

# The Ins and Outs of Subcontracts: A Beginner's Guide

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# Overview

- What is a subcontract?
- Why subcontract?
- Subcontracts vs. Consultants
- What to expect on the proposal side
- What to expect on the award side
- Post-award management
- Close-out process
- Managing multiple subcontracts

# What is a subcontract?

- Subcontract: A formal written agreement between the primary institution and a subrecipient to perform work as outlined in the statement of work
  - Also, known as subaward, consortium, agreement
- Subrecipient: A party that receives the formal written agreement by the primary institution

# What is a subcontract?

## Definitions per OMB Circular A-110

- Subaward: an award of financial assistance in the form of money, or property in lieu of money, made under an award by a recipient to an eligible subrecipient.
- Subrecipient: legal entity to which a subaward is made and which is accountable to the recipient for the use of funds provided.

# What is a subcontract?

Many different organizations can be a subrecipient.

- Examples include:
  - Other Universities
  - Hospitals
  - For Profit Organizations
  - Foreign Institutions

# Why subcontract?

- The trend is to collaborate with other institutions
- Most projects are now multidisciplinary
- Provides access to more resources and expertise
- For clinical trials, increases subject enrollment



# Subcontracts vs. Consultants

Do not confuse subcontractors with consultants.

## Consultant

- An individual or firm retained to provide professional advice and/or service for a fee

# Characteristics of Subcontracts

- Must abide by the terms and conditions of subcontract, including terms in the prime award
- Works within the budget
- Has responsibility for programmatic decision making



# Characteristics of Consultants

- Not normally an employee of the engaging party
- Meets the independent contractor status established by the IRS
- Provides goods and services within normal business operations
- Is not subject to compliance requirements of the Federal program (ie: effort reporting)

# When to use a subcontract

- When a collaborator will perform work as part of institutional appointment
- When a collaborator will use institutional facilities and resources (students, staff, lab)
- When a collaborator will manage technical and administrative aspects of a portion of the project's statement of work and have programmatic decision making responsibility

# When to use a consultant

- When an individual/firm does not have programmatic decision making responsibility of the project's overall statement of work.
- If a consultant is affiliated with another academic institution, the services provided must:
  - Outside their institutional commitment
  - Without use of their institution's resources, includes staff
  - Payment must directly to the consultant, as an individual, outside their institutional salary

# Hard to tell the difference?

- Will they be involved in making programmatic decisions in regards to the project's overall scope?
- Where is the collaborator going to perform the work? Will they need institutional resources?
- IRS factors (Employee vs. Consultant)

# What to expect on the proposal side

What is needed from the subrecipient?

- Budget
- Budget Justification
- Statement of Work
- Letter of Intent (or written evidence the institution's authorized official endorses the subrecipient proposal)
- Other proposal documents (facilities/resources, biosketch)
- Copy of F&A agreement

# Proposal Side Continued...

What is your responsibility?

- Ask early! Meet with the PI at least 2 months prior to the deadline.
- The PI should have contacted the subrecipient Investigator and discussed budget items, including personnel and supplies.
- Be sure to contact the Research Administrator at the other institution as early as possible. They need time to obtain Institutional sign-off

# Proposal Side Continued...

What is your responsibility?

- Discuss with the sub Research Administrator the budget details for their side of the proposal. You will need to obtain the following information:
  - Personnel, efforts and salary for faculty and staff
  - Fringe benefit rates
  - Institutional F&A
  - What else? Send a draft to the sub to fill in.  
Make sure to review this with the PI before calling it final!



# Proposal Side Continued...

What is the PI's responsibility?

- Once you have the sub's draft budget, need to discuss this with the PI. Is this reasonable given the specific aims?
- Ensure the budget items are within the proposal guidelines
- Finalize budget justification and statement of work.
- Communicate with subrecipient Investigator to get proposal information to them ASAP!



# Proposal Side Continued...

What is your responsibility?

- Obtain the rest of the information needed, per the proposal guidelines (varies from agency to agency).
- General items needed:
  - Institutional Sign-off (Letter of Intent, PHS398 Face page)
  - Subaward contacts page
  - Facilities and Resources
  - Site location information

# Proposal Side Continued...

## General Items needed continued...

- Senior/Key Personnel information
- Sub's DUNS # and cognizant agency information
- Make a checklist so you don't forget!
- Ensure consistency in budget preparation:
  - Same escalation rate
  - Appropriate budgeted effort for studies with multiple subrecipients
  - Comparable non-salary items (travel, supplies) for studies with multiple subrecipients

# Proposal Side Continued...

What is your responsibility?

- What to do next when sub budget is final?
  - Incorporate the sub budget into your budget
  - If proposal has direct cost cap, clearly show this in your budget.
  - Most cases when preparing electronic proposals, the sub is happy to prepare SF424 subaward budget attachment. This gives you extra time to pull everything else together!

# What to expect on the award side

Congratulations! You got the award, now what? More work!



# Award Side Continued....

It's been awarded...now what?

