A subaward is a contractual agreement between Mount Sinai School of Medicine (MSSM) and a third party organization to perform a portion of a MSSM sponsored project. Similar terms that are commonly used are: subcontract, subgrant, subagreement, and pass through. Although these can have slight nuances of meaning, they are all contractual relationships between MSSM and another institution/organization/corporation.

This policy defines only those contractual relationships that involve transfer of research or programmatic activity to another institution. It is not intended to provide guidance on other types of contractual relationships (including consulting agreements) which may occur on sponsored projects. These other types of contracts are vendor relationships and are governed by MSSM’s procurement policies.

The following grid outlines the key components of subawards and vendor relationships and should be used as a guide to proper classification of a contractual relationship.

<table>
<thead>
<tr>
<th><strong>Subaward</strong></th>
<th><strong>Vendor Agreement</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Subawardee services are uniquely designed in response to each project, and not provided commercially.</td>
<td>Vendor provides the goods or services commercially.</td>
</tr>
<tr>
<td>Subawardee technical lead is usually a scientific collaborator, or even a co-PI on the MSSM project.</td>
<td>Vendor operates in a competitive environment.</td>
</tr>
<tr>
<td>Subawardee retains rights to intellectual property.</td>
<td>Vendor retains no rights to intellectual property.</td>
</tr>
<tr>
<td>Subawardee participates in development and execution of statement of work.</td>
<td>Vendor provides the goods or services ancillary to the operation of the federal program.</td>
</tr>
<tr>
<td>Subawardee results are likely to be published in the scientific literature and/or subawardee is likely to be a co-author on a MSSM publication.</td>
<td></td>
</tr>
</tbody>
</table>
In some cases it may be difficult to tell the difference between a subaward and a vendor agreement, but the budget and statement of work will usually provide enough information to make the determination. If you have any questions when preparing a proposal budget, please contact Grants and Contracts Office (GCO). (Please note that it is in the PI’s best interests that vendor agreements and subawards be identified in the proposal budget as accurately as possible, since the assessment of indirect cost will be determined by the characteristics of the subaward at the time it is issued. These and other restrictions are summarized below.)

**Subaward versus Vendor Agreement – What rules and restrictions apply?**

<table>
<thead>
<tr>
<th>Subaward</th>
<th>Vendor Agreement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Requires prior approval of the sponsor, if not originally included in proposal (Subject to the Expanded Authorities)</td>
<td>Generally does not require prior approval of the sponsor, subject to rebudgeting restrictions imposed on the particular category of cost.</td>
</tr>
<tr>
<td>MSSM indirect costs are only assessed on the first $25,000 of the subaward per subawardee institution. No additional indirect costs will be assessed on a subaward during the approved period of the award under which it was issued. However, if there is follow-on funding beyond the originally approved period of the award (e.g., competitive renewal), then indirect costs will again be assessed, on the first $25,000 of each subaward. It is particularly important to keep this in mind when preparing proposal budgets.</td>
<td>Indirect costs are assessed on entire amount, just as with most other direct costs.</td>
</tr>
<tr>
<td>Is exempt from sole-source justification or open-bid requirements.</td>
<td>Is subject to sole-source documentation or open-bid requirements.</td>
</tr>
<tr>
<td>Is subject to federal subrecipient monitoring requirements.</td>
<td>Is not subject to federal subrecipient monitoring requirements.</td>
</tr>
</tbody>
</table>

It is MSSM policy that Subawards are funded for a maximum of one year, renewable for additional periods as appropriate. All modifications to existing Subawards must be negotiated with the Subrecipient and are dependent on the continuation of the primary award.

In accordance with federal regulations, it is MSSM policy that the MSSM awardee must perform a substantive role in carrying out the activities of a project and not merely serve as a conduit for an award to another party. As a condition to its acceptance of funding from a sponsor, the MSSM is obligated in its role as primary recipient to undertake certain stewardship activities and to ensure compliance by the Subrecipient with federal, state and local laws and regulations and with the
restrictions placed upon the primary award by the sponsor. In addition, the MSSM remains responsible to the sponsor for managing funds and meeting performance goals.

The MSSM’s stewardship activities will include the following:

a. Prior to granting certain Subawards, the MSSM will assess the potential Subrecipient’s organizational and financial status and internal controls as well as the terms of the proposed Subaward Agreement and will establish conditions for the Subaward consistent with the level of risk perceived.

b. The MSSM will advise the Subrecipient of all appropriate flow-down provisions from the primary award, all relevant MSSM policies and, if such Subrecipient is a non-U.S. entity, all applicable U.S. laws and regulations.

c. The MSSM will, on an ongoing basis throughout the life of the award, monitor the activities of a Subrecipient under the Subaward in accordance with the Subaward Agreement to ensure that awarded funds are used for authorized purposes and that performance goals are achieved.

For purposes of this Policy, “subrecipient monitoring” includes both pre-award assessment of the proposed Subaward and Subrecipient and post-award monitoring of the programmatic and financial activities of the Subrecipient under the Subaward.

