



POLICY AND PROCEDURE ON ISSUANCE OF SUBAWARDS AND ON SUBRECIPIENT MONITORING

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SCOPE

This policy and procedure sets forth the California Institute of Technology's (Caltech) requirements for issuance of Subawards and for monitoring Subrecipient performance. It has been established to ensure consistency with federal regulations as well as sponsor policies.

This policy and procedure establishes terminology, roles and responsibilities, and provides guidance on fulfilling those roles. It covers the differentiation between Subawards and other subcontracting actions, selection of Subrecipients, assessment of risk, issuance of Subawards, conflicts of interest, monitoring of Subrecipient performance, reporting, closeout and applicability of overhead to Subawards. This policy and procedure is not intended to address how Caltech will issue and manage non-Subaward transactions – these are discussed to the extent necessary to differentiate them from Subawards..

This policy and procedure is subject to various documents, including:

- Office of Management and Budget Circulars A-110, A-21, and A-133, for Sponsored Awards subject to those circulars;

- Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 CFR Part 200), for Sponsored Awards subject to that regulation;

- Federal Acquisition Regulation (48 CFR);

- Caltech's applicable Facilities & Administration Negotiation Agreements with the federal government;

- Sponsor policies governing the Sponsored Award under which a Subaward is issued.

DEFINITIONS

Authorization Letter - A formal authorization to proceed with carrying out a project and incurring costs that is issued to a Subrecipient by Purchasing Services in advance of establishing a Subaward.

Competition - The requirement whereby Caltech must implement competitive procedures in order to select a Contractor for a particular procurement. Caltech's procurement policy establishes \$10,000 as the minimum threshold at which Caltech must engage in Competition.

Contract - A legal instrument used to procure goods or services, rather than carry out a project or program under a Sponsored Award (formally known as “vendor agreements” under OMB Circular A-110). The term “Contract” specifically excludes transactions that qualify as Subawards. Common examples of when Caltech issues a Contract is when it purchases commercial goods and services, or engages the services of a consultant. Contracts are subject to Caltech’s Purchasing Goods and Services Policy.

Contractor - An entity to whom Caltech issues a Contract.

Federal Award - A Sponsored Award of federal funds, whether that award comes to Caltech directly from a federal agency or from a Pass-through Entity.

Financial Assistance - A Federal Award issued as a grant or cooperative agreement; Financial Assistance awards are subject to the Uniform Guidance (2 CFR 200).

Non-Competitive (Sole Source) – Exception to the Competition requirement which may be justified in certain situations, such as when only a single provider is capable of providing the required goods or services within the time available. Sole exceptions must be fully justified and documented in accordance with Caltech’s Purchasing Goods and Services Policy.

Non-Federal Award - A Sponsored Award of non-federal funds.

Overhead - The burden rate assessed on transactions charged to Sponsored Awards. The term “indirect costs” is also used with a similar meaning. The government term for Overhead is “Facilities & Administrative Costs” (or F&A).

Pass-through Entity - A non-federal entity (such as Caltech) that receives a Sponsored Award from which it subsequently issues a Subaward. Caltech acts as a Pass-through Entity each time it issues a Subaward.

Procurement - A Federal Award issued as a contract; federal contracts are subject to the Federal Acquisition Regulation and the Uniform Guidance (2 CFR 200).

Risk Assessment - The process whereby Caltech evaluates a potential Subrecipient’s risk of noncompliance with the terms and conditions of the Federal Award for the purpose of determining the appropriate subrecipient monitoring requirements to include in the Subaward.

Sponsor - The entity that issues a Sponsored Award.

Sponsored Award - Any type of award received by Caltech.

Subaward - An award issued by a Pass-through Entity to a Subrecipient for the purpose of carrying out a project or program under a Sponsored Award. A Subaward specifically excludes transactions that qualify as Contracts. A common example of a Subaward is where Caltech issues funds to a collaborating institution. Subawards cannot be issued to individuals.

Subrecipient - A non-federal entity that receives a Subaward from a Pass-through Entity. Caltech acts as a Subrecipient when it receives a Subaward from a Pass-through Entity.

POLICY

Caltech is committed to the responsible stewardship of Sponsor funds. As part of this commitment, Caltech must ensure when issuing Sponsor funds to collaborating institutions that those funds are managed in accordance with applicable federal regulations and Sponsor policies.

Noncompliance may result in the Sponsor disallowing Subaward costs, suspension or termination of the Sponsored Award, withholding other Sponsored Awards to the principal investigator (PI) or to Caltech, and debarment of the PI or Caltech from receiving future Sponsored Awards. It is the responsibility of Caltech faculty and staff to ensure Caltech's compliance with this policy and procedure.

PROCEDURES

Caltech will issue a Subaward when the PI determines the need to collaborate with another institution in order to accomplish a portion of Caltech's extramurally funded project. Often, the technical lead for the Subrecipient is functionally a co-PI on Caltech's project, but since that individual resides at a different institution, they will incur costs for their portion of the research (e.g., salaries, tuition, equipment, supplies, travel, indirect costs, etc.) at their own institution.

Distinguishing between Subawards and Contracts

When Caltech issues funds to other entities under a Sponsored Award, Caltech must first determine whether it is issuing those funds in order to transfer responsibility for a portion of the scope of work to a collaborator (a Subaward), or whether it is simply acquiring goods or services from a vendor (a Contract).

