyond a 90-day time period. However, because the vast majority of subawards involve federally sourced funds, it is critical that the subawards are executed as promptly as possible so that expenditures can be accurately recorded. It is the responsibility of the PI to review and approve invoices in a timely manner. If the invoice is rejected or if there are any discrepancies, the department should notify Sponsored Program Accounting and the Office of Research Services as soon as possible.

What if the principal investigator is dissatisfied with the performance of the subrecipient?

The Principal Investigator will determine the validity of the invoice based upon the progress of the subrecipient. The PI reserves the right to reject any invoice based upon insufficient or unsatisfactory performance in accordance with 2 CFR Part §200.305. The PI should notify the subrecipient, ORS, and SPA in the event an invoice is rejected, and provide adequate documentation detailing the lack of performance.

What documentation is required by SPA to process payment on a subaward?

- A fully-executed copy of the subaward on file
- A completed check/payment requisition
- The signature of the Principal Investigator indicating both satisfactory performance of the subrecipient and an "ok to pay".



- An invoice from the subrecipient.

Who has the responsibility of following up with the collaborating institution if invoices are not received in a timely manner?

Regular invoices and progress reports are tools that the PI can use to ensure satisfactory performance of the subrecipient. Inconsistent or irregular invoices, especially when compared to progress reports, may be an indicator of challenges to address with the subrecipient. The awarding department is responsible for following up with the subrecipient. Sponsored Program Accounting will assist if necessary.

What if the subaward has unspent committed funds after the final invoice has been received and paid?

If the subrecipient confirms that all obligated subaward payments have been received, the remaining amount of the purchase order will be canceled by the Grant Accounting Manager, Sponsored Program Accounting. The PI should work with his/her SPA Grant Administrator to re-budget any remaining funds in 6580/6851 as needed. Agency approval may be required in some cases for re-budgeting.

Who is monitoring subawards in Sponsored Program Accounting?

Your SPA Grant Administrator will be the primary contact for each subaward; he/she will have the primary authority over expenditure approval as all fully-executed subawards are maintained in the primary grant award file. The SPA Accountant maintains separate files of all subawards and related encumbrances and payments, reviews/approves all subaward payments, and is the control point for post-award subrecipient monitoring. Questions related to subaward budgets, encumbrances, and payments/expenses can also be addressed to Sponsored Program Accounting at grntcon@luc.edu.

Is there a way I can view the remainder of encumbered (committed) funds for a subaward?

Yes. The encumbrance (commitment) is created similar to how other POs are created for University purchases and there are Webfocus reports available to view the encumbrance (commitment).

- Grant Summary report- The commitments column shows total dollars committed by account code
- Report of Commitments- shows commitment detail
- Purchase Order Line Detail- shows PO detail including funds committed for subawards