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## Background and Purpose

Consistent with Northeastern University (NU) policies and Federal funding agency regulations<sup>1</sup>, NU, as the Pass-through Entity, is responsible for the effective stewardship and administration of funds distributed to Subrecipients via Subaward agreements, including the monitoring of project-related programmatic and financial activities of the Subrecipient.

The Subrecipient is responsible for utilizing and managing Federal funds received via Subaward agreements in a manner consistent with the terms and conditions of the Subaward agreement, programmatic objectives, and the terms and conditions of the Federal award, including compliance with [2 CFR 200](#) "Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards".

The purpose of this document is to provide Subrecipients with a summary of best practices to support the Subrecipient institutions 1) in the compliant oversight and management of funds received via a Subaward agreement from NU and 2) as partners, working together with NU to ensure Federal funding agency requirements are fulfilled.

## Definitions<sup>2</sup>

**Allowable Cost** means a cost incurred by a Subrecipient that is: (1) reasonable, necessary, and allocable for the performance of the Subaward; (2) in conformance with any limitations or exclusions set forth in the Federal cost principles<sup>3</sup> applicable to the organization incurring the cost or in the terms and conditions of the Subaward; (3) consistent with regulations, policies, and procedures of the Subrecipient that are applied uniformly to both Federally supported and other activities of the organization; (4) accorded consistent treatment as a direct or indirect cost; (5) determined in accordance with generally accepted accounting principles; and (6) not included as a cost in any other Federally supported award (unless specifically authorized by statute).

<sup>1</sup> Including but not limited to [2 CFR 200.331– 200.333](#)

<sup>2</sup> Please review all relevant definitions at [2 CFR 200.1](#)

<sup>3</sup> Federal Cost Principles [2 CFR 200 Subpart E](#)

**Closeout** means the process by which the Federal agency or Pass-through Entity determines that all applicable administrative actions and all required work of the Federal award have been completed and takes actions as described in [2 CFR 200.344](#).

**Expenditure:** means Allowable Costs incurred by a Subrecipient to a project or program for which a Subaward is received and signed by both Subrecipient and Pass-through Entity.

**Pass-through Entity** means a non-Federal entity that provides a Subaward to a Subrecipient to carry out part of a Federal Program (i.e. Northeastern University).

**Subaward** means an award provided by a Pass-Through Entity to a Subrecipient for the Subrecipient to contribute to the goals and objectives of the project by carrying out part of a Federal award received by the Pass-Through Entity.

**Subrecipient** means an entity that receives a Subaward from a Pass-Through Entity to carry out part of a Federal award.

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## Process

This section describes the expectations imposed upon the Subrecipient during each phase of the Subaward lifecycle.

**Subaward Issuance and Acceptance.** A Subaward agreement issued under a Federal award to a Subrecipient must include<sup>4</sup>, but is not limited to:

- Federal award identification number;
- Subaward Period of Performance and Budget Start and End Date;
- Amount of Federal funds obligated in the Subaward;
- All requirements imposed by the Pass-through Entity as outlined in the terms and conditions of the Federal award;
- Additional requirements for the Pass-through Entity to fulfill its obligations to the Federal funding agency (e.g. due dates and format of financial and programmatic performance reports);
- Approved indirect cost rate or other negotiated rate;
- A requirement that the Subrecipient permit the Pass-through Entity and auditors access to the Subrecipient's records and financial statements; and
- Closeout requirements.

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<sup>4</sup> Please refer to [2 CFR 200.332](#) for the entire list of requirements

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The Subrecipient is responsible for reviewing the terms and conditions of the Subaward agreement and ensuring that relevant stakeholders of the Subrecipient institution are aware of and understand the requirements set forth in the Subaward agreement. By signing the Subaward agreement, the Subrecipient accepts and agrees to be bound by the terms and conditions of the Subaward agreement.