An important concept to understand with regard to Subawards and Contracts is that the federal government has set forth guidelines for making this distinction and expects the Pass-through Entity (e.g., Caltech) to make the final determination based upon federal guidelines. While inclusion in the approved budget of a proposal may constitute prior approval by the agency for Caltech to issue a Subaward, the federal government expects Caltech to have correctly made the determination in the first place. Caltech is audited annually by our external auditors, PriceWaterhouse Coopers, and periodically by the Office of Naval Research on how accurately and consistently it makes this distinction.

The PI should make the initial determination of whether a particular transaction is a Subaward or a Contract, ideally at the first point at which action must be taken regarding compliance, - at the proposal stage. Actions may include obtaining Sponsor approval and collecting documentation from the Subrecipient, depending on the Sponsor's proposal preparation guidelines. Caltech's Purchasing Services will make the final determination as to whether a particular transaction is a Subaward or Contract based upon the documentation presented to them by the Division at the time the Division requests issuance of a Subaward.

The following table is provided in order to assist with determining whether a particular transaction is a Subaward or Contract; these characteristics are representative, but not definitive:

Subrecipient	Contractor
Independently responsible for a portion of Caltech's Statement of Work (SOW)	Goods/services are off-the-shelf or to Caltech's specifications
Provides customized/unique services	Provides similar services to many different customers
Does not operate in a competitive environment	Operates in a competitive environment
Will usually own the IP it develops	Caltech will own the Intellectual Property (IP) generated by the Contractor
Technical lead would likely be considered a co-PI on Caltech's Sponsored Award	Technical lead would not be considered a co-PI on Caltech's Sponsored Award
Technical personnel will author/co-author project publications	Technical personnel will not contribute to project publications

Questions regarding whether a particular transaction should be treated as a Subaward or a Contract can be directed to Purchasing Services or to the Office of Sponsored Research.

Overhead on Subawards

Assessment of Overhead by Caltech

In accordance with its negotiated Facilities and Administration Rate Agreement (Rate Agreement) with the federal government, Caltech normally assesses its applicable on- or off-campus Overhead rate on the first \$25,000 of each federally funded Subaward, regardless of the period of performance of the Subaward; Caltech will assess Overhead again on the first \$25,000 of a federally funded Subaward if the Subaward is based upon a renewal proposal¹. This assessment is intended to reimburse Caltech for the administrative cost of issuing and managing Subawards.

For example, if Caltech were to include in its 3-year research proposal a Subaward at \$100,000 per year, Caltech would assess Overhead on the first \$25,000 of the first year amount of the Subaward, but not on the remainder of the Subaward's year 1 funds, nor any of the year 2 or 3 funds. However, if Caltech were to submit a renewal proposal for another 3 years, that included additional participation of the Subrecipient, Caltech would again assess Overhead on the first \$25,000 of the renewed Subaward.

Caltech applies its Overhead rate to all Federal Awards in accordance with its Rate Agreement, unless a particular federal Sponsor requires otherwise. Caltech generally applies Overhead to all non-federal Sponsored Awards in accordance with its Rate Agreement. However, Caltech or a Sponsor may require that a different overhead rate be applied to a particular non-Federal Award. When Caltech does not apply Overhead in accordance with its Rate Agreement, then no aspect of the Rate Agreement applies (e.g., including the limitation of assessing overhead only on the first \$25,000 of a Subaward).

Assessment of Overhead on Subawards issued by Caltech will be based on what Caltech or Sponsor policy allows, not on the amount of overhead budgeted. Therefore, it is important that PIs include the appropriate amount of overhead in proposals.

¹ A renewal proposal represents follow-on work that was not included in the Sponsored Award under which the Subaward was initially issued.

For example, if Sponsor policy limits overhead assessment to 10% of total direct costs, Caltech will assess 10% on the entire budget, including all of the Subaward costs. However, under the same Sponsor policy, if the proposal budget had included 10% overhead only on the first \$25,000 of the Subaward, Caltech would still assess overhead on the full amount of the Subaward since this is the amount the Sponsor allows Caltech to charge.

Exceptions to Caltech's assessment of Overhead on Subawards must be approved by the Provost's Office.

Caltech does not assess overhead on transfers of sponsored funds to the Jet Propulsion Laboratory (JPL) for participation of JPL personnel; rather, JPL assesses its own burden on the funds it expends (see "JPL Involvement in Caltech Sponsored Awards" later in this section).

Assessment of Overhead by the Subrecipient

A Subrecipient will assess Overhead on the funds it receives from Caltech based on its own policies and procedures. If Caltech is issuing a Subaward of federal funds, then the Subrecipient will assess overhead in accordance with its federally negotiated rate agreement, if it has one. Most U.S. universities and non-profit research organizations do have federally negotiated rates; most small businesses and non-U.S. institutions do not.

