OVERVIEW OF
SPONSORED PROGRAM SUBCONTRACTS & CONSORTIUM AGREEMENTS

PURPOSE

• To establish a consistent University procedure to appropriately set up and manage awards to subrecipients to ensure the organization meets all terms and conditions required by the sponsoring agency.

POLICY STATEMENT


  "To establish responsibility for compliance with Office of Management and Budget (OMB) Circular A-133 as it relates to the University's responsibilities in making awards to subrecipients."

GENERAL TERMS / CONDITIONS

• A Subcontract or consortium agreement is required whenever:
  1. A portion of the research will be performed at another institution.
  2. A portion of the research will be contracted to a consulting firm or organization.

• Subcontracts and consortium agreements do not apply to routine purchases of equipment, supplies and services, or employment of individual outside consultants.

General Notes:

• BEN Financials Requisition will encumber funds and facilitate payments.
• When Completing the Requisition follow standard University BEN Financials procedure as well as the specific instructions outlined below.
• Time periods on the Subcontract Services Purchase Order are to correspond to the dates specified in the subcontract agreement terms, usually the grant period, and are not constrained by the fiscal year
• In many cases, sponsoring agencies require that invoices for subcontract services be itemized and presented in a particular format. In addition sponsors require verification of work performance.
• As long as the subcontract is $5,000 or greater the system will automatically set a receipt required in order for payment to occur. No receipt requirement will be generated if the subcontract value is less than $5,000; however it is your responsibility as Administrators to print and review every invoice. As of January 2002 there will not be an ability to set a manual receipt required. (See Procedures below for detailed procedures on receipting.)

• Occasionally there are special circumstances authorized by the sponsoring agency, which may affect the terms and conditions of a subcontract. Research Services needs to issue a modification to a subcontract if any the original terms and conditions change. In each case please contact Research Services for instructions on how to manage these situations.
• Departmental administrators should not execute purchase order for subcontracts without authorization from Research Services and without a copy of the fully executed agreement.
PROCEDURES

Preaward:

- The cooperating institution provides a sub-proposal in the same format as Penn's primary proposal.
- A "Statement of Intent", or other evidence of approval to establish a consortium agreement, signed by the authorized institutional officials at Penn and at each collaborating institution, must accompany the proposal during the routing/approval process to Research Services.
- The sub-proposal is incorporated into Penn's proposal. The subcontractor's total costs are included in the Subcontract category of Penn's budget.
- In preparing the F&A calculation for grants with subcontracts, the first $25,000 of each subcontract is included in Penn's modified total direct cost (MTDC) base. This charge is assessed one time at the beginning of a competing segment (note: if the first year of a subcontract is less than $25,000, the balance of F&A costs will be charged over subsequent years of the grant until the entire amount is taken.)
- When an award has multiple subcontracts, the first $25,000 of each subcontract is subject to F&A.

Postaward:

- Once the award is received, the terms and conditions of the subcontract should be verified by Research Services (contracts administrator), the Business Administrator and the PI.
- The Research Services Contracts Administrator will prepare and mail the subcontract to the collaborating institution. It will include a sample copy of an invoice and request the tax ID # of the collaborating institution. Along with instruction that invoices are to be sent Accounts Payable and another copy to the PI and/or Business Administrator.
- Upon receipt of a fully executed agreement, Research Services will then forward a copy to the business administrator with instructions to execute a purchase order. The signed agreement will indicate the supplier (subcontractor), supplier site, sponsored program award reference number, time period covered, dollar amount, and Principal Investigator (for both the University and the subcontracting institution).
- The Business Administrator should verify that the necessary Supplier (subcontractor) information is in the Ben Financials database. If the supplier and/or the correct site are not included in the database, please contact Research Services. Without the correct supplier and supplier site information, you cannot process a Ben Financials Requisition for subcontract services.
- When completing a requisition please follow the standard University BEN procedures.
- The requisition for subcontract agreements over $25,000 should have two distribution lines:
  1. Line 1 should have the object code of 5332 with the first $25,000 of each subcontract per competing segment of the project.
  2. Line 2 should have the object code of 5333 with the remaining amount of each subcontract.
- The purchase order should be finally closed to relieve any remaining encumbrance and to prevent any other invoices from being processed.
(Detailed instructions for preparing a PO are here.)

