Subawards and Service Agreements

Budgeting, Monitoring and Managing Flexibility

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Purpose of this Presentation

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Provide departments, PIs, and grant administrators with practical guidance to:

1. Distinguish subawards from service agreements
2. Understanding the contractual portion of the prime budget
3. Monitoring both the Prime and subaward budgets
4. Evaluate and Process requests to move funds within a subrecipient's budget

Why the Distinction Matters

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The type of agreement determines:

1. How the relationship is documented
2. How the budget is prepared
3. Which costs and indirect costs apply
4. What monitoring is required
5. Who is responsible for compliance

Subaward or Service Agreement?

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Subaward	Service Agreement
Carries out a substansive portion of the sponsored project	Provides goods or services to support the project
Partner contributes to programmatic goals	Provider delivers a defined product or service
Partner may make programmatic decisions	Institution directs the work and retains program control
Subject to applicable aware requirements	Primarily governed by procurement and contract terms
Requires ongoing subrecipient monitoring	Requires vendor/ service-provider oversight

A Simple Classification Test

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Ask these questions:

- Is the outside organization carrying out part of the project?
- Will its performance be measured against the project objectives?
- Will it make programmatic decisions?
- Will it be responsible for complying with award requirements?
- Or is it simply providing a product or service that the institution controls?

If the **first 4 answers** are

Mostly “Yes”

Consider a subaward

If the **last answer** is

“Yes”

Consider a service agreement or procurement contract

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Budgeting

There are Two Distinct Budgets

A project involving a subaward has at least two related but separate budgets:

Prime Award Budget

- The budget approved by the sponsor for the lead institution's entire project.

Subaward Budget

- The budget approved for the subrecipient's portion of the project.

The subaward budget is included as a component of the prime award budget, but it is not the same budget

The PI and department must monitor both budgets independently.

How the Budgets Connects

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Prime Award Budget

- Lead institution’s personnel
- Lead institution’s direct costs
- Lead institution’s indirect costs
- Subaward costs
- Other project costs
- Total sponsor-funded project

Subaward Budget

- Subrecipient personnel
- Subrecipient supplies, travel, equipment, or other costs
- Subrecipient indirect costs
- Subrecipient cost share, if applicable
- Subaward total

A change within the subaward budget may not automatically change the prime budget. However, it can still require review or approval if it affects the scope, award terms, total project budget, or sponsor requirements.

Examples of Two Budgets

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Budget Component	Prime Award Budget	Subaward Budget
Lead institution direct costs	$600,000	–
Subrecipient direct costs	$250,000	$250,000
Subrecipient indirect costs	$50,000	$50,000
Total award	$900,000	$300,000

The **$300,000 subaward budget** is part of the **$900,000 prime award budget**, but the subrecipient manages its own approved $300,000 budget under the terms of the subaward.

Budgeting the Prime Award

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The prime budget should:

- Identify the total project cost
- Clearly show the subaward as a separate budget component
- Include the subrecipient’s direct and indirect costs
- Reflect the approved scope of work
- Identify cost sharing, if applicable
- Account for the lead institution’s own project costs
- Follow sponsor-specific budget categories and limits

The prime budget is the lead institution’s responsibility to manage and report to the sponsor.

Budgeting for a Subaward

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Subaward Budget Details Should Include:

- Scope of work
- Personnel and effort
- Travel
- Equipment
- Participant support, if applicable
- Other direct costs
- Facilities and administrative costs
- Period of performance
- Annual budget by project period

Subaward Budgeting Tips:

- Obtain a detailed budget and budget justification.
- Confirm the partner's proposed costs are reasonable and allowable.
- Identify whether indirect costs are included.

The subrecipient should spend according to its approved subaward budget and the terms incorporated into the subaward agreement.

Budgeting for a Service Agreement

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Define

- The specific service or deliverable
- Quantity, rate, or fixed price
- Timeline and milestones
- Required qualifications
- Payment terms
- Acceptance criteria
- Procurement and competition requirements

Avoid

Describing a service provider as a research partner when the relationship is actually a purchase of services.