The preparation, negotiation, final approval and execution of Subaward Agreements for all Sponsored Projects are responsibilities of Sponsored Projects Accounting ("SPA"). SPA, the Principal Investigator (PI) and Department Administrator (DA) are responsible for initiating all procurement actions needed to encumber the MSSM financial systems.

Subrecipient monitoring for all Subawards is a shared responsibility of the PI, his/her DA, the Chair of his/her Department (the “Chair”), SPA and Grants and Contracts Office (“GCO”).

I. Subrecipient Monitoring

A. Pre-Subaward Submission

Prior to the submission of a proposal for a Sponsored Project that has Subawards (or, if the Subaward is not known at the time of the submission of a proposal, prior to the execution of the Subaward Agreement), the PI is required to provide the GCO with certain information and/or documentation about the proposed award. Appendix A provides specific guidance as to what information and documentation is required.

B. Subaward Risk Assessment

After an award is made, but before executing a Subaward Agreement, SPA will review information and documentation provided by the PI and/or DA on the potential Subrecipient’s organization, financial condition and management processes and controls and will conduct a “Risk Assessment” relating to the Subaward and the Subrecipient.
For purposes of this Policy, the term “Risk Assessment” means a Subaward of at least $500,000 per project period or competitive segment with a Subrecipient (a) with which the MSSM has had no prior work experience or a poor work experience (e.g., a Subrecipient that has not performed adequately on prior Subawards or has a history of non-compliance) or (b) that is either (i) a non-U.S. entity or (ii) a for-profit entity.

C. Establishment of Subaward

Following the receipt of a notice of award and, where the Risk Assessment is required, following the completion of the subaward risk assessment, SPA is required to take certain actions prior to a Subaward being established. Such actions are described in Appendix B.

D. Post-Subaward Monitoring.

1. **General.** Following the execution of a Subaward Agreement, the PI and his/her DA will jointly determine the frequency and scope of departmental monitoring procedures based on the PI’s assessment of needs, the risk mitigation strategy, if any, for the Subaward and any procedures established by the Subaward Committee. The PIs and the DA should report any material problems with respect to any Subaward to SPA.

2. **Performance.** The PI will monitor the progress of the Subrecipient work scope by reviewing formal progress reports on a timely basis. He/She may also receive informal progress reports by phone or e-mail. Site visits are a discretionary monitoring procedure, but are recommended to evaluate the Subrecipient’s compliance with the scientific objectives of the Sponsored Project and the appropriateness of the Subrecipient’s administration of the Subaward. The frequency of site visits will depend on the risk associated with the Subaward, the level of complexity of activity and the scope and duration of the project. Site visits should be documented by meeting notes, trip reports or correspondence and such documentation retained in the files.

3. **Invoices.** The invoices are received by the SPA who forwards them via email to the PIs and DA. The PI and the DA will review all Subrecipient invoices and compare them to the Subaward budget, and return to SPA with approval to pay if appropriate.

4. **Annual Monitoring.** On an annual basis SPA is required to take certain actions with respect to each Subrecipient that is party to an active Subaward Agreement. Such actions are described in Appendix C. The PI should be aware that SPA’s monitoring and resulting assessment of compliance may result in a recommendation of termination of a subaward. SPA and/or the Dean’s Office reserve the right to require such termination.

5. **Closeout.** Following the conclusion of a Subaward period of performance, the Subaward should be processed for closeout and formally closed within 60 days, unless SPA grants the PI an extension of time. The requirements for closeout are described in Appendix D.
POLICY ON SPONSORED PROJECT SUBAWARDS

Information and Documentation Required in Connection with the Subaward Submissions

The following information and documentation should be provided by the PI to the GCO prior to the submission of a proposal for a Sponsored Project that has Subawards (or, if the Subaward is not known at the time of the submission of a proposal, prior to the execution of the Subaward Agreement):

1. statement of work;

2. budget and budget justification meeting the requirements of the sponsor and the University, together with a copy of the Subrecipient’s negotiated rate agreement, or a PHS check list page; and

3. Face Page (e.g., PHS 398), a Subaward Proposal Face sheet or a letter of commitment/letter of intent signed by an authorized institutional official of the Subrecipient certifying as to the statement of work, the accuracy of the budget and institutional compliance with any applicable regulations and agency-specific requirements.
POLICY ON SPONSORED PROJECT SUBAWARDS

Establishment of Subaward

Following receipt of a notice of award and, for Risk Assessment Subawards, the completion of the subaward risk assessment, SPA will take the following actions:

1. confirm the budget with the PI and/or the DA;
2. prepare a Subaward Agreement according to the terms of the primary award;
3. forward the Subaward Agreement to the GCO for its review and signature;
4. forward the partially signed agreement to the subrecipient for review and acceptance; negotiate as required;
5. obtain a signed copy of the Subaward Agreement from an authorized official of the Subrecipient; and
6. forward to GCO to certify any changes made after the negotiation.