When Caltech issues a Subaward, it will honor the Subrecipient's federally negotiated overhead rate, unless Sponsor policy requires otherwise. If a Subrecipient does not have a federally negotiated rate, in accordance with the UG, Caltech will allow the Subrecipient to charge up to the federal *de minimis* rate of 10% of Modified Total Direct Costs (MTDC). In order for Caltech to permit the *de-minimis* rate, the following conditions must exist:

- The Subrecipient has never had a federally negotiated rate;
- The Subrecipient specifically includes the *de minimis* rate in its proposal to Caltech;
- Sponsor policy does not impose a different rate (e.g., NIH imposes a cap of 8% MTDC on Subawards to non-U.S. institutions, unless those organizations have a rate negotiated with the U.S. government).

Caltech will not enter into overhead negotiations with a Subrecipient other than as outlined above.

Subawards in Proposals

Subawards should be represented in Caltech proposals in accordance with Sponsor guidelines.

Normally, all of the costs of a particular Subaward should appear as a single line item in the Caltech budget (e.g., both the Subrecipient's direct costs and overhead). If the Sponsor doesn't specify where in a budget to include a Subaward, it may be included under Other Direct Costs or similar miscellaneous budget category. If multiple Subawards are to be included, each Subaward should constitute a separate line item, unless Sponsor guidelines direct otherwise.

Before submitting to the Sponsor a proposal that includes a Subaward, Caltech should obtain a Subaward proposal (at a minimum a budget and statement of work) from the prospective Subrecipient, approved by the Subrecipient's authorized organizational official. This signed-off proposal informs Caltech that the proposal includes all of the Subrecipient's costs consistent with its policies and approved rates. Furthermore, federal policy requires that each proposal submitted

to a federal agency include documentation of Subaward costs, and the Subrecipient's proposal constitutes appropriate documentation to include as part of Caltech's budget justification.

JPL Involvement in Caltech Sponsored Awards

JPL is a Federally Funded Research and Development Center (FFRDC) operated by Caltech under contract with NASA. JPL operates under its own DUNS number, but JPL is legally a division of Caltech; JPL employees are Caltech employees and the JPL Director reports to the Caltech President.

The costs of JPL participation must be represented in Caltech proposals as a single line item labeled "JPL Transfer", in a budget category such as "Other Direct Costs"; JPL participation must not be represented as a Subaward, nor can JPL costs be distributed across the various Caltech budget categories (e.g., salaries, benefits, travel), even if the JPL researcher has a concurrent Caltech appointment. When a Caltech budget includes a JPL line item, the Caltech proposal should also include a JPL-prepared budget that breaks out the JPL line item.

Caltech does not assess Overhead on transfers of funds to JPL since these transfers are essentially movement of funds within Caltech. JPL, as an FFRDC, assesses its own burden on the funds it expends.

Issuance of Subawards

Caltech will issue a Subaward when the PI determines a need to engage the expertise of researchers at another institution in order to accomplish a portion of the effort under a Sponsored Award.

Allowability of Subawards under a Sponsored Award (e.g., prior-approval)

Federal regulations require that Pass-through Entities obtain prior written approval of the Sponsor before issuing a Subaward; most non-federal Sponsors have similar requirements. When a prior approval requirement exists, Caltech generally cannot issue a Subaward, or authorize a Subrecipient to begin work, until Sponsor approval has been obtained.

Obtaining Prior Approval:

Regulations governing federal Financial Assistance awards (grants and cooperative agreements) allow that items included in the approved budget have received prior Sponsor approval. This is also true of many non-federal Sponsors. Therefore, no additional Sponsor approval should be necessary in order for Caltech issue a Subaward as described in the approved budget, unless the award terms indicate otherwise.

Regulations governing federal Procurement (contracts) awards, on the other hand, do not recognize the inclusion of items in the approved budget as constituting prior Sponsor approval. Therefore, regardless of the inclusion of a Subaward in the approved budget, Caltech may need to obtain written Sponsor approval before issuing a Subaward, depending on the terms of the Sponsored Award.

Pre-Award Authorization of a Subrecipient:

At times the PI may wish to authorize a Subrecipient to begin work before Caltech has received its Sponsored Award, or after Caltech has received its Sponsored Award and in anticipation of Caltech issuing a Subaward.

If Caltech has not yet received its Sponsored Award, but has chosen to establish an At-Risk PTA in order for Caltech to begin work, Caltech will generally not formally authorize a Subrecipient to begin work as doing so makes Caltech responsible for costs incurred by the Subrecipient. Rather, Caltech will provide the Subrecipient with the same information upon which Caltech based its at-risk decision, and the Subrecipient may choose whether to begin work at its own risk. Most universities have a mechanism to begin work on an at-risk basis.

When Caltech wishes to formally authorize a Subrecipient to begin work in advance of issuing a Subaward, Purchasing Services may issue an Authorization Letter. An Authorization Letter will include a specific performance period and a cap for authorized expenditures. Only Purchasing Services is authorized to issue an Authorization Letter, and they may not be able to do so until certain compliance requirements have been met.

Initiating a Subaward

All Subawards are issued by Purchasing Services which has the authority to authorize a Subrecipient to begin work. **“Invoice Attached” procedures are not permitted on Subawards.**

In order to initiate a Subaward, the Division should submit a request via TechMart. The Division will need to include the following documents with the TechMart request:

Subrecipient proposal (statement of work and budget) – This must represent the work and budget approved by the sponsor and which is signed-off by the Subrecipient’s authorized representative.