Who Manages Which Budget

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Responsibility	Prime Award Budget	Subaward Budget
Overall Project Budget	Lead institution	Provides information to lead institution
Day-today Spending	Lead institution	Subrecipient
Technical Progress	PI and project team	Subrecipient's project director, with PI oversight
Invoice Review	Lead institution	Subrecipient supports costs and progress
Budget Changes	Lead institution and sponsor, as required	Subrecipient, pass-through entity, and sponsor as required
Final Reporting	Lead institution to sponsor	Subrecipient to lead institution

The lead institution remains responsible for oversight of the subaward, even though the subrecipient manages its own internal spending.

Monitoring

Monitoring means making sure the work is getting done, milestones are being met, and the money is being spent appropriately and as expected.

What Do We Mean By Monitoring?

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Federal pass-through entities must make case-by-case classifications and maintain oversight of subrecipients. This means we need to determine the appropriate classification for each relationship based on the substance of the work, and once a subaward is established, we have an ongoing responsibility to monitor the subrecipient's performance and use of funds.

- **Case-by-case classification:** Determine whether the relationship is a subaward or service agreement based on the facts and circumstances of that specific relationship.
- **Ongoing oversight:** Once it is a subaward, monitoring doesn't end when the agreement is executed—we need to monitor **performance, deliverables, milestones, and spending** throughout the award.

In other words, our responsibility is not just to classify the relationship correctly at the beginning. We also have an ongoing responsibility to make sure the subrecipient is doing the work, meeting its deliverables, and appropriately using the funds.

Roles and Responsibilities

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Role	Primary Responsibility
PI	Defines the work, reviews progress, confirms technical performance
Department	Confirms need, tracks spending, supports documentation
Grant Administrator	Monitors budget, invoices, reports, and deadlines
Central Research Office (MURC)	Reviews agreement type, terms, risk, and sponsor requirements
Subrecipient or Service Provider	Performs the work, submits required reports, and supports costs

Shared Responsibility
No single person should be expected to manage the technical, financial, contractual, and compliance aspects alone

Monitoring the Prime Award

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Your role as PI: Know the status of your award and address issues early.
Monitoring should address both performance and finances.

Performance

- Are project milestones and deliverables on track?
- Is the work being performed consistent with the approved scope and objectives?
- Are required technical/progress reports submitted on time?
- Are there changes to the scope, timeline, or key personnel that need to be addressed?
- Are performance issues or risks identified and resolved promptly?

Financial

- Are expenditures consistent with the approved budget and project activities?
- Are expenses reasonable, allowable, and allocable to the project?
- Are there unusual, unexpected, or incorrect charges that need to be addressed?
- Is spending aligned with the project timeline and remaining period of performance?
- Is there sufficient funding to complete the remaining work?

You don't have to be the financial expert. Your responsibility is to understand how the project is performing, review the financial information provided to you, and raise questions or concerns when something doesn't look right.

Monitoring a Subaward

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Monitoring should address both performance and finances.

Performance Monitoring

- Are milestones being met?
- Are required reports submitted?
- Is the work aligned with the approved scope?
- Are changes documented and approved?

Financial Monitoring

- Are invoices timely and sufficiently detailed?
- Do costs match the approved budget?
- Are charges reasonable, allowable, and allocable?
- Is remaining funding adequate for the work still required?
- Are findings or corrective actions being resolved?

Federal pass-through entities must make case-by-case classifications and maintain oversight of subrecipients.

You are responsible for monitoring your project—and that responsibility extends to the subawards supporting your project.

Monitoring a Service Agreement

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Focus on:

- Completion of deliverables
- Quality and acceptance of services
- Invoice accuracy
- Compliance with contract terms
- Timeliness
- Continued business need
- Procurement documentation

PI Question

“Did we receive what we paid for?”

Administrator Question

“Does the invoice match the agreement, the deliverable(s), and the available project budget?”

