

SUBCONTRACTS

Last Revised: 09/07/06

Subcontracting

The following information is intended to assist faculty and staff in the management of subcontracts issued under agreements to Clarkson.

At times, one or more other institutions or companies (third parties) may be needed to provide a distinctive part of the award effort. When the portion of effort being performed by a third party constitutes a substantive part of the work, the third party is required to provide the resources necessary to conduct that portion of the labor as an independent contractor. Costs associated with third party effort may include any or all of the following: labor, employee benefits, materials and supplies, travel, equipment, subcontracts, consultants, other direct costs, and indirect costs.

This policy addresses procedures involved in subcontracting activities. The Division of Research is available to assist Principal Investigators with these procedures and in the preparation of any subcontract.

Subcontract Relation

The term prime sponsor refers to the establishment that makes an award directly to Clarkson. The award mechanism is the agreement processed by the Sponsor and accepted by Clarkson specifying the terms and conditions under which the program will be guided.

The document that the Division of Research generates to formalize a third party association with another organization to perform a substantive part of work based upon an award made to Clarkson is a Subcontract. The third party performing the effort under a subcontract is the Subcontractor.

Subcontractor Designation

If the subcontractor is designated in the proposal and a subsequent award is received, it is not essential to comply with the procurement prerequisites for competitive bidding or sole source justification since the Sponsor already endorsed the selection. If this is not the case, it is the responsibility of the Clarkson PI, along with the Division of Research, to adhere to provisions of the sponsor in selecting a subcontractor.

There are two methods of selecting a subcontract: competitive bidding or sole source procurement, (see Section 2, Administrative Procurement Policy, Clarkson Business & Finance Policies and Procedures Manual). Competitive bidding is used as the common method of subcontractor selection. This method requires solicitation proposals from a number of sources and a final selection of a subcontractor is made from those responding based on technical merit and cost objectives. When the procurement requires performance from a sole entity because services or expertise are not available from other sources, the PI is mandated to provide sole source justification, identifying the need for the services and why the selected subcontractor is the only source available for the needed services.

Subcontract Preparation

When the Division of Research receives a fully executed award from the prime sponsor, a subcontract with the proposed organization is prepared. The Division of Research must receive approval from the PI to release the subcontract. This is done via the "Request to Issue Subcontract" (below) form.

If a subcontractor was not included in Clarkson's original proposal, sponsor approval may be necessary prior to issuance of the subcontract. In rare instances it may be necessary for the sponsor to review and approve the proposed subcontract agreement prior to release to the subcontractor.

In preparing the subcontract, it is important to observe the prime agreement terms and conditions and to flow down the appropriate clauses. Once the subcontract is prepared, it is sent to the subcontractor for review. The subcontractor may want to negotiate changes or request clarification of the terms and conditions. The Division of Research negotiates and coordinates those requested changes. Once negotiations are complete both parties execute the agreement.

Amendments to Subcontracts

During the term of a subcontract, it may be necessary to change or modify one or more of the terms and conditions of the subcontract. Amendments to the subcontract, such as time extensions or increases to funding are accomplished by an amendment to the subcontract. It should always be noted in any amendment that "all other terms and conditions of the original subcontract remain unchanged. The amendment is the medium that clearly states the changes and provides for the signature approval of both parties.

Fiscal Oversight

Upon full execution of the subcontract agreement, the Division of Research will issue a purchase order to the subcontractor against which invoices may be submitted. This mechanism is used to encumber subcontract funding against prime awards and allow the Division of Research the monitor and track payments against subcontracts.

The subcontractor shall submit invoices for payment as outlined in the terms and conditions of the subcontract agreement. All subcontractors shall certify on each invoice that the costs are the actual costs as recorded in the subcontractor's records and as expended for the actual work performed. Both the Clarkson PI and the Division of Research must approve all invoices. The invoice should be reviewed to ascertain that the purchase order number is referenced and correct, costs are properly allocated and the amount invoiced is within the cost of the subcontract and charges were incurred within the period of performance of the prime agreement. Invoices are then forwarded to the Accounts Payable Department for payment.

Technical Oversight

Clarkson's PI is responsible to see that the subcontractor's work is conducted and completed in a timely manner. Subcontractor's progress reports are usually incorporated in the overall reports submitted to the sponsor. The Division of Research is responsible for obtaining the other reports required by the subcontract terms and conditions. Examples of these reports include invention, fiscal, and property and audit reports.

Sub-recipient Monitoring

Federal grants require Clarkson to manage and monitor activities supported by awards to ensure that sub-recipients expending \$500,000 or more in federal awards during the sub-recipients fiscal year have met the A-133 audit requirements. To comply with these requirements, the Division of Research monitors activities of sub-recipients as necessary to ensure the awards are used for authorized purposes in compliance with the provisions of the agreements and that performance goals are obtained. The monitoring process can include the following:

- Initiating performance reports when required (goals vs. objectives)
- Assess the suggested corrective actions for audit deficiencies
- Maintaining a tracking system for reported deficiencies to ensure correction action has occurred in a timely manner and reviews follow up reports submitted by the sub-recipient
- Review and monitor the sub-recipient budgets
- Offer technical assistance to sub-recipients when needed.

Annually, the Division of Research generates a letter to each sub-recipient that received funds from Clarkson in the form of a subcontract requesting A-133 compliance status and documentation. A copy of the audit letter/report is filed within the Division of Research to ensure that any sub-recipient expending \$500,000 or more in Federal awards during the sub-recipient's fiscal year have met the A-133 audit requirements. If the sub-recipient did not complete an A-133 audit, the Division of Research will follow up with the sub-recipient until the audit has been performed and withhold further funding until audit requirements have been met.

Guiding Regulations:

<http://www.whitehouse.gov/omb/circulars/a110/a110.html#51>

<http://www.whitehouse.gov/omb/circulars/a133/a133.html#d>

Subcontract Close-Out

In accordance with the terms of the agreement, the subcontractor may be required to submit one of more of the following documents upon completion:

- Final fiscal report
- Final technical report
- Final inventory of property
- Final statement of inventions
- Small and small disadvantaged business report
- Final audit notification if subcontractor is subject to A133

Request for Subcontract Issuance:

New:

Continuation:

An award has been received for the project referenced below that includes funds for a Sub-recipient. In order to proceed with the issuance of a subcontract the information contained within this form needs to be verified, and the document signed and returned to the Division of Research. In rare instances, where a statement of work and budget were not provided as part of the original proposal, it will be necessary to provide such documents.

Prime Sponsor:

Clarkson Account #:

Principal Investigator:

Budget Period:

Sub-recipient Contact Information:

Institutional Address of Sub-recipient:

Sub-recipient Phone#:

Sub-recipient Email Address:

Sub-recipient Principal Investigator

Signature Authorization:

I hereby approve the release of the subcontract per the attached work statement and budget for the referenced period.

Principal Investigator:

Date:

Prepared by:
