

MGIC Policies and Procedures – Award and Subaward Management

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6. AWARD AND SUBAWARD MANAGEMENT

Definitions

Allocable cost: A cost where the goods or services involved are chargeable or assignable to that award/project.

Allowable cost: A cost that is necessary and reasonable for the intended use and allocable to that award/project.

Authorized official: An individual who has been granted signature authority on behalf of a business, institution, or organization of any type and who is able to enter into legally binding agreements on behalf of the entity which they represent.

Award: A legal instrument – usually a cooperative agreement, grant, or contract – that provides financial assistance to a recipient to carry out a project.

Budget period: A specific interval of time into which an award with a multi-year *project period of performance* is divided for budgetary and funding purposes, typically 12 months long; the time interval during which the award recipient is authorized to expend the current funds awarded.

Capital asset: see *Equipment*

Conflict of Interest: A situation in which a person is in a position to derive personal benefit from actions or decisions made in the person's official capacity; a situation in which the interests of the person compete with the interests of Maryland Global Initiatives Corporation (MGIC) or the University of Maryland, Baltimore (UMB).

Country director (CD): The lead manager of a country office. This position directly supervises senior management positions in an MGIC country office and reports to the designee of the MGIC President. In non-traditional MGIC structures (such as MGIC USA, small teams or embedded positions), the CD role is referred to as a Country Representative (CR).

Country office (CO): An MGIC branch office, corporate affiliate, field office, or program office established in a physical facility outside the United States, to conduct business in a country where UMB's research, education, and related programs are implemented.

Country representative (CR): The senior-most representative of MGIC based in a country or representing MGIC in that country remotely, as designated by the MGIC President. In countries where MGIC operates a full country office, the senior-most MGIC representative is the Country director (CD). In countries where MGIC is not legally registered, does not have a full country office, or has another operating model (e.g. embedded within a partner institution), the MGIC Country Representative role may be held by the AVP of International Operations, an MGIC consultant or employee hired through the MGIC under an Employer of Record (EOR) contract, or another position as designated by the MGIC President.

Director of finance and administration (DFA): The lead manager of the MGIC financial and accounting functions for an office or team, who may oversee and direct the office's administrative/operational functions as well, and whose title might be Director of Finance and Administration, Head of Finance, International Finance & Procurement Manager, or some other title indicating their leadership role in MGIC financial management.

Effort: The proportion of time spent on any activity and expressed as a percentage of the total professional activity for which an individual is compensated.

Effort certification: After-the-fact certification that documents the actual distribution of an individual's effort (professional activity) among the projects on which they expended effort during the time period.

Employer of Record (EOR): A professional employment firm that takes on the role of managing payroll, benefits, and risk management for a company's employees on its behalf, relieving the company of these responsibilities.

Equipment: Any item that (1) is durable with an expected service life of one or more years; (2) has an acquisition cost (purchase value) of US\$5,000 or more; and (3) is complete in itself and does not lose its identity or become a component part of another article when put into use.

Financial conflict of interest: A significant financial interest that could directly and significantly affect the design, conduct, or reporting of research.

Fraud: Wrongful or criminal deception that is intended to result in financial or personal gain or to deprive a victim of a legal right. Fraud can violate civil law or criminal law, or it may cause no loss of money, property, or legal right but still be an element of another civil or criminal wrong.

Funding source: A source of income to MGIC, which most often comes in the form of a sponsored project under the funding mechanism of a UMB grant, cooperative agreement, or contract, but may also be UMB lightly restricted or unrestricted funds.

Intellectual property: A work or invention that is a product of the human intellect, to which one has ownership rights, copyrights, patents, patent applications, trade secrecy rights, trademarks, service marks, trade names, know-how, data, technology, or other rights.

MGIC Funding Agreement: A legal instrument executed between MGIC USA on behalf of a UMB Funding Unit, and a recipient organization, to jointly implement an activity in which the recipient has a substantial scope of work and associated budget. MGIC Funding Agreements are funded through UMB lightly restricted or unrestricted funds, never through sponsor awards.

MGIC Office: A unit, team, or designated representative within MGIC who maintain a physical presence in a country (such as a Country Office), or operate remotely when there is no physical office in country (such as MGIC USA).

MGIC Office Leadership: The CD or designated Country Representative, director of finance and administration (DFA), and other senior managers whom the CD supervises and who are collectively accountable for office or team management, operations, and programs.

MGIC Personnel: All employees working in an MGIC position, whether on UMB payroll, MGIC payroll, or another UMB-authorized payroll, including staff, UMB faculty with MGIC positions, fellows, students, other temporary workers, and individuals formally seconded to MGIC under professional services agreements with MGIC.

MGIC technical lead: The MGIC project manager who leads programmatic and research activity for a specific project.

MGIC USA: The operational structure of MGIC procedures and services provided to UMB Funding Units outside of an MGIC country office. MGIC USA's services include procurement, financial transactions, recruitment and employment, and facilitation of legal services in countries where MGIC is not registered or operational. MGIC USA is an MGIC Office and is subject to the MGIC policies and procedures.

Partner: A civil society organization (CSO), including local and international non-governmental organizations (NGOs), or a governmental (state) actor with which MGIC has an alliance or an agreement that supports UMB research and programmatic aims.

Payment Authorization Agreement (PAA): An agreement instrument that establishes the terms under which sponsored or lightly restricted project funds that are disbursed from UMB to its affiliate must be used for direct implementation of UMB's research and programs through the affiliate.

Prime award: An award received from a prime sponsor.

Prime recipient: The entity receiving a prime award from a sponsor.

Prime sponsor: The non-UMB entity that issues an award directly.

Principal investigator (PI): An individual designated by UMB as director of a project or program supported by an award, referred to as the *UMB department program lead* in these Policies.

Project: A distinct programmatic or research activity funded by a sponsor or by UMB lightly restricted funds, that has specified expected results, timeframe, and budget.

Project period of performance: A project's time period for implementation, with an award start and

end date; the anticipated time interval between the start and end date of an initial award or renewed award.

Reasonable cost: A cost that, in its nature and amount, does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost; with consideration for whether the cost is of a type generally recognized as ordinary and necessary for the operation of the institution or the proper and efficient performance of the project, taking into account restraints or requirements imposed by such factors as sound business practices, arm's-length bargaining; national and local laws and regulations, and with consideration of market prices for comparable goods or services for the geographic area. For the full text on reasonable costs applicable to USG funding, see [2 CFR 200.404](#) in the [USG Uniform Guidance](#).

Recipient: A legal entity to which MGIC issues a Funding Agreement on behalf of UMB to carry out part of a project, and which is accountable to MGIC on behalf of UMB for the use of the funds provided, and also referred to as an Implementing Partner.

Records: Any documentary material made or received in connection with CO activity, including paper records, electronic records, and records, reports, or data in other media.

Refitting contract: A type of subaward that provides a subcontractor with resources to construct or refit existing facilities, carried out as part of a project, and subject to specific sponsor restrictions.

Research data: Information which is recorded or collected (regardless of the form or media), and which is commonly accepted in the scientific community as necessary to reconstruct, validate, and evaluate reported or otherwise published results.

Sensitive data: Any personal, confidential, and legally protected information, including personally identifiable information (PII) associated with patient and study participant data.

Signature authority: Legal power delegated by an authoritative body to commit the authorizing organization to a binding agreement.

Sponsor: A funder of a sponsored project; an awarding agency or institutional donor; a funding source; an institution that funds activity that is separately budgeted and accounted for according to the terms the institution lays out in an award.