Managing Flexibility

Managing Budget Flexibility

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Budget flexibility may allow changes such as:

- Moving funds between approved categories
- Adjusting the timing of work
- Modifying effort or staffing
- Extending a subaward period
- Updating milestones or deliverables
- Reallocating unused funds

Before making a change, ask:

- Is the change allowed by the award?
- Does it alter the approved scope?
- Does it affect the period of performance?
- Does it change the agreement classification?
- Is sponsor or institutional approval required?
- Is written documentation needed?

Rule of Thumb

Flexibility is not the same as permission to change the budget without review.

When the Subrecipient Wants to Move Money

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The subrecipient should provide:

- The current approved budget
- The proposed revised budget
- The amount being moved
- The budget categories affected
- The reason for the change
- The effect on the scope of work
- Confirmation that the project objectives and milestones remain unchanged
- Any sponsor or institutional approval needed
- The requested effective date

The pass-through entity should review the request before the subrecipient implements the change.

MURC Subrecipient Grants Management Policy

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This policy establishes requirements for requesting and approving changes to activities conducted under a subaward agreement issued by Marshall University Research Corporation (MURC). Subrecipients are responsible for obtaining all required approvals before implementing changes to project scope, personnel, budget, or organizational status.

Unless otherwise specified in the prime award, subaward agreement, or sponsor regulations, requests for approval must be submitted in writing to the Marshall University Principal Investigator (PI) at least **30 calendar days** before the proposed effective date of the change.

No change requests will be considered during the last month of a grant year.

No changes may be implemented until all required approvals have been obtained.

Approval Category 1-PI Approval Required

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Subrecipients must obtain written approval from the Marshall University Principal Investigator (PI) before implementing any of the following changes that do not require sponsor prior approval.

Requests must be submitted at least **30 calendar days** before the proposed effective date and must include:

- A description of the proposed change
- A justification for the change
- The original approved budget
- The proposed revised budget
- The dollar amount of the change
- The percentage of the change from the approved budget
- Any supporting documentation requested by the PI.

Upon approval, the PI will forward the approved request and supporting documentation to MURC for grant file documentation.

Examples Requiring PI Approval Include:

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- Administrative updates affecting project performance.
- Minor budget revisions within sponsor-authorized rebudgeting flexibility.
- Reallocation of funds between budget categories that does not constitute a change in scope.
- Changes in project methods or activities that do not alter approved objectives, aims, deliverables, or compliance requirements.
- Addition or replacement of non-key personnel.
- Changes in effort for project personnel that do not meet sponsor thresholds for prior approval.
- Equipment purchases included within the approved project budget.
- Other changes determined by the PI to have no impact on project scope, objectives, regulatory approvals, or sponsor requirements

Approval by the PI does not authorize any action requiring sponsor prior approval under the terms and conditions of the prime award.

Category II - PI, MURC, and Sponsor/ Agency Approval Required

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Subrecipients must obtain written approval from the PI, MURC, and the sponsoring agency, when required by the prime award, before implementing any of the following changes.

Requests must be submitted at least **30 calendar days** before the proposed effective date and must include:

- A description of the proposed change
- A justification for the change
- The original approved budget
- The proposed revised budget
- The dollar amount of the change
- The percentage change from the approved budget
- Documentation supporting the request
- Any sponsor-required forms or certifications.

MURC will coordinate sponsor approval requests when required by the terms and conditions of the prime award.

Changes Requiring Sponsor Prior Approval May Include:

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A. Changes in Scope

- Changes to approved project objectives, specific aims, or deliverables.
- Significant changes in research methods, technologies, or project activities.
- Changes in the use of human subjects that increase risk, alter regulatory status, add protected populations, or otherwise require sponsor approval
- Changes in the use of vertebrate animals.
- Significant changes in scientific, technical, programmatic, or service emphasis.
- Addition of a clinical trial or other regulated activity not originally approved.
- Transfer of substantive programmatic work to another organization through a contract, consultant agreement, or subaward.
- Addition of a foreign component not previously approved.
- Any change identified by the sponsor as constituting a change in scope

Changes Requiring Sponsor Prior Approval May Include:

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B. Significant Budget Revisions

- Rebudgeting that exceeds sponsor-authorized flexibility thresholds.
- Rebudgeting that results in or supports a change in scope.
- Creation of a new budget category requiring sponsor approval.
- Purchase of equipment not included in the approved budget.
- Addition of participant support costs not previously approved.
- Changes affecting the approved indirect cost structure.
- Any budget revision requiring sponsor prior approval under the terms of the award.