- Check the award document – has the subcontract been approved by the sponsor?
- Has the budget been reduced?
  - Revisions will need to be made if sponsor reduced proposed budget.
- Is there still a need for a subcontract?
- Has the scope of work changed?
- Set-up a time to meet with the PI to discuss all these items

# What to expect on the award side

Request to issue a subcontract from your Office for Sponsored Research (OSR). What you'll need to give to them:

- Internal Paper work (Request to issue subcontract form)
- Statement of Work
- Budget Information
- Additional Terms and Conditions they may need in the subcontract
- Contact Information

# What to expect on the award side

Important components for issuing the subcontract

- Statement of Work (SOW)
  - A poorly written SOW can lead to disputes between collaborating institutions
  - List specific deliverables, if required



## STATEMENT OF WORK

**Subsite Name:**

**Subsite PI:**

**DUNS#:**

**Project Title:**

**Primary Site:**

**Primary PI:**

**Statement of Work:** This describes the work to be done in detail and specifies the individuals, area of expertise, performance, expectations, service, enrollment targets, hardware, software, etc... to be involved and the exact nature of the work to be done. Be as detailed as possible.

**Location of Work:** This describes where the work is to be performed. This also specifies where people will meet to perform the work. Monthly meetings? Annual conferences? Site visits?

**Period of Performance:**

**Deliverables Schedule:** This part lists the specific deliverables, describing what is due and when. Invoicing requirements can also be included here.

**Applicable Standards:** This describes any specific standards that need to be adhered to in fulfilling the contract.

**Acceptance Criteria:** This specifies how the PI will determine if the product, service and/or data are acceptable, what criteria will be used to state the work is acceptable.

**Special Requirements:** This specifies any special data, specialized requirements, such as degrees or certifications for personnel, travel, and anything else not covered in the contract specifics. If annual IRB and/or IACUC approvals are required at subsite – indicate this as a requirement.



# What to expect on the award side

Important components for issuing the subcontract

- Budget
  - Should be as detailed as required by the sponsor
  - Work with OSR to determine what type of agreement is needed
    - Cost-reimbursable
    - Fixed Price
    - Per research subject (clinical trials)

# What to expect on the award side

Important components for issuing the subcontract

- Terms and Conditions
  - Federal Demonstration Partnership (FDP) template: Used to streamline subcontracting process
  - FDP is used for most Federal assistance subcontract (NIH, NSF, DOE)

# What to expect on the award side

Important components for issuing the subcontract

- Terms and Conditions
  - If not using FDP terms and conditions, the prime institution will need to establish their own template.

# What to expect on the award side

Important components for issuing the subcontract

- Submission of invoices and payments
- Carry forward of unobligated balance from budget period to budget period
- Mandatory cost-sharing
- Intellectual Property
- Publication rights
- Indemnification/liability
- Deliverables

# Post-Award Management

Subcontract is executed? Am I finished? Not quite...

- Set up a Purchase Order to encumber funds. This way you don't spend what is allocated to your subrecipient.
- Monitoring
  - Financial Reports/Invoices
    - Timeliness of reports
    - Content of reports

# Post-Award Management

Subcontract is executed? Am I finished? Not quite...

Financial Reports/Invoices continued...

- Are the expenses on the invoices allowable, allocable, and reasonable?
  - Does it match what is on the budget?
  - Is enough documentation included?
  - If cost-sharing is required, does the invoice document cost-share?
- Do not be afraid to ask for more information!

# Post-Award Management

Subcontract is executed? Am I finished? Not quite...

Financial Reports/Invoices continued...

- Verify the subrecipient's work is satisfactory with the PI
  - Does the invoice represent work completed for the time period?
  - Have technical reports been submitted?
  - The PI will need to sign the invoice. This signature certifies the PI is satisfied with the charges and work on the project.

# Post-Award Management

Subcontract is executed? Am I finished? Not quite...

## Additional deliverables

- Technical Reports
- Data
- Specimens



# Post-Award Management

## Amendments to Subcontract

Most subcontracts are renewed annually. If project is more than one year, you will need to renew the subcontracts at the start of the next project period.

Amendments/Modifications are used to:

- Change the project period dates
- Increase or decreasing funding
- Change Scope of Work
- Revise the terms and conditions
- Termination

# Close-Out Process

## Close-Out for Subcontracts

- Final invoices should be submitted within 45-60 days of the project's end date
- PI must certify that all technical reports and/or other deliverables have been received
- Remember, the prime award cannot close, until the subcontract is closed.

# Managing Multiple Subcontracts on a Project

Do you have multiple subcontracts to manage on a large project? Stressful to say the least...

Tips for subcontract management:

- Communication is key!
  - You and the PI need to be on the same page
  - Hold monthly conference calls with the subcontract Administrator. You can discuss any outstanding issues

# Managing Multiple Subcontracts on a Project

Tips for subcontract management continued...

- Budget management
  - Have subrecipients send you quarterly projections
- Keep a checklist/monitoring excel sheet
  - What subcontracts have been fully-executed?
  - When was the last invoice I have received from a subcontract?
  - List of issues/concerns. This can be discussed in your monthly call

# Questions



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