Sponsored project: A project funded by a sponsor (as opposed to those funded by UMB lightly restricted funds).

Subagreement: A document such as a subgrant or subcontract written under the authority of, and consistent with the terms and conditions of an award (cooperative agreement, grant, or contract) that transfers a portion of the resources to another entity to carry out part of a project.

Subaward: A legal instrument – usually a subgrant or subcontract – provided to a subrecipient to carry out part of a project, and which transfers a portion of the Prime award resources to the subrecipient as documented in the subagreement.

Subcontractor: An entity that receives a contract by which the procurer purchases goods or services necessary for the performance of another's contract.

Subrecipient: A legal entity to which an award recipient makes a subaward to carry out part of a project, and which is accountable to the award recipient for the use of the funds provided, and also referred to as a *subawardee*.

Subrecipient finance lead: The subrecipient's point person for financial and operational matters.

Subrecipient program lead: The subrecipient's point person for technical matters.

UMB Central Administration: The offices and departments of UMB that oversee university-wide systems, policies, procedures and standards. These offices are designated by the MGIC Board to support the governance, compliance, and administration of MGIC. They include, among others, International Operations, Sponsored Program Administration, Sponsored Program Accounting and Compliance, Human Resources, the Office of the Controller, the Office of Accountability and Compliance, and the Office of Legal Counsel.

UMB department administrator: The person in a UMB Funding Unit who typically serves as chief financial and operating officer for the UMB unit and is responsible for the planning and execution of

compliance, financial, personnel, and other administrative affairs for the department's programs. When multiple UMB Funding Units engage the same MGIC office, the MGIC President designates one individual to serve as the UMB department administrator for that MGIC office's approvals and oversight purposes.

UMB department grants and contracts (G&C) manager: The person in a UMB Funding Unit with responsibilities related to proposal development, award and subaward management, and award compliance.

UMB department operations lead: The person in a UMB Funding Unit with responsibilities related to program operations, human resources management, and administration. When multiple UMB Funding Units engage the same MGIC office, the MGIC President designates one individual to serve as the UMB department operations lead for that MGIC office's approvals and oversight purposes.

UMB department program lead: The person in a UMB Funding Unit who directs the program. This role is often performed by the Principal Investigator or equivalent program director named in UMB's award agreement. This role may directly supervise MGIC technical leads in collaboration with the CD/CR.

UMB Funding Unit: A UMB school, department, institute, center, or other structure that manages international program awards and engages and funds MGIC to implement those programs.

UMB lightly restricted or unrestricted funds: UMB private funds (versus award funds) that are provided to MGIC with minimal spending restrictions indicated; sometimes referred to as "discretionary funds."

Award Management

6-1 Overview of MGIC Policies and Procedures for Award Management

What is award management?

Award management is the UMB and MGIC function that provides technical and operational support and oversight throughout the lifecycle of an award. The goal is to manage awards in ways that support implementation of quality research and programs while also complying fully with sponsor terms and conditions.

The Maryland Global Initiatives Corporation (MGIC), an affiliate of the University of Maryland, Baltimore (UMB), carries out UMB's programs to strengthen health systems and improve the human condition. In pursuit of this mission, MGIC may implement programs using award or subaward funds provided by UMB, when UMB's scope of work requires physical and operational assets and human resources maintained outside the U.S. When UMB's award scope of work involves complex budgets, staffing, and regulatory compliance outside the United States, it may issue a Payment Authorization Agreement (PAA) to MGIC, which stipulates that MGIC shall use funds provided under the PAA to carry out international activities under a specific award. Each PAA contains the statement of work (also known as a scope of work) assigned to MGIC, anticipated budget, and period (term) of the award for which the PAA was created.

Awards whose funds flow to MGIC via the PAA mechanism require MGIC management. MGIC has a duty to ensure that all activity under a PAA is conducted in accordance with sponsor terms and conditions that "flow down" from UMB to MGIC, and to any subrecipients. Since UMB acquires considerable funding from the U.S. government (USG) for international research and programming, most PAAs indicate that the award is subject to the USG's [Uniform Administrative Requirements](#).

[Cost Principles and Audit Requirements for Federal Awards](#), commonly referred to as the Uniform Guidance – 2 CFR 200. In the case of awards from the USG Centers for Disease Control (CDC) or National Institutes of Health (NIH), the Uniform Guidance is incorporated in the Department of Health and Human Services (HHS) regulations under 45 CFR Part 75. “CFR” stands for Code of Federal Regulations.

Special Note: While the PAA is used by UMB to assign substantial program implementation duties and funding to MGIC under sponsor awards and some lightly restricted awards, UMB may also engage MGIC on a punctual, task-specific basis without the use of a PAA. For example, a UMB Funding Unit may request MGIC USA to process a payment to an international vendor, procure goods or services, or execute an employment contract for a non-US based personnel, for a project funded by UMB lightly restricted funds. In such cases, a PAA is typically not necessarily due to the limited duration and small scale of MGIC’s support to the UMB project. These ad hoc support situations are not considered “awards” to MGIC and are not pertinent to this policy on Award Management. See Section [1-6 Use of the MGIC USA Mechanism](#) for more information.

Award-related terminology

Awards are legal instruments – usually cooperative agreements, grants, and contracts – that provide financial assistance to recipients to carry out projects.

UMB-received awards provide funding to MGIC through PAAs. UMB-received awards may be **prime awards**, i.e., coming directly from a **prime sponsor**, or may themselves be **subawards**, i.e., coming to UMB via the recipient of a prime award.

Organization of the policies and procedures for award management

This portion of MGIC Policies and Procedures focuses on MGIC’s role and responsibilities with respect to award compliance. It provides salient information on compliance associated with sponsored funding, whether received as grants, cooperative agreements, or contracts. It specifies MGIC personnel involvement in awards from application through project completion (close-out). It covers compliance in areas such as conflicts of interest in research and development, copyrights, and human subject’s research.

These policies and procedures direct and guide award-related activity in MGIC, providing the necessary tools for efficient management of resources and effective support to UMB in the delivery of research and programs, while also mitigating and managing associated risks. They align with relevant MGIC and UMB policies and reflect applicable USG laws and regulations.

Applicability of MGIC Policies & Procedures

MGIC Policies and Procedures apply to all projects and international activities supported by MGIC, irrespective of whether MGIC operates in that country as a separate corporation, as an international branch of MGIC, or remotely through MGIC USA (see [1-2 Policy Scope and Purpose of the MGIC Policies and Procedures](#)).

Exceptions and exceptions request process

Exceptions to policies and procedures may be warranted when in the course of MGIC operations, a situation or scenario arises that does not fall within the prescribed standards. Where the manner of handling an exception is not specified in these policies and procedures for award management, a Country Director, Country Representative, or an equivalent UMB or MGIC leadership position

designated by the MGIC President - may seek a Policy exception by submitting a completed [Policy Exception Request Form](#) to the UMB department operations lead. The request should specify the following:

- The MGIC Policy for which an exception is being requested
- The nature of non-compliance or deviation from the policy
- Why an exception is required
- How the office will minimize any potential risk associated with deviating from the policy
- Additional information, as needed to support the request

It is MGIC's responsibility to submit requests in advance to allow sufficient time for the approval process. The UMB department operations lead will review and approve exceptions on a case-by-case basis, seek other UMB approvals if needed, and communicate back to the requesting personnel the results of the exception request.

The requesting MGIC office is required to attach approved exception requests as supporting documentation for applicable award actions.