**Ongoing Monitoring.** During the Subaward performance period, the Pass-through Entity is required by Federal regulations<sup>5</sup> to monitor the activities of the Subrecipient to ensure that the Subrecipient complies with Federal statutes, regulations, and the terms and conditions of the Subaward, including monitoring the overall performance of the Subrecipient to ensure that the goals and objectives of the Subaward are achieved.

It is the responsibility of the Subrecipient to adhere to the terms of the Subaward agreement and to ensure that it is meeting the programmatic and administrative requirements as set forth in the Subaward agreement (e.g. submission of performance and financial reports, participation in meetings, publications, etc.). In response to the Pass-through Entity's monitoring efforts, the Subrecipient is expected to work collaboratively with the Pass-through Entity, including responding to the Pass-through Entity's inquiries in a timely and constructive manner, providing all requested documentation and information.

**Invoicing and Backup Documentation:** All Expenditures must be supported by documentation that demonstrates that the cost is an Allowable Cost.

- **Invoice Submission.** The Subrecipient will be paid for actual Expenditures consistent with the approved budget incorporated into the Subaward. The Subrecipient will submit invoices to the Pass-through Entity in accordance with the frequency and format specified in the Subaward Agreement. Only Expenditures obligated during the Subaward period of performance will be paid.

The preferred method of submission of a PDF or similar formatted attachment via email to the point of contact identified in the Subaward agreement. The invoice must be in English, clearly readable, and must include:

- Subaward document number
- Subrecipient name and remittance address
- Billing period
- Funding source identification
- If the subaward contains multiple sources of funding, a separate invoice for each funding source must be submitted
- A brief description of the effort/services billed
- An itemized listing of expenses incurred by budget category with the total amount clearly stated
- Cumulative total of all invoices billed to date
- If salary or fringe benefit reimbursement is being requested, please specify the payroll period billed, such as "1<sup>st</sup> thru 16<sup>th</sup>"

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<sup>5</sup> 2 CFR 200.332

- **Backup Documentation.** It is recommended that the Subrecipient maintains a system to organize, store, and submit the relevant information and documents for each Subaward. Backup documentation must:
  - be retained by the Subrecipient for the entire retention period indicated in the Subaward and/or applicable Federal regulations; and
  - be included as an attachment to the invoice submitted to the Pass-through Entity.

Additional supporting documentation may be requested or required by the Pass-through Entity at any time during the Subaward period of performance and retention period and must be readily available upon request.

Examples of backup documentation include, but are not limited to the following:

- Paid receipts
- Canceled checks or check & payment registers from Subrecipient's financial management system
- Travel logs
- Hotel receipts
- Journal entries
- Training or other event attendance rosters
- Time and attendance activity reports
- Payroll time sheets completed by employee and signed by supervisor
- Performance reports
- Payroll registers indicating the employee's name, dates, hours and costs charged to the Subaward
- Credit Card Statements
- Depreciation/amortization schedules
- Cost allocation plans
- Detailed audit reports including auditor's comments and corrective action plans
- Lower tier subawards, if any
- Contracts with and invoices from vendors or other service providers related to the Subaward
- Institutional Policies and procedures
- Personnel position descriptions

## Best Practices for Specific Budget Categories<sup>6</sup>:

- Salaries: All salaries must be supported by time and attendance system documentation which accurately reflects the time Subrecipient's employees spend on the Subaward. The invoice for payment of salary expenses must demonstrate how the Expenditure was calculated.

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<sup>6</sup> The level of detailed documentation may vary based on the Subrecipient entity's risk assessment.

