

SUBCONTRACTING

APPLICABLE FEDERAL REGULATIONS
A-110 & A-133



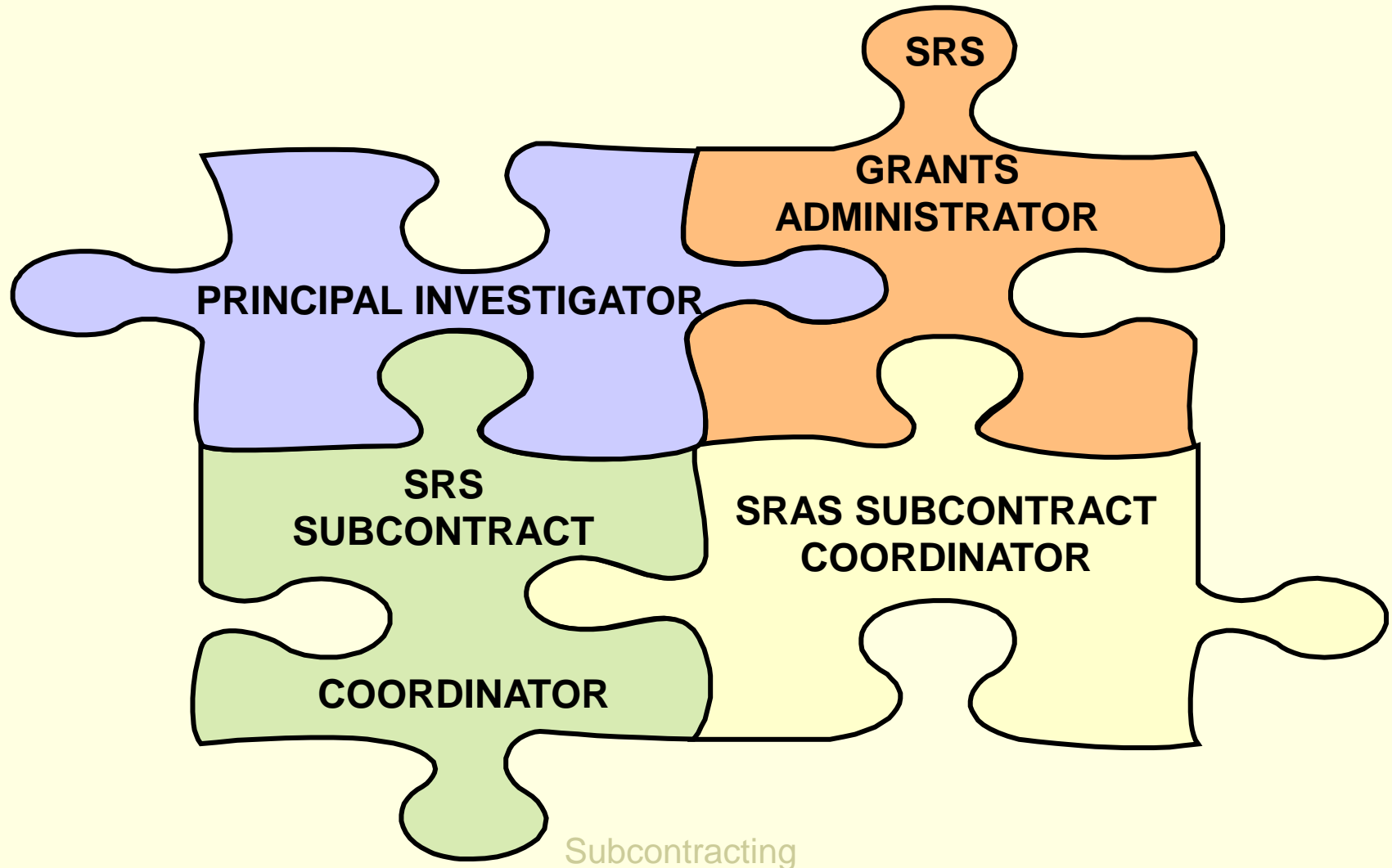
TRAINING OBJECTIVE

- Provide staff with general requirements of subcontracting in pre- and post-award areas in order to gain a better understanding of the process from beginning to end
- FSU must follow A-110 procurement requirements on subcontracts
- FSU must follow A-133 subrecipient monitoring requirements

WHAT IS A SUBCONTRACT?