Non-Competitive Justification Form – When issuing Subawards under federal Procurement awards(contracts), federal regulations require that Caltech follow open competition requirements in accordance with Caltech policy. If the PI wishes to issue a Subaward without Competition, the PI must complete and submit this form. Note: The Non-Competitive Justification Form is not required when the prime award is a grant or cooperative agreement and the subrecipient is identified in the proposal.

Sponsor Approval – In almost all cases Sponsors require that Pass-through Entities obtain prior approval in order to issue a Subaward, whether by inclusion of the Subaward in the Sponsor-approved budget, or by a separate request to the Sponsor. At the time the Division submits a request to Procurement Services to issue a Subaward, the PI must have obtained Sponsor approval. Questions as to whether Caltech possesses the appropriate authorization to issue a Subaward should be directed to the Office of Sponsored Research.

Risk Assessment

Federal regulations and sponsor policies establish minimum risk assessment standards that Pass-through Entities must meet before they can issue a Subaward. These standards are

intended to ensure that the Subrecipient is capable of performing the work and managing the funds in accordance with Sponsor policies. Caltech will select Subrecipients based upon their technical expertise and potential ability to perform the scope of work successfully, within an infrastructure that meets Sponsor requirements. Factors that Caltech may use to determine a Subrecipient's level of risk for non-compliance include:

- Caltech's past experience with the Subrecipient;
- The Subrecipient's past experience with similar awards;
- The results of the Subrecipient's past audits;
- Whether the Subrecipient has new personnel or new or substantially changed systems;
- The extent and results of federal agency monitoring of the Subrecipient.

Principal investigators are responsible for assessing the technical adequacy of Subrecipients and the appropriateness of their proposed budget. Purchasing Services will validate the adequacy of the Subrecipient's financial and management systems via Caltech's risk assessment process. The results of a risk assessment may impact the terms and conditions Caltech must include in a Subaward as well as the level of monitoring Caltech must impose on the Subrecipient.

Compliance Issues

There are many compliance issues that may apply to the work a Subrecipient performs. Caltech will flow-down to the Subrecipient the compliance requirements imposed by the Sponsored Award. In some cases, the Sponsored Award or applicable regulations and policies may require Caltech to obtain compliance documentation from the Subrecipient before Caltech issues a Subaward or otherwise authorizes a Subrecipient to begin work. Following are examples of compliance requirements that may apply to Subawards and for which Caltech must ensure Subrecipient compliance (not all inclusive):

Human Subjects

When a Subrecipient's statement of work (SOW) includes use of human subjects, Caltech will require the Subrecipient to provide documentation of approved use of human subjects in accordance with federal regulations and sponsor policy. In addition, as required by federal regulations, Caltech's Institutional Review Board must approve the Subrecipient's use of human subjects even if Caltech will not be using human subjects in its own portion of the research. Federal regulations or Sponsor policy may require Caltech to delay authorization of a Subrecipient to begin work until the Subrecipient has provided Caltech the required certification. In some cases the Sponsor (e.g., DOD agencies) may require Caltech to submit its already approved protocol to the Sponsor for additional approval before Caltech can authorize the Subrecipient to proceed; this additional approval can take several months.

Animal Subjects

When a Subrecipient's SOW includes use of animal subjects, Caltech will require the Subrecipient to provide documentation of approved use of animal subjects in accordance with federal regulations and sponsor policy. Federal regulations or Sponsor policy may require Caltech to delay authorization of a Subrecipient to begin work until the Subrecipient has provided Caltech the required certification. In some cases the Sponsor (e.g., DOD agencies) may require Caltech to submit its already approved

protocol to the Sponsor for additional approval before Caltech can authorize the Subrecipient to proceed; this additional approval can take several months.

Conflicts of Interest (COI)

Some Sponsors require that Subrecipients comply with Sponsor-imposed COI policies (e.g., NIH and NSF). Caltech will require Subrecipients to certify compliance with Sponsor COI policies before authorizing the Subrecipient to begin work. If the Subrecipient is unable to provide certification of COI compliance under its own policy, Caltech may require the Subrecipient to adopt Caltech's COI policy, which would require the Subrecipient to disclose through Caltech's system.

Cost Sharing

Under federal regulations, an entity that receives an award from a federal sponsor is solely responsible for all cost sharing required under the federal award, even if some of that cost sharing is to come from third parties, such as Subrecipients. In situations where a Subrecipient will provide a portion of Caltech's cost sharing obligation, Caltech will require the Subrecipient to certify its commitment upon Caltech's issuance of a Subaward, and on an ongoing basis, the Subrecipient will certify that its cost sharing meets the Sponsor's requirements.

Subaward Terms and Conditions

Sponsors require the Pass-through Entity to include all applicable terms and conditions of the Sponsored Award in Subawards. In addition, Caltech may need to include other terms and conditions based upon the nature of the work the Subrecipient will perform for Caltech, plus those terms and conditions that may be necessitated as a result of Caltech's risk assessment or ongoing monitoring of the Subrecipient.