Checklist for CDs/CRs:

A tool for managing policy implementation and conducting compliance monitoring

- € Ensure the leadership team understands award requirements
- € Ensure the MGIC team conducts all activity in accordance with sponsor terms and conditions
- € Where these Policies do not specify how to handle an exception that MGIC thinks is warranted, submit a [Policy Exception Request Form](#) to the UMB department operations lead for HO approval

Key references

- [Policy Exception Request Form](#)
- [5-4 Signature Authorities](#)
- [USG Uniform Guidance](#)

6-2 Award Management

Policy statement

Under the terms of agreement UMB lays out in Payment Authorization Agreements (PAAs), MGIC is accountable for using funds provided under the PAA solely to carry out international activities under a specific award and subject to sponsor requirements. Proper award management of PAAs and other award instruments that may be used to transfer sponsor funding from UMB to MGIC is a primary duty of all MGIC offices, whether physical country offices or virtual. UMB has the right to terminate a PAA if MGIC fails to perform its obligations under that agreement.

MGIC is expected to position UMB competitively for new business development opportunities. To accomplish this, MGIC personnel should maintain collaborative working relationships with local government representatives, local academic institutions, in-country donor representatives, and other implementing partners. Personnel are also expected to manage project activities and business

operations at the highest standards of quality, so as to achieve current program objectives and advance UMB/MGIC's favorable reputation in the minds of current sponsors – this is the most effective “business development” strategy. MGIC personnel may assist UMB Funding Units to design new projects and prepare new funding proposals; however, all personnel who are fully charged to sponsor awards must adhere to applicable sponsor regulations governing allowable levels of time and effort for new business development.

An MGIC office may not commit to any award nor to any modification to an existing award without the appropriate UMB approvals. All awards and award modifications received by UMB must be reviewed and accepted by UMB's Sponsored Programs Administration (SPA).

MGIC may directly pursue sponsor funding only following bid/no-bid consultations with the appropriate UMB parties and only with the express approval of the MGIC Board. The Board's approval must be received prior to an MGIC office submitting any concept paper or proposal soliciting institutional funding for a new project or additional funding for an existing project.

If awarded direct funding, the CD/CR must immediately notify the MGIC President and MGIC VP – Policy and Administration, who will help identify the appropriate UMB Funding Unit to support the new award through the standard roles of UMB department administrator, program lead, operations lead, and grants and contracts (G&C) manager. The CD/CR or equivalent MGIC leadership position will work closely with the designated UMB department administrator to set up mechanisms for receipt of and accounting for management of that award's funds.

Country offices must obtain MGIC Board approval ***prior to accepting any award funding and most other types of income that MGIC receives directly.*** This requirement applies to income associated with:

- Awards and subawards
- Informal grants and large contributions
- Incoming purchase orders that represent an award
- Consulting agreements, research services agreement, and personal services agreements that pay MGIC or MGIC personnel for these services

Income that does not require MGIC Board approval includes program income, bank credits, gain on currency exchange, sale of assets, and UMB lightly restricted or unrestricted funds.

Any question about whether income requires prior MGIC Board approval should be directed to the UMB department administrator and MGIC VP – Policy & Administration.

MGIC offices with portfolios funded by more than one UMB Funding Unit

MGIC offices may at times implement programs under PAAs funded by more than one UMB Funding Unit, and may be requested to facilitate international activities by UMB Funding Units when the funding source and nature of support do not warrant a PAA. In such cases, personnel will find themselves servicing multiple UMB “clients” with varying award requirements, program budgets, internal management processes, and expectations of MGIC. At an institutional level the MGIC Board of Directors is responsible to ensure effective coordination and coherence in how UMB's schools engage MGIC, and may be called upon to broker or resolve differences that increase organizational risk. At an operational level, the MGIC CD or CR is responsible to uphold MGIC policies and procedures while maintaining effective partnerships with the relevant UMB leads of each program in the MGIC office's award portfolio. This responsibility calls for exceptional relationship management,

negotiation and problem-solving, and organizational administration skills to ensure UMB's programs, financial resources, and sponsor awards are managed at consistently high standards and in compliance with diverse funder requirements.

When necessary to facilitate sound oversight and efficient decision-making when more than one Funding Unit is implementing programs through the same MGIC office, the MGIC President will designate a UMB employee to fill the roles of UMB Department Administrator and UMB Department Operations Lead for purposes of fulfilling the responsibilities described in these policies and procedures. The MGIC President will also designate a UMB employee to directly supervise the MGIC CD or CR in the case of multiple UMB Funding Units implementing programs through the same MGIC office.

MGIC offices with diverse program portfolios must establish internal procedures for communicating with multiple UMB Funding Unit leads, making administrative and operational decisions that impact multiple program budgets and sponsor award requirements, and obtaining and documenting approvals from multiple UMB authorities.

Importantly, MGIC must document and apply fair and reasonable cost allocation methodologies that assign shared costs to each project in proportion to the benefit received, and must carefully manage accounting and reporting to ensure allowability. The CD or equivalent leadership position is fully accountable for the MGIC office processes and procedures that ensure compliance with this policy. See [Section 5-9 Cost Allocation](#).

Award-related roles and responsibilities

Roles and responsibilities associated with award and subaward management are typically divided among specialists in three distinct areas: technical and program, grants and contracts, and finance and administration. ***Effective award management requires a concerted effort, procedures, and practices in order to ensure in-house collaboration*** at a level that meets the objectives, standards, and needs of UMB, MGIC, and subrecipients.

UMB Funding Units' responsibilities: UMB departments – and specifically principal investigators – hold chief responsibility for raising sponsored funding and for award and subaward management in partnership with UMB internal entities that hold responsibilities for research and sponsored projects. Principal investigators are referred to as ***UMB department program leads*** in these Policies.

UMB Central Administration entities: The internal entities with whom UMB Funding Units engage play an important role in the review, authorization, and recording of all award and subaward activity on behalf of UMB. They include:

- *UMB's Office of Research and Development (ORD)*, which is responsible for contractual matters and oversight of administration of awards
- *UMB's International Operations (IO) Department*, which is responsible for policy oversight and compliance monitoring of MGIC, and for the administration of MGIC USA.
- *UMB's Sponsored Projects Administration (SPA)*, located within ORD, which provides oversight and administrative support to UMB departments, institutes, and centers pursuing and implementing sponsored awards
- *UMB's Sponsored Projects Accounting and Compliance (SPAC)*, which is responsible for financial oversight of awards

MGIC offices should be aware of and factor into their planning the reality that proper engagement of these UMB offices requires time (typically 7 to 10 business days).