- The effort percentages in the project proposal should normally be used for initially charging salary costs to the project. However, adjustments should be made to the effort percentage and salary charge if use of the proposed effort percentage is inappropriate because of changes in an individual's workload since submission of the proposal (i.e., the award of more grants than anticipated). If a reduction of 25 percent or more from the budgeted effort percentage occurs for a PI, co-PI or other key personnel, sponsoring agency notification and approval are required. (Note: this reduction is 25% of the budgeted effort percentage, not 25% of the individual's total effort. For example, a reduction from 40% to 30% would be a 25% reduction of the budgeted effort percentage.) All direct effort on sponsored agreements must be confirmed by effort reports and adjustments to the salary charges must be made if actual effort as shown on the effort report differs materially from the charged effort. If a salary exceeds the NIH salary cap, the salary amount exceeding the cap is unallowable.  
**EXAMPLE:** A P.I. earns \$200,000 in annual salary and expends 20% effort on a project. Assume that the NIH salary cap is \$183,300. The maximum allowable salary under the cap is 20% of \$183,300, or \$36,600  
<https://www.ecfr.gov/current/title-2 subtitle-A/chapter-II/part-200/subpart-E/subject-group-ECFRed1f39f9b3d4e72/section-200.430>
- Fringe Benefits, Payroll Taxes, etc.: The Subrecipient is responsible for maintaining cost documentation related to health insurance, state and federal withholdings and any other benefits paid. The invoice for payment of fringe benefit Expenditures, taxes, etc. must demonstrate how the Expenditures was calculated and align with any applicable fringe rate documentation.
- Travel: Payment of travel expenses, including mileage and subsistence (meals), will be limited to those allowed under the agreed-upon travel policy or standard rates of the Federal funding agency in effect during the Subaward. All requests for payment of Travel costs must include, as applicable:
  - Employee name and work address
  - Dates of travel
  - Destination address
  - Reason for travel
  - Hotel folio showing zero balance owed
  - Parking fees
  - Miles traveled (if driving personal vehicle)
  - Mileage reimbursement rate (if driving personal vehicle)
  - Total amount requested
- Indirect Costs: The invoice for payment of indirect costs must demonstrate how the indirect costs were calculated and align with any applicable IDC rate and proposal documentation.

- Other Expenditures: For all other Expenditures, please submit a copy of the appropriate backup documentation with the invoice. Please refer to the examples of backup documentation" listed above.

Cost Transfers: In the event the Subrecipient's accounting records must be adjusted via cost transfer/ journal entry, the Pass-through Entity requires a written explanation as to the reason for the cost transfer/ journal entry and a reconciliation with previously paid expenses if applicable.

For any cost transfer/ journal entry that reduces the cost of a previously reimbursed Expenditure, the resulting cash balance must be returned to the Pass-through Entity. The return amount cannot be not used to offset other Expenditures. For any cost transfer/ journal entry that transfers previously posted cost to the Federal Subaward, the cost transfer/ journal entry must be included on the monthly invoice.

**Reminder:** The Subrecipient must monitor each employee's time spent on the Subaward to assure all final Expenditures are consistent with the approved budget.

- **Closeout**<sup>7</sup>. The Pass-through Entity must close out the Federal award when it determines that all administrative actions and required work of the Federal award have been completed. Best practices include but are not limited to:
  - Unless otherwise stated in the Subaward, a Subrecipient must submit all reports to the Pass-through Entity no later than 90 calendar days after the conclusion of the Subaward period of performance.
  - Final Invoice must be clearly marked as "final" and include a cumulative total of all invoices
  - A Subrecipient must promptly refund any unobligated funds that the Pass-through Entity paid and that are not authorized by the Pass-through Entity to be retained.
  - A Subrecipient must account for any property<sup>8</sup> acquired with Federal funds or received from the US Federal Government.

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## Resources

- NU Research Enterprise Services (NU-RES) [Subawards Website](#)
- [National Institutes of Health Subawards Information](#)
- [National Science Foundation Subrecipient Management Resources](#)
- [Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards \(2 CFR 200\)](#)
- NU Res Contracts/Subawards Team Email: [Nures\\_contacts@northeastern.edu](mailto:Nures_contacts@northeastern.edu)

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<sup>7</sup> [2 CFR 200.355](#)

<sup>8</sup> 2 CFR 200.310 through 200.316 and 2 CFR 200.330