



## Subaward Definition

The term subawarding is defined herein as those situations that call for substantive work or project activities that are a primary part of a research program supported by a grant, contract, or cooperative agreement to be conducted by another institution. The activities involved must constitute a significant portion of the sponsored research program and require the leadership and direction of a responsible investigator located at the worksite of the cooperating institution. On research projects, a subaward is usually for collaboration with colleague(s) at another institution. Subrecipients shall be independent entities and cannot be an employee or agent of Loyola University Chicago.

These procedures DO NOT apply to (1) vendor-type relationships, i.e., routine purchase of equipment, supplies, and services; and (2) employment of outside consultants.

## Establishing a Subaward

The Office of Research Services (ORS) assists in the preparation of and endorses subawards on sponsored projects. Once an award is issued to Loyola that involves co-investigators at other institutions, the Principal Investigator at Loyola (PI) should verify with ORS at Loyola that all of the necessary documentation is in place to authorize preparation of the subaward with a different institution. Note that if the awarded amount to Loyola is less than the proposed amount, a revised subaward budget may need to be prepared before issuing to the other institution.

Under OMB "Uniform Administrative Requirements, Cost Principles, and Audit Requirements" (2 CFR Part §200), the University is required to flow-down the requirements of the prime award on fiscal activities, inventions, and equipment to all subrecipients. The documentation will be included in the formal subaward agreement as part of the contracting procedures. The PI is responsible for ensuring that any required programmatic reports or documents are submitted as part of the reporting process. For additional information, the PI should refer to the prime award documents and the subaward documentation or contact the Office of Research Services.

## Subaward Costs

In accordance with OMB Uniform Guidance (2 CFR Part §200), and formalized in Loyola University Chicago's approved [federal rate agreement](#), the distribution base for F&A costs for applicable sponsored agreements and other benefiting activities is modified total direct costs, consisting of all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, **and up to the first \$25,000 of each subaward (regardless of the period of performance of the subawards under the award.)**

Loyola University of Chicago applies indirect costs to the first \$25,000 of every subaward associated with a grant or contract, unless otherwise specified in the primary award. When two or more subawards are established for a project, the first \$25,000 of each subaward should be budgeted to account 6580 (Subawards under \$25,000)

**6580 (Subawards under \$25,000)** - Represents the first \$25,000 budgeted for each subaward entered into over the life (competitive segment) of an externally funded grant or contract.

**6581 (Subawards over \$25,000)** – Represents the balance of subaward costs (including the non-competing years of continuation), once the initial indirect cost allowance of \$25,000 is satisfied. Account 6581 may also be utilized for subawards that do not allow indirect costs.

If accounts 6580 and 6581 are not used appropriately, the University could potentially lose indirect costs to which we are entitled, or overcharge the primary funding agency.

### **Subawards: Encumbrance and Payments**

To ensure that funds budgeted for subawards are not expended for purposes other than payment to the subrecipient, the amount of the subaward, as stated in the agreement, will be encumbered (committed) upon inception. Encumbering the subaward funds up-front will reserve them for payments owed the subrecipient, thus ensuring the University's ability to fulfill its financial obligation to the subrecipient institution.

**Encumbrance (commitment):** Upon awarding a subaward to another institution, the Office of Research Services or the awarding department should forward a copy to Sponsored Program Accounting ([grntcon@luc.edu](mailto:grntcon@luc.edu)). The Staff Accountant in Sponsored Program Accounting will then create a purchase order for the amount of the subaward, therefore encumbering (committing) the funds for future payment under a specific purchase order number. A fully-executed copy of the subaward must be received in order to create the purchase order.

**Payments:** Invoices received by LUC from the subrecipient require the approval of the PI; the signature of the Principal Investigator on the LUC payment requisition accompanying the invoice constitutes satisfactory performance of the subrecipient. The completed check/payment requisition and supporting invoice should be sent to Accounts Payable ([accounts-payables@luc.edu](mailto:accounts-payables@luc.edu)) by the PI. Upon receipt of a completed check/payment requisition, AP will run through its normal intake process and route to Sponsored Program Accounting for final approval. The amount of the invoice is applied towards the PO and payment is made to the subrecipient. The invoice amount is then deducted from the total subaward encumbrance (commitment), becoming an actual expenditure. All payments should be reviewed and processed in a timely manner.

**Final Payment:** Subaward agreements typically terminate annually, at the end of the prime award's budget period. As financial reports



- x An invoice from the subrecipient.

**Who has the responsibility of following up with the collaborating institution if invoices are not received in a timely manner?**

Regular invoices and progress reports are tools that the PI can use to ensure satisfactory performance of the subrecipient. Inconsistent or irregular invoices, especially when compared to progress reports, may be an indicator of challenges to address with the subrecipient. The awarding department is responsible for following up with the subrecipient. Sponsored Program Accounting will assist if necessary.

**What if the subaward has unspent committed funds after the final invoice has been received and paid?**

If the subrecipient confirms that all obligated subaward payments have been received, the remaining amount of the purchase order will be canceled by the Grant Accounting Manager, Sponsored Program Accounting. The PI should work with his/her SPA Grant Administrator to re- budget any remaining funds in 6580/6851 as needed. Agency approval may be required in some cases for re-budgeting.

**Who is monitoring subawards in Sponsored Program Accounting?**

Your SPA Grant Administrator will be the primary contact for each subaward; he/she will have the primary authority over expenditureGrant