UMB department program leads' responsibilities for project, award, and subaward management (some of which may be delegated to program team members) are:

- Lead the development of technical and budget proposals for sponsored funding
- Achieve all project goals and objectives as stated/revised in award documents
- Implement the work plans and achieve objectives within stipulated timeframes
- Ensure optimal resource management (including budget, staffing plan, and utilization of assets and supplies)
- Expect and require all MGIC personnel to act in accordance with the [MGIC Code of Ethics and Professional Conduct](#) (the Code, found in [2-Ethics and Conduct](#))
- Ensure full compliance with sponsor rules and regulations, with extra attention to technical reporting, project monitoring and evaluation (M&E), and performance measurement
- Ensure that implementation of research and programs results in increased, sustainable local capacity
- Ensure that project goals and operations are guided by UMB principles in relation to care and treatment, institutional strengthening, research, and education projects
- Collaborate effectively with program leads in other UMB Funding Units when engaging the same MGIC office, ensuring efficient negotiation and decision-making on matters affecting involved programs without violating MGIC policies and procedures
- Guide MGIC technical support and monitoring of subrecipient activity, and ensure MGIC fulfillment of technical site visit requirements
- Ensure review and timely approval of subrecipient reporting
- Monitor and lead close-out of program activity
- Ensure proper and adequate documentation of the technical aspects of projects
- Ensure timely development and approval of technical and financial reporting on projects/awards
- Initiate award modifications
- Serve as chief representative of project and UMB, including to in-country sponsor representatives, relevant government/public authorities, project partners, and subrecipients
- Serve as top-level coordinator for communication between various components, offices, and personnel on the project, including the key links between UMB Funding Units and MGIC and between the technical and administrative teams

UMB department G&C managers' responsibilities for award and subaward management are:

- Facilitate communication among sponsors, UMB department personnel, MGIC personnel, UMB SPA, and other relevant internal and external stakeholders
- Support development of technical and budget proposals for sponsored funding
- Review budgets and flag unallowable costs and incorrect calculations of indirect costs (known as facilities and administrative (F&A) costs)
- Oversee award modifications, audits, and close-outs
- Ensure Pre-Award Assessments are conducted for subrecipients when required
- Oversee initiation, execution, monitoring, and close-out of subawards
- Guide MGIC offices in supporting and monitoring subrecipient financial and administrative activity, and ensure MGIC's fulfillment of operational monitoring requirements
- Monitor expenditures and ensure total expenditures stay within 2% of funds obligated by sponsors

- Ensure consistency in charging sponsored award costs
- Ensure timely review and approval of project costs, as well as timely reporting on projects/awards
- Interpret sponsored awards' terms and conditions for UMB and MGIC personnel
- Request prior approvals from sponsors when required before taking certain actions
- Track compliance with key sponsor award and subaward terms and conditions, such as the USG Single Audit requirement
- Collaborate effectively with G&C leads in other UMB Funding Units when engaging the same MGIC office, ensuring efficient negotiation and decision-making on matters affecting involved programs without violating MGIC policies and procedures

MGIC responsibilities for project, award, and subaward management are:

- Support UMB's competitive positioning for new financial resources and share information with UMB about funding possibilities
- Upon request, provide input to funding proposals and assess potential partners
- Maintain high levels of communication with the UMB department(s) regarding all aspects of award implementation and management, including reporting on discussions with in-country sponsor representatives
- Support achievement of project goals and objectives
- Support implementation of statements of work within stipulated timeframes
- Support optimal management of award resources (including budget, staffing plan, and utilization of assets and supplies), including staying within budget
- Foster a strong ethical culture and healthy, supportive working environment
- In all MGIC activity, monitor for full compliance with sponsor rules and regulations, with extra attention to financial, accounting, and reporting rules
- Ensure that MGIC costs are allowable, reasonable, and allocable to the award to be charged and are incurred within the period of performance of the award
- Support UMB in identifying Funding Agreement recipients and sponsored award subrecipients, developing scopes of work and payment terms, and assessing when to recommend a direct Funding Agreement through MGIC USA or a sponsored-fund subaward through UMB, versus a service contract.
- Collaborate effectively with leads in each UMB Funding Unit contributing to the office's portfolio, ensuring efficient management of resources and compliance with all award terms and conditions without violating MGIC policies and procedures
- Under the direction of the UMB department G&C manager(s), conduct subrecipient assessments and monitoring, including review and preliminary approval of financial reports, and provide capacity building and general support (see [Subrecipient role and responsibilities](#) in 6-4 Overview of Subaward Management)
- Represent the project and UMB to in-country sponsor representatives, relevant government/public authorities, project partners, and subrecipients
- Provide inputs to project/award reporting
- Support audits and close-outs, keeping in close communication with HO throughout

Grants & Contracts Manager

A larger MGIC office might have a specialized manager serving in the role of Grants & Contracts Manager. This position typically assumes responsibility for all non-technical aspects of award and subaward management.

Ethical conduct as relates to award management

As with all activity, the [MGIC Code of Ethics and Professional Conduct](#) must be applied to award management. Several key requirements are highlighted here, but MGIC personnel should have knowledge of and reference the Code in full – see [2-Ethics and Conduct](#).

Professional conduct: MGIC expects and requires all personnel to uphold the highest standards of intellectual honesty and integrity in research, programming, and administrative activity, in accordance with the [MGIC Code of Ethics and Professional Conduct](#). This includes an obligation to report any known or reasonably suspected wrongdoing, ethics concerns, and possible violations of the Code, including known or suspected fraud and other misconduct. The [Ethics Hotline](#) provides a confidential and anonymous means for such reports to be made by personnel and by outsiders who interact with the country office, such as contractors, vendors, applicants for employment, program or research participants, clients, and a subrecipient's personnel.

Country directors and country representatives are responsible for immediately notifying the UMB department program lead and the MGIC President of violations of the Code. Note that reports of criminal offenses, suspected or known fraud, sexual misconduct, or other serious offenses could trigger a requirement related to mandatory disclosures to the sponsor.

Ethics in research: MGIC personnel are responsible for helping to ensure that research data is responsibly managed and protected to maintain scientific integrity and comply with MGIC, UMB, and sponsor requirements. Furthermore, MGIC personnel should be aware that any and all intellectual property licensed to, owned by, or controlled by UMB or MGIC is the sole property of UMB/MGIC.

Conflict of interest: UMB and MGIC seek to preserve and enhance the integrity of research that could be subject to intentional or unintentional bias as a result of a real or perceived conflict of interest. MGIC personnel are required to avoid such conflicts of interest between their obligations to MGIC and their personal affairs.

MGIC personnel must promptly and fully disclose any potential or actual conflicts of interest related to research data, intellectual property, and copyright. As per [2-3 MGIC Conflict of Interest Policy](#), reports may be made as soon as possible to the DFA or other manager or through the [Ethics Hotline](#).

Award compliance

Responsibility for award compliance

Sponsors require compliance with the ethical conduct described above and as laid out in the [USG Uniform Guidance](#) and other sponsors' terms and conditions. Having award compliance measures fully in place is critical to achieving project goals and objectives within stipulated timeframes and utilizing sponsor resources efficiently in line with sponsor rules and regulations.

- MGIC leadership should emphasize that knowledge of and compliance with award terms and conditions is **everyone's responsibility**. This message should be reinforced as a core element of new staff orientation and through ongoing training.

- **If award compliance falls short**, this puts UMB, MGIC, and their partner organizations and collaborators at risk. The risks include disallowed costs, reduction in current funding, barring of future awards, significant fines, criminal prosecution, and damage to institutional reputation and technical credibility with communities, partners, sponsors, government, and other stakeholders.

Research data and intellectual property

Research data that results from research activity performed under the auspices of UMB must be responsibly managed to maintain scientific integrity and comply with requirements of UMB, MGIC, and the terms and conditions of sponsor awards.

Intellectual property conceived, created, or developed by MGIC personnel under a PAA will be owned by UMB or, if UMB has assigned ownership to a sponsor, will be owned by that sponsor. Intellectual property includes all data, documents, information, copyrights, patents, trademarks, trade secrets, or other proprietary rights in and to the work.

See [3-3 Legal Affairs](#) for more guidance on these topics.