When possible, Caltech will utilize the Federal Demonstration Partnership Subaward Templates when issuing Subawards under federal Financial Assistance awards. In other situations, Caltech will determine the best Subaward document to use. Purchasing Services makes the final determination as to the form and content of Caltech Subawards. However, Purchasing Services may obtain assistance from other Caltech Offices, for example:

- Office of Sponsored Research for assistance with appropriate flow-down provisions and interpretation of sponsor requirements.
- Office of General Counsel for assistance with legal issues.
- Office of Research Compliance for assistance with Caltech and federal compliance requirements.
- Audit Services and Institute Compliance for assistance with subrecipient monitoring and audit reviews.

Type of Subaward

Fixed-Price: Refers to a type of award where payment is ultimately based upon work performed rather than expenses incurred. This is the standard mechanism used in Federal Awards issued to for-profit entities, and in the issuance of Contracts for commercial goods and services. A fixed-price Subaward places the performance risk on the Subrecipient because the Subrecipient is only paid based upon work performed or

milestones met. Fixed-price Subawards are not subject to financial audit, nor does the concept of allowable costs or cost-principles apply, except when generating the proposed cost or pricing at the time of proposal preparation.

Caltech may choose to issue a fixed-price Subaward, for example in situations where Caltech determines the Subrecipient to be higher than normal risk (small-business and non-U.S. entities are often considered to be high risk). Federal regulations impose restrictions on the issuance of fixed-price Subawards, including additional prior approval requirements and price ceilings.

Cost-Reimbursement: A type of Subaward where payment is ultimately based on expenses incurred, rather than work performed. This is the standard mechanism used in Federal Awards to non-profit entities, and the standard mechanism used when non-profits issue Subawards to other non-profit entities. A cost-reimbursement Subaward places the performance risk on Caltech because Caltech must pay the Subrecipient for costs-incurred regardless of work performed. Cost-reimbursement Subawards are subject to strong audit requirements and require performance and financial monitoring of the Subrecipient by Caltech in order to identify emerging problems proactively.

Caltech will generally issue a cost-reimbursement Subaward to other universities and non-profits who separately receive federal audits and can demonstrate through the risk assessment process that they are low-risk. In cases where Caltech determines the Subrecipient is high-risk, and a fixed-price Subaward cannot be used, then Caltech may impose more restrictive cost-reimbursement terms and conditions on the Subrecipient.

Reporting:

Caltech generally will impose reporting requirements on Subrecipients no more rigorous than those the Sponsor has imposed upon Caltech. For example, if Caltech must submit annual technical progress reports to the Sponsor, it would normally require annual reports from the Subrecipient. In addition, Caltech will generally set the timing of Subrecipient reports to 30 days earlier than the Caltech report is due to the Sponsor in order to allow time for the Caltech PI to incorporate the Subrecipient's results into the report.

Caltech may need to impose alternate reporting requirements on the Subrecipient as a result of Caltech's risk assessment, ongoing monitoring, or the nature of the Subaward. For example, if Caltech issues a fixed-price Subaward where payment is based on deliverables, Caltech may need to impose a milestone delivery schedule with more frequent deliverables in order to provide a consistent funding stream to the Subrecipient when all deliverables are provided as required.

Period of the Subaward

For cost-reimbursement Subawards, Caltech will impose a period of performance for the Subaward that is within the period of the Sponsored Award, or as required by the Sponsor. In general, this will be consistent with the period the Sponsor has approved for Caltech. For example, if the Sponsor has issued the Sponsored Award for a three year period, then Caltech will issue the Subaward for up to three years. Caltech may choose to authorize the Subrecipient for shorter periods than Caltech has been

authorized, as circumstance require (e.g., when Caltech desires greater control over the Subrecipient's performance).

Fixed-price Subawards may or may not have a period of performance. Subrecipients must complete their delivery requirements by the end of Caltech's Sponsored Award. Therefore, a period of performance enables Caltech to have greater control over the Subrecipient's performance. Additionally, Caltech will impose delivery completion deadlines as required by the Sponsored Award.

Funding

Generally, Caltech will authorize funding to a Subrecipient consistent with the schedule of funding authorized by the Sponsor. For example, if Caltech has received funding for the first year of a three-year Sponsored Award, then Caltech would authorize the first year of funding to the Subrecipient. Caltech may choose to authorize the Subrecipient for lower dollar amounts than may be available to Caltech under the Sponsored Award, as circumstances require (e.g., when Caltech desires greater control over the Subrecipient's performance).

Prior Approvals

One of the key requirements Pass-through Entities must flow-down in a Subaward is the prior approval requirements imposed by the Sponsor. In other words, if the Pass-through Entity must request prior approval for a particular action under a Sponsored Award, the Pass-through Entity generally must impose that same requirement for prior approval on the Subrecipient. Depending on the terms of the Sponsored Award, the Pass-through Entity may be able to approve the Subrecipient's request, or it may have to pass that request on to the Sponsor.

In general, Caltech will not impose more prior approval requirements on Subrecipients than the Sponsor has imposed upon Caltech. Nevertheless, Caltech may choose to impose additional requirements on a Subrecipient, as circumstances require (e.g., when Caltech desires greater control over the Subrecipient's performance). Additionally, there are certain common situations where Caltech must reserve a particular prior approval authority in order to ensure compliance with the Sponsored Award.