- Assigning to another party some obligation of an existing contract, for which FSU is still ultimately responsible
- FSU requires bilateral agreements for most subcontractual services over \$6,000
- Not a requisition/purchase order for goods

WHICH FSU EMPLOYEES ARE DIRECTLY INVOLVED IN THE SUBCONTRACTING PUZZLE?



Four stages of subcontracting

1. Pre-award- proposal submission
 - a. FSU's PI's responsibilities
 - b. SRS Grants Administrator's responsibilities
2. Receipt of prime award – issuance of subcontract
 - a. SRS Grants Administrator's responsibilities
 - b. SRS Subcontract Coordinator's responsibilities
3. Post-award – payment of invoices and monitoring for compliance with A-133
 - a. SRAS Subcontract Coordinator's responsibilities
4. Close-out
 - a. SRAS Subcontract Coordinator's responsibilities

Background

- Normally, the PI recognizes the need to subcontract a portion of project at proposal preparation stage. This allows two important steps to take place:
 - ability to determine subcontract type – vendor or subrecipient so FSU's F&A base can be accurately determined
 - receipt of prior approval of sponsoring agency in most instances (in some cases specific post-award approval is required. Especially on contracts, the sponsoring agency may even require approval of the subcontract document.)

PI's responsibilities at proposal stage

PI (SRS Grants Administrator will assist) needs to obtain from proposed subcontractor:

- Budget (in proposed sponsoring agency's format)
 - Copy of subcontractor's negotiated F&A rate agreement
 - Copy of fringe benefits (FB) rate agreement if FB based on composite rate
- Scope of work
- Biographical sketches, etc. (as required by proposed sponsor)
- Same Representations and Certifications required of FSU (If subcontract effort will involve human subjects, animal use, etc., proposed subcontractor must comply with same requirements as FSU)

Proposed subcontractor's proposal must be signed by an authorized subcontractor official and PI and incorporated in FSU PI's proposal package

SRS Grants Administrator's responsibilities at proposal stage

- Review proposed subcontractor's budget package for compliance with proposed sponsoring agency's requirements, mathematical accuracy, etc., along with review of FSU PI's proposal
- Determine proposed subcontractor's costs have been appropriately included in FSU's proposal budget as direct cost and only first \$25,000 of subcontract has been included in FSU's F&A MTDC base (exceptions to this exist for many non-federal sponsors)
- Determine if other party's work will be procured as a subrecipient or vendor

SUBRECIPIENT FACTORS

- Has responsibility for programmatic decision-making
- Uses the funds to play an integral role in the contracted research program, as opposed to only providing goods or services to FSU
- Performance is measured against the objectives of the federal award
- Has responsibility to comply with applicable federal program requirements

VENDOR FACTORS

- Provides the goods or services within its normal business operations
- Provides similar goods or services to many different purchasers
- Operates in a competitive environment
- Is responsible ONLY for meeting requirements of contractual services to FSU, not integral to prime award programmatic work

After prime award is received

SRS subcontract coordinator's responsibilities:

- Work with FSU PI and proposed subcontractor to develop subcontract document.
- Information needed includes:
 - Subcontractor's legal name, mailing address, FEID number
 - Subcontractor's PI and administrative contact names, mailing and email addresses & telephone number
 - Amount of subcontract (should correspond to award budget or a modification may be required)
 - Advance payments are normally not made to subrecipients.

Information needed for subcontract, cont'd

- Subcontract beginning and ending dates.
 - Within prime award dates-may need to be less, to meet sponsor's reporting deadlines.
 - If project is multi-year, amendments may be required after award modification.
- Subcontract type—cost reimbursable or fixed price
 - Generally research effort is procured on a cost reimbursable basis due to the inability to define the “product” and/or cost thereof
- Detailed Scope of Work and Budget
- Description of deliverables and schedule of due dates
- Determine if Sponsored Research Exemption is required
 - from competition, if over \$50,000 (not needed for Universities & governmental agencies),
 - or Florida travel regulations
- Conduct a Cost or Price Analysis

Cost or price analysis

- **COST ANALYSIS:** Element by element examination of the estimated costs. Normally a cost analysis is appropriate (versus price analysis) on “subrecipient” procurements
 - If subcontractor is a Federal grantee, compliance with Federal cost principles and audit requirements provide assurance of personnel rates, competitive pricing for materials, supplies, equipment and services. A review of reasonableness of budget in relation to proposed work should suffice. (PI needs to concur with reasonableness)
 - If subcontractor is not a Federal Grantee, determination should be more rigorous
 - Obtain copy of most recent financial statement
 - Obtain copy of latest audit report
 - Request references from entities with whom they’ve had major business transactions
 - Review information on their Website; are these standard costs?