Research with human subjects

When sponsored projects involve research with human subjects (human studies), MGIC must follow important protocols. Before implementation, human studies must be reviewed and approved by the UMB Institutional Review Board (IRB) and, when applicable, the ethical review board in the country where the research will be carried out. In the latter case, the certification from the ethical review board should be submitted to the UMB department G&C manager and UMB department program lead.

When conducting research with human subjects, personnel are charged with protecting the rights and welfare of human subjects. They are responsible for adhering to the IRB-approved plan, including any prescribed training, to ensure the proper and safe performance of the research activities.

If conducted using USG-sourced funds, all activity must be in accordance with USG regulations, which will be referenced in the prime award's terms and conditions. (For example, see [45 CFR Part 46 Protection of Human Subjects](#) for HHS funding.)

Project design and proposal development

Prior to and during the proposal development phase, MGIC personnel may be called upon by UMB units to participate in the following ways:

- Cultivate and maintain strong relationships with sponsor representatives in country
- Assist in identifying and assessing new funding opportunities
- Support UMB strategies to position UMB/MGIC to be competitive when applying for award funding

- Assist in project design and engage local partners to ensure relevance to the project's context
- Support a competitive procurement process to identify, qualify, and select the recipients of subawards
- Provide inputs to project budgets
- Assist in assessing potential partners and developing relationships for optimal performance

Pre-award costs

Occasionally, UMB may authorize MGIC to proceed with expending project funds prior to official notification of award. The UMB department administrator should be consulted with any questions about pre-award expenditures to ensure MGIC is acting in compliance with sponsors' terms and conditions and to avoid financial disallowances in the future. As with all costs, pre-award costs must be allowable under the award and must be incurred within the specified budget period.

Award implementation

Project start-up

During the award implementation phase, MGIC offices that are engaged through a PAA take the lead on implementing research and programs under UMB direction. MGIC staff are expected to engage in the following project start-up activities in close coordination with the UMB department program lead, UMB department operations lead, and UMB department administrator:

- Establish communications and relationships with key stakeholders
- Establish project-specific financial management procedures, such as defining the data model for data entry and reporting purposes
- Hire and/or reallocate personnel
- Adopt project-specific document templates for reporting, dashboards, technical assistance tools, and management tools, if standard tools provided by UMB units do not address project-specific needs
- Establish relations with subrecipients and support them in setting up compliance, accounting, reporting, management, and administration systems

The above expectations assume a pre-established country office or physical presence. See [3-2 Establishing Operations](#) for activities associated with establishing day-to-day operations in a new country.

Project implementation

Project implementation: Personnel assigned to UMB projects are expected to engage in the following project implementation activities in close coordination with the UMB department program lead and other HO support team members:

- Implement the work plan
- Manage the budget and the award "burn rate"
- Manage subrecipients' cost share commitments (see "Cost sharing and in-kind contributions" in [5-7 Financial Management Systems and Processes](#))
- Provide up-to-date and accurate expenditure projections

- Monitor, report on, and evaluate project outputs, outcomes, and results
- Manage project procurements
- Engage in project representation and stakeholder engagement
- Provide subrecipients with technical and financial assistance
- Manage the project inventory
- Ensure proper documentation and warehousing of project records
- Ensure specific approvals are obtained from sponsors, when required

Cost share and in-kind contributions

UMB occasionally commits to cost shares with sponsors, in which case MGIC leadership should be aware of their office's role in documenting partner and participant contributions to help meet UMB's obligation. For information on financial reporting of cost share and in-kind contributions, see [5-7 Financial Management Systems and Processes](#).

Program income and leverage

Program income refers to the gross income directly generated through project activity or earned as a result of a project. Examples include fees for services performed, conference fees charged to attendees at events hosted by UMB/MGIC, and license fees and royalties earned on patents and copyrights.

All program income must be used for the purposes of the award that has generated the income. The income must be used only for costs allowable under that award. Any program income may be distributed throughout the budget of the award and spent on project-related activities, unless otherwise directed by the UMB program lead.

Program income received by MGIC personnel must be reported to the DFA or equivalent MGIC leadership, who in turn advises the UMB department administrator. The income must be tracked and reported on.

Leverage refers to resources that are leveraged for and applied to a project in addition to the actual award amount and excluding cost share. For example, the U.S. government typically limits leveraging to Public-Private Partnership awards. The partner – which could be a government entity, a private foundation, a business, or an individual – brings resources to the project independently. If UMB has committed to leverage under an award, MGIC will be informed of their respective duties for verification and reporting.

Award monitoring and reporting

Project monitoring is an important function not just for capturing program activities and outcomes to comply with award reporting requirements, but also for UMB and MGIC leaders to determine whether the intended project objectives have been met. Technical leads and other managers should use the data collected and analyzed to, among other actions, determine the effectiveness of project's efforts, plan targeted capacity building of partners, adapt and improve the effectiveness of program and research strategies, and increase knowledge acquisition, transfer, and dissemination.

It is recommended that CDs or CRs host project reviews on at least a quarterly basis and with both technical and financial leadership participating

MGIC responsibilities for award reporting to UMB Funding Unit include:

- Communicate the status of project deliverables according to the mechanism and timing set by UMB unit
- Support the timely collection and review of subrecipients' technical and financial reports, and provide training or take other measures to address areas of deficiencies
- Identify and document best practices and case studies
- Submit other supplemental reporting, as requested

MGIC reporting to sponsor representatives is subject to strict limitations. Of note:

- Any reporting that in-country sponsor representatives request – whether technical or financial in nature – must undergo UMB unit review prior to submission. Draft technical submissions should be sent to the UMB department program lead and draft financial submissions to the UMB department administrator.
- The appropriate UMB personnel should be copied on MGIC submissions to in-country sponsor representatives, as well as any other official correspondence MGIC has with in-country representatives.
- MGIC may not submit reporting of any kind directly to sponsors' head offices (as opposed to sponsors' local offices). Reporting and other formal communication with sponsors should take place via the UMB G&C manager, who serves as UMB's primary point of contact with sponsors.

If facing reporting delays, MGIC should notify the UMB G&C manager and department program lead as soon as the problem becomes apparent.

Award amendments

Revisions to awarded project plans or budgets must be approved – by UMB and/or the sponsor – before they can be applied to the award. If MGIC has a proposed plan or action that requires an award amendment, the CD or CR should contact the UMB department program lead to discuss the matter.

Award revisions that usually require sponsor approvals include:

- Change in scope or objective of the project
- Change of principal investigator (PI) or other key personnel
- Extension of the project period
- Budget modifications, including the transfer of funds from one line item to another
- Use of funds remaining from a prior budget period (carryover of funds)
- New subawards

Award close-out

The project closure period involves a structured series of steps aimed at ensuring that realized impact from the project is identified, lessons learned are fully documented, accountability for expended funds is ensured, and any transition and sustainability plans are well implemented. MGIC should, as possible, undertake close-out activities prior to the end of the project period of performance for two reasons:

- To avoid having to use non-sponsored funds for close-out purposes
- To complete program activity quickly to enable UMB to fulfill its close-out requirements in the allotted timeframe, which is typically 90 to 120 days after the end-date of the period of performance

While the UMB unit manages award audits and takes the lead on award close-outs, MGIC has responsibility for contributing to multiple steps in the structured close-out process. Chief among these are:

- Engage in preparation of final project reports
- Ensure all payments are made, checks cleared, and project accounts closed out, as applicable
- Oversee transfer of ongoing costs (operations and personnel) to other projects as indicated
- Ensure proper implementation of staff disengagement policy (where staff are disengaged)
- Prepare a project equipment and asset disposition plan for sponsor approval
- Oversee proper storage of project documents
- Support proper close-out of subawards, including the return to UMB of subrecipients' unspent advance funds
- Support project audits, as required (see [5-5 Audits and Internal Reviews](#))

MGIC staff must ensure adherence to MGIC, UMB, and sponsor guidelines and requirements pertaining to close-out, especially as they pertain to personnel, offices, and property.