For example, Financial Assistance awards generally permit the awardee to approve its own extensions to the performance period within certain constraints (e.g., pre-award costs up to 90 days and a no-cost-extension of up to 12 months). However, since Caltech cannot pay Subrecipient costs that are outside the period of the Sponsored Award, Caltech must require the Subrecipient to obtain approval from Caltech for an extension to ensure that the Subrecipient's performance period remains within Caltech's performance period.

Each Subaward will include instructions for the Subrecipient on how it is to submit requests for approval. In general, if Caltech has the authority to approve the request, then the Caltech PI will provide that approval (or not) to Purchasing Services. If the request must be approved by the Sponsor then, if the PI recommends approval, the PI will forward the request to the Office of Sponsored Research (OSR) which will submit the request to the Sponsor. Once OSR receives the Sponsor's response, it will pass it on to the Division and to Purchasing Services. Only Purchasing Services has the authority

to formally notify a Subrecipient of Caltech's response to a request. In some cases a Subrecipient request may require modification to the terms of the Subaward, such as for pre-award costs or a no-cost-extension.

Title to Equipment

The terms of a Sponsored Award will usually state where title to equipment acquired under the award will vest. Federal regulations state that title to equipment acquired under federal Procurement awards (contracts) vests in the U.S. government, unless the Sponsored Award indicates otherwise. Federal regulations also state that title to equipment acquired under federal Financial Assistance awards (grants and cooperative agreements) will vest conditionally in the Pass-through Entity, unless the Sponsored Award states otherwise. Note that some federal Sponsors do not rely on these default policy statements but rather implement very specific requirements in the awards they issue. For example, the terms of a federal award could state that awardees who are non-profit educational institutions will retain title to equipment, but that for-profit awardees, title will vest in the U.S. Government.

When Caltech has the authority to do so, it will generally vest title to equipment in the Subrecipient to the same extent that title vests in Caltech. Only Purchasing Services has the authority to modify title to equipment under a Subaward, or to give disposition instructions to the Subrecipient.

Intellectual Property

Most Sponsored Awards clearly address who owns intellectual property developed under the award. Federal regulations state that title will vest in the entity that develops the intellectual property, provided the institution meets certain statutory obligations and subject to certain rights of the government.

When Caltech has the authority to do so, it will generally vest title to intellectual property in the Subrecipient. Only Purchasing Services has the authority to modify the terms of a Subaward as it applies to vesting of title to intellectual property.

Monitoring Subawards

One of the obligations Sponsors impose on Pass-through Entities is active monitoring of a Subrecipient's performance, including programmatic, financial and compliance. The process of monitoring begins upon issuance of a Subaward and ends once the Subaward is formally closed-out. The level of monitoring in which Caltech must engage for a particular Subaward is determined by the results of the risk assessment Caltech performs on the Subrecipient.

In situations where monitoring reveals Subrecipient deficiencies, Pass-through Entities must notify the Subrecipient and ensure that the Subrecipient takes timely and appropriate action to correct the deficiencies. If the Subrecipient does not correct deficiencies, Pass-through Entities may take corrective action, such as:

- Temporarily withhold cash payments pending correction;
- Disallow all or part of the costs of the activity or action that is non-compliance;
- Wholly or partly suspend the Subaward;
- Recommend to the federal Sponsor that it initiate suspension or debarment proceedings;

- Withhold further funds from the Subaward.

Programmatic Monitoring

The PI is responsible for monitoring the programmatic performance of the Subrecipient, including confirmation that the Subrecipient has completed all work, milestones and deliverables required by the Subaward. Programmatic monitoring activities may include review of technical reports or other deliverables, periodic meetings or communications with Subrecipient technical personnel, and review of Subrecipient invoices. In situations where the PI identifies deficiencies in Subrecipient technical performance, the PI should notify Purchasing Services, at which point Purchasing Services will work with the PI to determine the best approach to getting the Subrecipient back on track.

Financial Monitoring

The PI is responsible for monitoring the financial performance of the Subrecipient, including confirmation that the expenditures charged to cost-reimbursement Subawards are appropriate for the Subrecipient's scope of work. Financial monitoring activities may include review of Subrecipient invoices and other financial reports.

Audits

When the Subrecipient is subject to the audit requirements of the Uniform Guidance (2 CFR 200), Pass-through Entities must verify that the Subrecipient follows these requirements. Purchasing Services will perform this verification as part of its initial risk assessment, as well as its ongoing monitoring of the Subrecipient's compliance with federal requirements.

Federal regulations require Pass-through Entities to review the results of Subrecipient audits as they pertain to Subawards issued by the Pass-through Entity. The Pass-through Entity must then make a management decision that clearly states whether or not the audit finding is sustained, the reasons for the decision, and the expected Subrecipient action to repay disallowed costs to the Pass-through Entity, make financial adjustments, or take other action. Purchasing Services will coordinate this process.

When Subrecipient costs are disallowed, such as through audit findings, the Pass-through Entity becomes responsible for the disallowed costs of the Subrecipient. This means that the Pass-through Entity must reimburse the Sponsor for any disallowed costs the Pass-through Entity has been paid by the Sponsor, and the Pass-through Entity must then collect what reimbursement it can from the Subrecipient. Post Award Administration and Purchasing Services will coordinate this process.