Cost or Price analysis (cont.)

- **PRICE ANALYSIS:** the process used to determine if the asking price for a product or service is fair and reasonable.
- Examples of data used to make analysis:
 1. analysis of previous prices paid
 2. comparison of vendor's price with the in-house estimate
 3. comparison of quotations or published price lists from multiple vendors
 4. comparisons with GSA prices

Preparation of subcontract agreement

- Determinations that need to be made:
 - agency approval received, if required
 - award budget modifications completed, if required
 - flow-down clauses required
 - invoicing, technical and financial reporting requirements (normally, same as requirements of FSU)
 - identify CFDA title and number, award name, name of sponsor and applicable compliance requirements, if Federal funds
 - If needed, has sponsored research exemption (SRE) been approved

Preparation of subcontract agreement, cont'd

- acceptability of subcontractor
 - consider record of past performance, availability of financial and technical resources and adequate administrative and financial capability
 - not on list of debarred or suspended vendors
- subrecipient has met applicable A-133 audit requirements if local or state government or non profit and subrecipient expended \$500,000 or more of Federal funds in fiscal year, if Federal funds
- Document basis for selection of subcontractor, if subcontract is in excess of \$50K (A-110)
 - Competition, named in federal award or SRE?

Review and signing of agreement

- Request review/approval of final subcontract document of FSU PI.
- SRS subcontract coordinator sends agreement to subcontractor
 - Provides any clarification and negotiates any terms
- Subcontractor signs and returns agreement to SRS subcontract coordinator for execution
- Original returned to subcontractor, copy to PI
- Subcontract is encumbered in OMNI using RXX special purchase order.

Review/approval of invoices by SRAS subcontract coordinator

SRAS subcontract coordinator's responsibilities:

- Verify certification has been signed by subcontractor official
- Compare actual costs to subcontractor budget
- Verify completeness and mathematical accuracy of invoice
- Determine that:
 - costs are allowable
 - F&A cost and FB are properly calculated
 - Sum of current invoice amount and amounts of previous invoices is within subcontract ceiling
 - period covered by invoice is within subcontract dates
- Forward invoice to PI

Review/approval of invoices by PI

PI responsibilities:

- Review progress reports and other communications to ascertain that work is being conducted timely
- Conduct site visit if warranted
- Other means, if necessary, to provide reasonable assurance that subrecipient administers funds in compliance with laws and provisions of subcontract and that performance goals are achieved
- Review costs to determine appropriateness and reasonableness in relation to work performed
- Sign invoice certifying work being billed has been satisfactorily performed
- Return invoice to SRAS subcontract coordinator
- SRAS subcontract coordinator processes invoice for payment and encumbrance is appropriately reduced

ARRA Reporting Requirements

■ Report in the Aggregate all <\$25,000.

- Total Expenditures
- Total Number of Subcontracts
- Vendor Information (if applicable)

■ Report Specific for each >\$25,000.

- DUNS Number
- Congressional District
- Address
- Expenditures
- Jobs Data
- Director/Officer Information (if applicable)
- Vendor Information (if applicable)

Amendments

- PI is responsible for requesting that subcontracts be amended
- Reasons for amendments include changes to any of the following:
 - subcontract ending dates
 - scope of work
 - deliverables
 - budget increase or decrease in funding

Must contact SRS subcontract coordinator to develop amendment

Close-out stage

SRAS subcontract coordinator's responsibilities

- Confirm subcontractor's submission of final fiscal report/invoice
- Complete disposition of property
- Obtain statement of inventions
- Determine A-133 requirements have been met
- Determine if an independent audit is warranted, if A-133 is not applicable

Website Contents on subcontracting

www.research.fsu.edu/contractsgrants/policypro/html Procurement of Services

- Overview of Procedures
- Subrecipient vs Vendor Definition
- Subrecipient Monitoring Policy
- Forms
 - Request for New Subcontract or Amendment to Existing Subcontract
 - Attachments to subcontracts
 - Subcontractor Contact Information
 - Formats for Scope of Work and Budget
 - Schedule of Deliverables and Invoicing
 - Cost/Price Analysis Worksheet and Explanation
 - Sponsored Research Exemption Request Form