Checklist for CDs/CRs

- € Support business development opportunities in-country through competitive positioning, relationship management and quality program delivery
- € Do not commit to any award or modification of award on behalf of UMB nor directly pursue sponsor funding without approval from the MGIC Board of Directors
- € If awarded direct funding, immediately notify the MGIC President and MGIC VP Policy and Administration, and work with them and designated UMB Funding Unit to obtain MGIC Board approval and set up accounting mechanisms
- € Expect and require all personnel to uphold the highest standards of intellectual honesty and integrity in research, programming, and administrative activity, in accordance with the [MGIC Code of Ethics and Professional Conduct](#)
- € Emphasize that award compliance is the responsibility of all personnel
- € Responsibly manage research data to be in compliance with MGIC, UMB, and sponsor requirements
- € Adhere to the IRB-approved plan for ensuring the proper and safe performance of the research activities involving the use of human subjects
- € Ensure pre-award costs are allowable and incurred within the specific budget period
- € During project start-up, coordinate closely with the UMB department program lead, UMB department operations lead, and UMB department administrator
- € Ensure program income and leveraged resources are tracked and reported on
- € Submit all reporting requested by in-country sponsor representatives to HO for review prior to submission
- € Ensure all formal communication with sponsors is done via the appropriate channels
- € Obtain approval by UMB for any proposed revisions to project plans or budgets

- € Contribute to structured award close-out processes led by head office and ensure adherence to all MGIC, UMB, and sponsor close-out requirements

Key references

- [2-Ethics and Conduct](#)
- [2-2 MGIC Code of Ethics and Professional Conduct](#)
- [2-3 MGIC Conflict of Interest Policy](#)
- [3-2 Establishing Operations](#)
- [3-3 Legal Affairs](#)
- [5-5 Audits and Internal Reviews](#)
- [5-7 Financial Management Systems and Processes](#)
- [6-4 Overview of Subaward Management](#)
- [CDC Grants: Understanding Your Policy Requirements](#)
- [Federal Acquisition Regulation \(FAR\)](#)
- [Ethics Hotline \(<https://www.umaryland.edu/mgic/ethics-hotline/>\)](#)
- [NIH Grants Policy Statement](#)
- [The Global Fund: Grant Implementation](#)
- [U.S. Department of Commerce Export Administration Regulations \(EAR, 15 CFR 730-774\)](#)
- [U.S. Department of State International Traffic in Arms Regulations \(ITAR, 22 CFR 120-130\)](#)
- [U.S. Department of Treasury, Office of Foreign Assets Control \(OFAC, 31 CFR 500-599\)](#)
- [USG Uniform Guidance](#)

Subaward Management

6-3 Overview of MGIC Policies and Procedures for Subaward Management

What is subaward management?

Subaward management is the UMB and MGIC function that provides operational support and oversight throughout the lifecycle of a subaward. The goal is to manage subawards in ways that support implementation of quality research and programs while also complying fully with UMB and sponsor requirements.

MGIC has a duty to partner with UMB to ensure that all subaward activity is conducted in accordance with sponsor terms and conditions that flow down from UMB to subrecipients from the terms and conditions of awards and subawards that fund the PAAs.

Subaward-related terminology

Subawards in the form of subgrants and subcontracts are provided from UMB to subrecipients, to carry out a substantive portion of a project that is funded by a sponsor award to UMB. They transfer a portion of UMB's award resources to subrecipients as documented in **subagreements**. An authorized representative of both UMB and the subrecipient must sign the subagreement for it to be active and in force.

Subrecipient vs. contractor

"Subrecipient" refers to the recipient of a subaward, while "contractor" refers to a vendor that provides goods and services via a Purchase Order.

Subrecipients, also referred to as **subawardees**, are legal entities to which UMB, as the Prime or Sub Recipient of a sponsor award, makes subawards to carry out a substantive portion of a project. These are collaborating organizations that:

- Perform a substantive portion of the proposed statement of work incorporated into the prime or subaward received by UMB; and
- Have responsibility for internal programmatic decision-making and/or design or development of supporting program activities.

Subaward management is the MGIC function that provides operational support and oversight throughout the lifecycle of a subaward. As with award management, the focus is on supporting implementation of quality programming and meeting the goals of the project, while also complying fully with applicable sponsor requirements.

Organization of the policies and procedures for subaward management

This portion of MGIC Policies and Procedures lays out the substantial responsibilities that country offices hold for subaward management and subrecipient oversight and support.

Key references

- [USG Uniform Guidance](#)

6-4 Overview of Subaward Management

Policy statement

Providing subawards to local entities is a primary strategy that UMB employs to strengthen health systems and improve the human condition in the areas where UMB operates through MGIC. Subrecipients, also referred to as project partners, are engaged to execute a defined portion of the project scope, and with that arrangement come important MGIC requirements.

UMB issues (executes) all subawards except in the rare instance that an MGIC office has sought and obtained prior authorization from the UMB department administrator.

UMB is ultimately accountable for subrecipients' performance; however, both UMB and MGIC have key responsibilities. UMB holds primary responsibility and accountability for subawards and subrecipient activities, including assessment, selection, and vetting of the subrecipients and the development, execution, and close-out of the subawards.

MGIC offices hold primary responsibility for onsite compliance monitoring, onsite capacity development of subrecipients, collection of reports and supporting documentation, and review and first-line approval of subrecipient Invoice and Expenditure Reports. Failure to fulfill these responsibilities may result in UMB adjusting or terminating the PAA for the project under which the subawards are funded.

Subaward types

Cost reimbursement subawards, also known as **cost subawards** and **subgrants**, pay allowable, allocable, and reasonable costs which are incurred first during the performance of a subaward and then are reimbursed. The subaward sets a total cost, or ceiling, that may not be exceeded unless the subaward is properly amended by UMB SPA.

Fixed price subawards are based on a predetermined price based on a proposed budget that should be estimated with great accuracy. Payment is a flat rate or “fixed price” and as long as the scope of work is completed, payment is made, regardless of the associated costs. If the project is completed under budget, the unspent funds do not have to be returned to the sponsor. (These types of subawards are generally avoided due to the financial risks associated with less oversight and with overspending.)

Construction and refitting subawards, also known as **construction and refitting contracts**, provide a subcontractor with resources to construct or refit existing facilities, carried out as part of a project. Sometimes these are arranged as procurements and sometimes as subawards. See [Monitoring construction and refitting subawards](#) in 6-6 Subaward Implementation for more information.

Three other instruments that UMB/MGIC may use that are not subawards are MGIC Funding Agreements, **Professional Services Agreements (PSAs)** and **Research Services Agreements (RSAs)**, which are executed by MGIC offices.

- MGIC Funding Agreement: When UMB desires collaboration with an implementing partner for an international project funded by UMB’s lightly restricted or unrestricted funds and intends to engage MGIC to facilitate payments to that partner, MGIC may execute a Funding Agreement on behalf of UMB. Only MGIC’s USA office, not a country office, may execute an MGIC Funding Agreement.
- PSA: When MGIC would like to contract the professional services of an employee of an external organization, and the organization desires to provide such services, the two parties may enter into a PSA. An MGIC office encountering this situation should contact the UMB department operations lead for guidance prior to executing a PSA.
- RSA: When MGIC would like to contract an external entity to provide certain research services on behalf of MGIC, it may be appropriate to enter into an RSA. The UMB department operations lead should be contacted for guidance prior to executing an RSA.