Payment of Invoices

A Subaward issued by Caltech will include specific invoicing instructions for the Subrecipient. In general, these instructions will direct the Subrecipient to submit its invoices to Payment Services who in turn will forward the invoice to the appropriate contact within the Division. The Division is responsible for approving the invoice in a timely fashion in accordance with Caltech procedures and returning the approved invoice to Payment Services.

Caltech can only pay Subrecipient invoices when there is a valid Subaward or Authorization Letter in place and in accordance with Sponsor requirements. Purchasing Services is the only

Caltech office authorized to issue Subawards or Authorization Letters. **Caltech's Invoice Attached procedures may not be used to pay Subrecipient invoices.**

Modification of Subawards

There are many situations where it may be necessary to modify a Subaward, for example to authorize additional funding and approve Subrecipient requests for pre-award costs or a no-cost-extension. Only Purchasing Services is authorized to modify the terms of a Subaward, or to otherwise authorize a Subrecipient to vary from the Subaward terms. If the Caltech Sponsored Award contains a management plan that imposes specific procedures for implementing changes to the project, it is important that the project team follows those procedures in addition to any requirements described in this document.

Following is a list of common changes that require formal modification of the Subaward by Purchasing Services.

Incremental Funding (funding anticipated in the Subaward)

In situations where Caltech has not authorized the full amount of funding to the Subrecipient as anticipated in the Subaward, Purchasing Services will increment the Subaward based on requests submitted by the Division through TechMart. Since incremental funding is already anticipated in the Subaward, Caltech will usually not require additional documentation from the Division or Subrecipient unless the terms of the Sponsored Award require it.

Supplemental Funding (funding not originally anticipated in the Subaward)

When the PI wishes to add funding not originally anticipated in the Subaward but within its existing SOW, the Division may submit a request to Purchasing Services through TechMart. Depending on the requirements of the Sponsored Award, Purchasing Services may need to obtain additional documentation from the Subrecipient and/or the PI may need to request approval from the Sponsor before Purchasing Services can authorize supplemental funding.

Competing Continuation or Renewal Funding

When the PI wishes to continue a Subaward beyond its originally negotiated scope and funding, such as when Caltech receives follow-on funding from the Sponsor (commonly called a "competing continuation" or "renewal" award by federal sponsors), the Division may submit a request to Purchasing Services through TechMart. Generally, Sponsors issue separate Sponsored Awards to Caltech for this type of funding, in which case Caltech will need to issue a separate Subaward. Usually, Caltech must also perform the same risk assessment and collect the same documentation for renewal Subawards as is required when it issues new Subawards.

Carry-forward of Unexpended Funds

Caltech may issue a Subaward that imposes restrictions on the carry-forward of unexpended funds from one budget period to the next, for example if the sponsor imposed that restriction on Caltech in the Sponsored Award. Under such a restriction, if the Subrecipient desires to carryforward unexpended funds from one budget period to the next, it must submit a formal request to Caltech. Once approved by the Caltech Principal Investigator and by the Sponsor, (if required), Purchasing Services will issue a modification to approve the Subrecipient's carryforward request.

Pre-Award Costs and No Cost Extensions

When the PI wishes to authorize pre-award costs or a no-cost-extension for a Subaward, the Division may submit a request to Purchasing Services via TechMart. Caltech can only approve changes in the performance period of a Subaward as permitted by the terms of Caltech's Sponsored Award.

Change in Scope

When the PI wishes to authorize a change in the scope of a Subaward, the Division may submit a request to Purchasing Services via TechMart. Changes in the scope of a Subaward may also require Sponsor approval, depending on the terms of the Sponsored Award.

Change in Subrecipient

If the Subrecipient PI moves to a different institution and the Caltech PI wishes that collaborator to continue their work under the Caltech Sponsored Award, Caltech must issue a separate Subaward to the collaborator's new institution. In this situation, Caltech must first perform all of the same actions as described above for a new Subaward, including obtaining approval from the Sponsor.

Change in Subrecipient PI

When the PI wishes to authorize a change in the Subrecipient PI, for example because the original Subrecipient PI is moving to a new institution and the Subrecipient will continue to perform the work with a substitute PI, the Division may submit a request to Purchasing Services via Techmart. If the original Subrecipient PI has the status of co-PI or senior personnel on Caltech's Sponsored Award, Caltech must request permission from the Sponsor before it can authorize a change in Subrecipient PI or senior personnel.

Stop Work

There may be situations where the PI wishes to temporarily suspend performance of a Subaward, for example if the Sponsor issues a stop work order to Caltech. The PI should contact Purchasing Services to discuss the situation to ensure that the PI understands the potential financial and legal liabilities associated with issuing a stop work order. If the decision is made to proceed with a stop work, Purchasing Services will issue the stop work order to the Subrecipient.

Early Termination

In situations where the PI wishes to terminate a Subaward early, for example because the Subrecipient PI has moved to a different institution, the PI should contact Purchasing Service to discuss the situation to ensure that the PI understands the potential financial and legal liabilities associated with terminating a Subaward early, particularly if the Subrecipient is not in agreement. If the decision is made to proceed, Purchasing Services will modify the Subaward to terminate it. Once the Subaward is terminated, Caltech will need to follow its close-out procedures in addition to any special procedures necessitated by the early close out.