Following execution of a Subaward Agreement, SPA will e-mail a copy of the agreement to the PI and DA to initiate the Procurement Contract to encumber the obligation in the General Ledger System.
Appendix C

POLICY ON SPONSORED PROJECT SUBAWARDS

Actions Required in Connection with Annual Monitoring of Subawards

On an annual basis SPA will take the following actions with respect to each Subrecipient listed in the Subaward Database that is party to an active Subaward Agreement:

1. SPA will send a form to be completed by each Subrecipient. The information to be provided will depend on whether the Subrecipient is or is not an A-133 Entity.
   a. If the Subrecipient is an A-133 Entity, it will be required to indicate the status of its most recent A-133 audit and the results thereof, indicating any reportable conditions or qualifications relating to the Subrecipient’s internal controls, non-compliance with laws and regulations, inclusion of costs or other reportable audit findings that may affect the MSSM’s award. The form will further require that if any of such conditions exist, the corrective action plan and/or a description of actions taken toward remediation be submitted with the form.
   b. If the Subrecipient is a Non-A-133 Entity, it will be required to provide a copy of its latest annual financial report, including the latest audited financial statements and auditors’ management letter.
   c. Both A-133 and Non-A-133 Entities will be required to provide written confirmation that (x) none of the Subrecipient’s personnel participating in the Sponsored Project has a financial conflict of interest with respect to the Project or (y) if any of such personnel had such a financial conflict of interest, it has been reduced, managed or eliminated and reported to the relevant funding agency when required to do so.
   d. SPA will follow up in a timely fashion with any Subrecipient that does not provide it with the required information described above. In the event that the Subrecipient fails to respond, or to provide a corrective action plan, SPA may determine that subsequent invoices from such Subrecipient should not be paid until such actions are taken.

2. SPA will update its record to record the receipt (or non-receipt) of the information described above and, based on its assessment of the findings and the corrective action plan, make a determination that the Subrecipient is low, medium or high risk.
3. In certain cases, the SPA may determine that the Subrecipient’s non-compliance with the MSSM’s requirements is so serious, the findings in an A-133 Audit Report are so egregious or the risks of continuing the Subaward are so high that the Subaward should be terminated.

Mount Sinai School of Medicine (MSSM)
Subrecipient Monitoring
OMB A-133 – Annual Certification Letter

A. State or Local Governments/Agencies or non-Profit Organizations subject to OMB Circular A-133.

1. ( ) We have completed our A-133 audit for fiscal year_______. The audit presented no material weaknesses, no material instances of noncompliance, and no findings/costs questioned related to any sub-award received from MSSM.

A copy of the A-133 audit report and the auditor’s management letter must be returned with this certification, or you may provide a URL web address from which copies can be printed ________________________.

2. ( ) We have completed our A-133 audit for fiscal year_______. The audit disclosed material weaknesses, material instances of noncompliance, and/or findings/costs questioned related to sub-awards made by MSSM.

A copy of the A-133 audit report and the auditor’s management letter together with a corrective action plan describing steps taken to resolve the non-compliance issues must be returned with this certification, or you may provide a URL web address from which copies can be printed ________________________.

3. ( ) We have not yet completed our A-133 audit for fiscal year______ which ended on______ the period during which the sub-award(s) received from MSSM was (were) active. We expect the audit to be completed by_______. Upon completion, we will forward an updated copy of this certification.

B. Subrecipients not subject to OMB Circular A-133.
We are not subject to the requirements of OMB Circular A-133 for our fiscal year_______ because:

( ) Expended less than $500,000 in Federal funds
( ) A for-profit organization
( ) A foreign (non-U.S.) entity
( ) Other:________________________________________________________
D. Certification: I certify that the information provided herein is true and correct to the best of my knowledge.

Signature_________________________________

Title_____________________________________

Date_____________________________________

Address_______________________________________________________

Institution_____________________________________________________

Phone__________________

Fax____________________

A-133 Contact (PrintName)_______________________________________

(If not the same as certifier)

Email_________________________
POLICY ON SPONSORED PROJECT SUBAWARDS

Requirements for Closeout

The following requirements must be met prior to a Subaward being closed out:

1. The PI should insure that all deliverables (e.g., technical/progress reports, patent / invention documentation, equipment report, final invoice, etc.) have been received from the Subrecipient and should verify the technical completion of the Sponsored Project.

2. The PI, with the assistance of his/her DA, should complete a final review of all costs charged by the Subrecipient to insure that only allowable and appropriate costs have been incurred.

3. Once the above tasks have been completed, the PI should approve the final invoice from the Subrecipient, indicating that it represents a final payment. Such approval will represent the PI’s acknowledgement that all tasks and obligations of the Subrecipient have been completed. It is important that the final invoice be promptly received and approved, in order to insure appropriate and timely expenditure reporting to the sponsor.

4. If the actual costs incurred by the Subrecipient are less than the maximum amount authorized by the Subagreement (and the purchase order authorizing the commitments of funds to the Subrecipient), the PI and/or the DA will process a change order to close out the remaining commitment on the purchase order.

If additional information is required, please contact Sponsored Projects Accounting at 212-731-3338.