UMB subaward role

The UMB Funding Unit takes the lead and holds chief accountability to the sponsor for the performance of subrecipients. Their role covers:

- Develop statements of work
- Identify subrecipients
- Conduct a [Pre-Award Assessment](#) prior to executing a subaward
- Facilitate execution of the award and transfer of funds
- Monitor and evaluate program progress
- Provide technical support for program delivery
- Produce programmatic progress reports and financial reports for the sponsor

See [Award-related roles and responsibilities](#) for more details.

MGIC subaward management roles and responsibilities

MGIC offices must have a **designated technical lead** for each subaward, known at all times to the subrecipient and UMB Funding Unit. A project manager or director typically fills this role. Similarly, there must be a **designated financial lead**, who is typically the DFA but may be a grants and contracts manager. The MGIC personnel initially serving in these roles are indicated in the subagreement itself. In the case of personnel changes, the DFA must inform the subrecipient as well as the UMB department G&C manager of that change.

The CD or CR is responsible for ensuring these personnel fulfill all MGIC subaward management responsibilities. These responsibilities include:

- Conduct [Pre-Award Assessments](#) upon UMB Funding Unit's request
- Support development of statements of work and budgets
- Facilitate subaward execution and funds transfers by UMB
- Support a smooth start-up of subaward activity
- Under UMB guidance, carry out timely and targeted support to and capacity building of subrecipient organizations
- Ensure proper and adequate documentation of subrecipient management activities
- Monitor for subrecipient compliance with required USG regulations, sponsor terms, and UMB terms and conditions
- Monitor and evaluate project progress and provide targeted technical assistance, conducting on-site visits on at least a quarterly basis when personnel are based in-country (or virtual visits when not), as documented by [Subrecipient Technical Site Visit Reports](#)
- Review subrecipients' Monthly Invoice and Expenditure Reports and provide initial sign-off
- Conduct operational reviews, as documented in [Subrecipient Operational Review Forms](#), making on-site visits on at least a semi-annual (twice yearly) basis (more frequently for subrecipients assessed as high-risk) and in coordination with technical site visits when MGIC personnel are located in-country (or virtual visits when not).
- Engage in UMB's subaward coordination meetings, such as quarterly milestone reviews
- Monitor for audit compliance as indicated by the relevant regulations
- Support subaward close-out processes, including plans for and disposition of assets

Subrecipient role and responsibilities

Subrecipients are ultimately accountable to fulfill the statement of work indicated in the subaward and in compliance with all terms and conditions provided therein. Among the responsibilities they hold are:

- Implement activities as per the statement of work within stipulated timeframes
- Comply with sponsor rules and regulations
- Record all financial transactions and ensure charges are allowable, reasonable, and allocable
- Monitor and control expenditures
- Satisfy UMB/MGIC's technical and financial reporting requirements in a timely manner
- Fulfill records management requirements

Subrecipient guidelines, procedures, and training materials

Each MGIC office managing subawards should have a definitive body of key guidelines and procedures to give to subrecipients. These guidelines should direct subrecipients to refer directly to the sponsor regulations (see [USG Uniform Guidance and other regulations](#)). They should also emphasize that subrecipients must have in place policies and procedures for finance, procurement, administration, ethics and conduct, and human resources (HR).

In addition, MGIC offices should have country- or project-specific training materials and a curriculum for orienting and training subrecipients upon launch of a new subaward. See [Start-up and orientation](#) and [Operational reviews and subrecipient mentoring](#) in 6-6 Subaward Implementation for more information.

Ethical conduct as relates to subaward management

As with all activity, the [MGIC Code of Ethics and Professional Conduct](#) must be applied to subaward management. Several key requirements are highlighted here.

Professional conduct: MGIC expects and requires all personnel to report any known or reasonably suspected wrongdoing, ethics concerns, and possible violations of the Code, including known or suspected fraud and other misconduct by subrecipients' personnel. Reports should be made either to a manager or through the [Ethics Hotline](#). Subrecipients should be advised that they, too, may use this hotline to submit confidential and anonymous reports related to engagement with MGIC and UMB.

Ethics in research: MGIC offices must work with subrecipients to ensure that research data that results from research activity performed under the auspices of UMB is responsibly managed and protected to maintain scientific integrity and comply with MGIC, UMB, and sponsor requirements. Furthermore, subrecipients should be aware that any and all intellectual property licensed to, owned by, or controlled by UMB or MGIC is the sole property of UMB or MGIC, as the case may be. MGIC offices should hold clear expectations that subrecipients respect copyright as well.

Confidentiality: MGIC personnel engaging with subrecipients must not use or disclose confidential and proprietary information relating to the activities or business affairs of MGIC and UMB, except as may be necessary in carrying out official duties and collaborating on program implementation and research. Improperly disclosing confidential or proprietary information regarding UMB awards to any external party is prohibited.

Conflict of interest: MGIC personnel are required to avoid conflicts of interest or apparent conflicts of interest as related to subawards.

Harassment and discrimination: Sexual/romantic relationships between MGIC personnel and subrecipient personnel are strongly discouraged, since they are based on inherently unequal power dynamics. This applies as well to relationships between sponsor representatives

Conflicts of Interest Related to Subawards

Examples of when disclosure is required:

When a family member or an unrelated member of the same household of a MGIC employee works for a subrecipient organization
When a staff member accepts a gift from a subrecipient representative
When a staff member enters into a sexual/romantic relationship with a person employed by a subrecipient organization

and MGIC or subrecipient personnel. All such relationships undermine the credibility and integrity of MGIC's work.

Child safeguarding: The MGIC office must ensure that subrecipients consider child safeguarding in planning and implementing research and programs, as MGIC itself must do. This includes determining potential risks to children who are associated with project activities and operations and adjusting project design and implementation to avoid those risks.

For information on other applicable ethics and conduct policies, such as those related to bribery, whistleblowing, and combatting trafficking in persons, see [2-2 MGIC Code of Ethics and Professional Conduct](#).

Checklist for CDs/CRs

- € Ensure the leadership team understands subaward management requirements and the limitations on CO authority to enter into or execute subawards
- € Under UMB's direction, conduct onsite subaward compliance monitoring, onsite capacity development of subrecipients, and collection of subrecipient reports
- € Ensure subaward activity is conducted in accordance with sponsor terms and conditions
- € Designate a **technical lead** and **financial lead** for each subaward and ensure that those individuals are known to the subrecipient and head office at all times

- € Have a definitive body of key guidelines and procedures for subrecipients along with training materials and a curriculum for orienting and training subrecipients
- € Expect and require personnel to follow the [MGIC Code of Ethics and Professional Conduct](#) in all subaward management activity

Key references

- [Pre-Award Assessment](#)
- [Subrecipient Operational Review Form](#)
- [Subrecipient Technical Site Visit Report](#)
- [2-2 MGIC Code of Ethics and Professional Conduct](#)
- [6-2 Award Management](#)
- [6-6 Subaward Implementation](#)
- [Ethics Hotline](#)
- [USG Uniform Guidance](#)

6-5 Subaward Issuance

Policy statement

UMB takes the lead in negotiating and executing subawards. Upon the request of UMB, MGIC offices engage in identifying organizations locally, conducting [Pre-Award Assessments](#), and otherwise contributing toward preparation for and execution of subawards.