Changes Requiring Sponsor Prior Approval May Include:

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C. Key Personnel Changes

- Withdrawal of the Project Director/Principal Investigator (PD/PI) or other key personnel named in the subaward agreement.
- Absence of the PD/PI or key personnel for three months or longer, unless a different sponsor threshold applies.
- Reduction in committed effort of the PD/PI or key personnel by 25 percent or more from the approved level.
- Replacement of the PD/PI or other key personnel.
- Changes in the structure or composition of a multiple PI project.

Requests involving personnel changes must include a justification, qualifications of proposed replacement personnel, current biographical information, and any resulting budget revisions.

Changes Requiring Sponsor Prior Approval May Include:

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D. Change in Subrecipient Organization

- Transfer of legal or administrative responsibility for the project to another organization.
- Merger, acquisition, or organizational restructuring affecting project performance.
- Assignment of the subaward to another entity.
- Any change affecting the legal entity responsible for performance of the subaward.

MURC will coordinate sponsor approval requests when required by the terms and conditions of the prime award.

The Approved Path

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When a subrecipient requests a budget change:

- Subrecipient identifies the proposed change.
- Subrecipient checks its award and subaward terms.
- Subrecipient submits a written rebudgeting request.
- PI reviews the programmatic impact.
- Grant administrator/PI/Dept Administrator reviews the budget and allowability.
- MURC office determines whether sponsor approval is required.
- The pass-through entity approves, rejects, or forwards the request to the sponsor.
- The change is documented in writing.
- The subaward is amended if necessary.
- Future invoices and reports are monitored against the revised budget**.**

Do not approve a change only by email if the change requires a formal amendment or sponsor approval.
All changes must be requested **30 days prior** to the change being implemented.
No budget movement is allowed **within the last 30 days** of the subrecipient award period

Example-Usually Lower Risk

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A subrecipient proposes to move:

- $5,000 from travel
- To supplies

The proposed change:

- Does not affect the scope
- Does not involve participant support costs
- Does not add a new activity
- Does not affect key personnel
- Does not exceed a sponsor or institutional threshold

The change should still be checked against the specific sponsor and subaward terms.

Possible PI action:

- Obtain a written request
- Review allowability and budget impact
- Approve under institutional procedures
- Retain the request and approval with the subaward file

Example-Requires Escalation

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A subrecipient proposes to move:

- $40,000 from personnel
- To a new clinical testing activity

This may require additional review because it could:

- Change the approved scope
- Add an activity not included in the proposal
- Affect project milestones
- Change the level of effort
- Require sponsor prior approval
- Require a formal subaward amendment

The subrecipient should not begin the new activity until the required approvals are complete.

Documentation Checklist

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Keep documentation of:

- ✓ Original approved subaward budget
- ✓ Current budget
- ✓ Proposed revised budget
- ✓ Written justification
- ✓ PI or technical review
- ✓ Allowability review
- ✓ Sponsor approval, if required
- ✓ Pass-through entity approval
- ✓ Formal amendment, if needed
- ✓ Updated monitoring records
- ✓ Revised invoice or reporting instructions

A clear audit trail should show what changed, why it changed, who approved it, and when it became effective.

Final Takeaways

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The prime budget and subaward budget are distinct budgets.

The subaward budget is part of the prime award but is managed separately.

The subrecipient manages its own approved budget within the terms of the subaward.

Rebudgeting within the subaward may be permitted, but it is not automatically permitted.

The subrecipient should submit a written request before moving funds.

Scope changes, participant support transfers, key-personnel changes, new activities, and other restricted actions generally require prior approval.

Always apply the most restrictive requirement: sponsor terms, institutional policy, or subaward terms.

Document every approved budget change and monitor future spending against the revised budget.

QUESTIONS?

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