- The Penn Business Administrator should establish a close working relationship with the Business Administrator at the sub-recipient institution. Regular contact should occur to ensure timely and accurate invoicing.

- Subcontract Changes: If the subcontract terms and conditions are affected as a result of sponsor-approved scientific and/or administrative changes, Research Services will issue a modification to the original subcontract agreement. Possible changes include but are not limited to:
  o No Cost Extensions
  o Reduction in Period
  o Reduction in Award Amount
  o Increase in Award Amount for existing period
  o Award Amount for a new Period

- All invoices should be sent to Penn’s Accounts Payable address and entered into the MarkView Imaging System.
- Accounts Payable will not pay any invoice for a subcontract Purchase Order over $5,000 until the department has receipted the invoice on the system. If the Purchase Order is less than $5,000 no receipt is required, however it is your responsibility as Administrators to print and review every invoice.

Receipting of Invoices for Subcontract PO’s:

The subcontract document states that the original invoice will be sent to Accounts Payable. Once the invoice is received, an automatic notification for Purchases Orders exceeding $5,000, is sent to the PO creator requesting receipt verification. The following procedure should be followed once the notification is received by the PO creator:

- Each invoice submitted by the sub-recipient should be carefully reviewed prior to receipting for payment.
  1. Verify that the invoice has an accurate and valid PO number.
  2. Verify that the invoice reflects a valid time period. Did the charges occur within the time period of the agreement?
  3. Verify that the invoice does not overlap in time period with a previous invoice.
  4. Confirm that the invoice has not already been paid.
  5. Verify that the expenses are valid according to the budget of the agreement. Are they allocable and allowable?
  6. Verify the balance available for payment.

- Print a copy of the invoice through MarkView
- The Business Administrator and PI must compare the invoice with the contract to insure that the work has been performed as contracted and that all charges are allocable and allowable. P.I. must sign invoice to document approval.

- If the invoice is acceptable, the PO creator should approve and stamp through the MarkView system.
- Keep a signed copy of the invoice with the grant file and document the date the invoice was approved. If the invoice was not signed, obtain written verification or email from P.I. of approval.
• Invoices should be receipted and cleared up within 30 days in order to meet payment requirements.
• If the invoice is unacceptable, a sticky note needs to be appended to the invoice on MarkView and it should state why department is disputing the invoice (ex: duplicate invoice, invalid time period, unallowable expense, etc.)
• Accounts Payable should then release the hold and cancel the invoice.

**Upon Closeout:**

- Prior to the end of the budget period, the department Business Administrator should contact the sub-recipient institution to remind them that the final invoice is due 45 days after the budget period ends.
- 30 days prior to the end of the budget period verify all invoices have been received and paid.
- Confirm that the correct amounts were paid on all invoices and that they were charged to the appropriate object codes (5332/5333).
- Run 163 Ben Report to verify commitments.
- Research unpaid invoices - follow up with A/P for any outstanding invoices.
- Inform Research Accountant if dispute exists and work with Accounts Payables and sub-recipient to resolve all pending issues. Be sure to inform A/P of any disputed invoices by means of a sticky note in the MarkView Imaging System.
- If final invoice has been received but is unpaid, department should notify Research Services Accountant via email and follow up with A/P to resolve any pending issues. A copy of the unpaid invoice should be faxed to Research Services.
- If final invoice has not been received, the department should contact the sub-recipient and request the final invoice be issued immediately and inform them that the invoice will not be paid if not received immediately. The invoice should be faxed to Research Services as soon as received. * For NIH grants and Program Project awards, departmental administrators must communicate with Research Services regarding unpaid (unliquidated) obligations that need to be reported on the annual or final FSR (if a competitive renewal is awarded) and correct the encumbrance coding to the new fund. Copies of invoices must be provided to Research Services.
- Review all remaining encumbrances and cancel or finally close those encumbrances that will not be paid on the current year fund. Follow Ben Financials standard procedures for canceling encumbrances.

*Please note that these procedures are subject to change as systems are upgraded and new functionalities are available and implemented.*