Closing out Subawards

A Subaward is complete only after all supplies or services, including any related spare parts, reports and data, have been delivered to and are accepted by Caltech. It is essential to close out the Subaward promptly after performance completion and acceptance of all work and deliverables. The procurement process does not end until all closeout actions are taken and Caltech makes final payment; prompt payment is important for continuing good relations with the Subrecipient.

The PI must certify acceptance of all work and deliverables under a Subaward before Caltech can pay the Subrecipient's final invoice; the final invoice is subject to review and audit as described above under Subrecipient Monitoring.

Federal regulations require Pass-through Entities to perform follow-up testing and audit of Subrecipients.

Until a Subaward is fully closed out, Caltech cannot close out the Sponsored Award under which the Subaward was issued. To facilitate the timely closure of Sponsored Awards, Caltech Subawards generally include wording requiring the Subrecipient to submit its final closeout documentation (e.g., final invoice, reports, release of claims, etc.) by a specified date. Unless explicitly approved by Purchasing Services, Subrecipient invoices submitted after this deadline may not be paid by Caltech.

Purchasing Services will take the lead in managing the Subaward closeout process, and will coordinate with the Division, the Subrecipient, and PAA.

Transfers of funds to JPL

As described under the section "Subawards in Proposals", the JPL is operated by Caltech under a contract with NASA; JPL is legally a division of Caltech and all JPL employees are Caltech employees. As such, Caltech cannot issue Subawards to JPL.

Therefore, in situations where JPL personnel will participate in a Caltech Sponsored Award, Caltech will transfer the appropriate funds to JPL through Caltech's procurement system; this type of transfer is neither a Subaward nor a procurement Contract – it is simply a mechanism to transfer funds between Caltech operational divisions. Transfers of funds to JPL should be initiated by the PI or Division personnel via the TechMart system.

ROLES AND RESPONSIBILITIES

Principal Investigators (PI)

The PI is responsible for:

- Making the initial determination that a Subaward is the appropriate mechanism by which to secure the desired services.
- Determining and obtaining documentation from the prospective Subrecipient for inclusion in the proposal and for providing any necessary justifications to meet Sponsor requirements.

- Initiating any Sponsor-required request for approval and for maintaining documentation of Sponsor approvals.
- Determining the reasonableness and appropriateness of the prospective Subrecipient's technical and cost proposal to meet the requirements of the Sponsored Award.
- Providing input to Procurement Services sufficient to allow them to prepare, issue and manage the Subaward in compliance with applicable policies and regulations.
- Monitoring the Subrecipient's technical performance and is key to Caltech's compliance review of the Subrecipient, including financial monitoring.
- Ensuring that the Subrecipient meets its Cost Sharing obligations.

Division Administration (Division)

The Division assists the PI in meeting his or her responsibilities as agreed between the PI and the Division. This assistance may include collecting necessary documentation from the Subrecipient, initiating Subaward transactions and modifications within Caltech's procurement system, and coordinating Subrecipient monitoring and closeout activities between the PI and other Caltech departments.

The Division is responsible for meeting commitments that the PI is unable to fulfill.

Purchasing Services

Purchasing Services is responsible for:

- Making the final determination as to whether a particular transaction will be treated as a Subaward or as a Contract.
- Preparing, negotiating, issuing, managing, and closing out the Subaward.
- Defining and monitoring risk levels of Subrecipients, both before issuance of a Subaward and on an ongoing basis, in order to determine appropriate risk mitigation terms to include in Subawards.
- Contractually binding Caltech to Subawards and for providing official notices to Subrecipients and approvals of changes to the Subaward terms and conditions.
- Reporting under the Federal Funding Accountability and Transparency Act (FFATA).
- Adding Subawards to Caltech's Repository for Administration Documents and Records (RADR).

Office of Sponsored Research (OSR)

OSR provides guidance on federal regulations and Sponsor policies that affect Subawards, including interpretation of those regulations and policies.

Office of Research Compliance (ORC)

ORC provides guidance on various compliance issues that may affect the issuance and management of Subawards, including conflicts of interest, use of humans or animals, and biosafety.

Post Award Administration (PAA)

PAA is responsible for financially closing Caltech Sponsored Awards.

Audit Services and Institute Compliance (ASIC)

ASIC assists Purchasing Services in reviewing Subrecipient’s audit reports as part of the risk assessment process.

RELATED REFERENCES

Caltech’s General Purchasing Services Policy: http://procurement.caltech.edu/documents/236-general_purchasing_policy.pdf

Caltech’s Purchasing Goods and Services Policy: http://procurement.caltech.edu/documents/237-purchasing_goods_services_policy.pdf

Caltech’s Subrecipient/Contractor determination Process (in development).

Caltech’s Subrecipient Risk Assessment Process (in development).

Caltech’s Subrecipient Performance and Financial Monitoring Process (in development).

POLICY ISSUED BY

This policy and procedure is issued by the Office of Financial Services and the Office of Research Administration.

EFFECTIVE DATES AND UPDATES

Action	Effective Date	Description of Action
Initial Issuance	12/22/2005	Issuance of “Subcontracts and Subrecipient Monitoring” policy
Revision to Policy and Procedure	9/19/2016	Issued by Office of Financial Services and Office of Research Administration; updated to reflect Uniform Guidance requirements