Note: As mentioned above in 6-4, there are several different agreement instruments that MGIC may issue directly, in collaboration with UMB, which are not considered subawards and are not pertinent to this Section.

Subrecipient selection

The subrecipient selection process involves conducting a [Pre-Award Assessment](#) for any entity with no prior history of receiving a subaward from UMB or at UMB's discretion. MGIC may be called upon to conduct these assessments, which look closely at an organization's ability to properly perform the work and adequately manage subaward finances. The operational areas under assessment include:

- Personnel and code of conduct
- Financial systems
- Financial records
- Internal controls
- Financial reporting
- Asset management and accounts payable
- Accounts receivables
- Procurement

Audit, financial, and other information is requested and reviewed. The results of the [Pre-Award Assessment](#) help UMB and MGIC determine the organization's current capacity and areas of risk associated with funding them to carry out a substantive portion of a project. If the subaward is considered high risk, UMB may require more frequent technical and financial reporting throughout the course of the project period. Typically, mentoring, training, and other support for program and operations are also required and are provided directly by UMB and by MGIC personnel as arranged with the UMB department.

Additional subrecipient vetting is conducted with consideration to prior audit findings and, as relevant, confirmation that the organization is in good standing and not debarred or suspended from receiving USG or other sponsor funds.

Statements of work and budgets

As part of preparing to enter into a subaward with an organization, UMB develops a subrecipient statement of work, which describes in some detail the planned activities the subrecipient will carry out, an accompanying itemized budget, and a budget justification that includes any proposed cost sharing by the subrecipient. MGIC offices may be called upon to support the subrecipient in preparing these to include in a UMB funding proposal (award application) or, upon UMB's receipt of an award, to include in the subaward packet.

Note that in some cases, the sponsor specifies the exchange rate that UMB must use to develop the budget – and that rate may differ substantially from the prevailing market rate. MGIC offices should advise subrecipients of this situation as early in the subaward preparation and execution process as practical.

Subaward packet

UMB takes the lead in putting together the subaward packet, with the subagreement itself and various representations and certifications collected from the subrecipient. While typically UMB works directly with the subrecipient to gather such documentation, keeping the MGIC office on copy, UMB may in some cases request MGIC's assistance. Such assistance might include helping subrecipients register their entity on the [USG System for Award Management \(SAM\) website](#), as well as collecting and submitting representations and certifications related to debarment and other USG exclusions, lobbying activity, Financial Conflict of Interest (FCOI), and Federal Funding Accountability and Transparency Act (FFATA).

Subaward execution

UMB takes the lead in obtaining sponsor approvals, if required, and in circulating the subaward packet for review and signature by both parties. Once the subagreement is signed, the subaward is executed by UMB SPA and a Purchase Order number is assigned to it.

Both the DFA and technical lead are responsible for familiarizing themselves with all elements of the subaward, including the terms and conditions that flow down from the UMB award. Furthermore, they should provide access to and encourage review by all MGIC personnel responsible for subaward monitoring and compliance.

Subaward files

For uniformity and to meeting UMB and sponsor requirements, subaward files and e-folders should contain the following documents:

- [Pre-Award Assessment](#)
- Subrecipient Commitment Form (completed and signed annually)
- Fully executed subaward
- Contact and bank details
- Official bank letters confirming bank account details
- Technical reports
- Invoice and Expenditure Reports
- Documentation of technical site visits, including [Subrecipient Technical Site Visit Reports](#)
- Documentation of financial site visits, including [Subrecipient Operational Review Forms](#)
- Asset management documentation
- Audit reports and audit-related information
- Correspondence

Checklist for CDs/CRs

- € Engage with UMB in identifying potential subrecipients, conducting [Pre-Award Assessments](#), and otherwise contributing toward issuance of subawards
- € Support subrecipients in preparing statements of work and budgets to include in UMB funding proposals

- € For each subaward, create and maintain a subaward file/folder with executed subagreements and supporting documentation

Key references

- [Pre-Award Assessment](#)
- [Subrecipient Operational Review Form](#)
- [Subrecipient Technical Site Visit Report](#)
- [USG System for Award Management \(SAM\)](#)

6-6 Subaward Implementation

Policy statement

UMB has an overarching requirement to establish and maintain effective internal controls over subawards and evaluate and monitor compliance with the subawards' terms and conditions. UMB must have formalized policies and procedures, comply with these procedures, and monitor these controls by effectively documenting the monitoring process.

UMB charges MGIC offices with fulfilling some of these requirements. MGIC offices support UMB throughout the period of subaward implementation with responsibilities that take advantage of the onsite engagement and oversight that in-country personnel can provide, as well as MGIC personnel's expertise in the international or local context. MGIC offices must complete their assigned activity and share the documentation produced in the process with relevant UMB contacts.

MGIC general support to implementation

MGIC activity in support of subaward implementation typically includes the following responsibilities throughout the life of the subaward:

- Undertake activities aimed at a smooth start-up of subaward activity and targeted capacity-building of subrecipients
- Conduct onsite visits to support subrecipients and conduct technical and operational compliance reviews of their activities
- Evaluate and monitor compliance with sponsor requirements and with the subrecipients' own formalized policies and procedures
- Support collection and review of subrecipient technical reporting
- Review and give first-line approval to subrecipient Invoice and Expenditure Reports
- Document fully all subrecipient monitoring activity

Collaboration between the designated technical lead and designated financial lead is vital. MGIC seeks to have one coherent relationship with subrecipients, as reflected in these procedural requirements. Both leads should engage in introductory meetings/workshops with subrecipients and they should coordinate in-person visits. Furthermore, they need to be in close contact regarding the subrecipient's rate of expenditure and other subaward budget matters.

Start-up and orientation

The initial weeks of a subaward's period of performance is a critical time in terms of rapid launch and early establishment of processes that support optimal execution of the statement of work and fulfillment of financial management, reporting, and other subaward requirements. The MGIC office – in particular, the designated technical lead and designated financial lead – should closely coordinate start-up actions with each other and with the UMB department G&C manager.

Introductory meeting/workshop: For each new subaward, MGIC is responsible for holding an introductory meeting/workshop with the subrecipient to establish a strong relationship with mutually understood expectations at the onset of the project. During the course of the meeting, the participants should jointly review the project goals and objectives and the requirements of that particular subaward.

Orientation: For subrecipients that are well-established organizations, universities, and other entities with known capabilities and extensive past performance with similar awards, one introductory meeting in which the conversation covers expectations for communication and engagement may prove sufficient.

For other subrecipients with little to no experience with the requirements that accompany a subaward of this nature and whose capabilities are either unknown or known to be weak in some areas, a robust orientation is required. The MGIC office is responsible for implementing an orientation program that takes into account those perceived and known gaps in capacity.

The orientation workshop or orientation sessions should be coordinated with UMB and should cover, at a minimum:

- Subrecipient-UMB/MGIC communication procedures and protocols
- Award requirements, sponsor rules and regulations, including prohibitions on doing business with debarred or excluded individuals or entities
- Program requirements
- Technical reporting
- Financial reporting
- UMB/MGIC approvals: when required and how requested
- Principles of financial management and finance policies and procedures
- Procurement policies and procedures
- Asset management
- HR policies and procedures
- Standards of ethical and professional conduct
- Recordkeeping, back-ups, and record retention

Subaward payments

MGIC may not issue advance payments or any other type of payments to subrecipients. UMB issues advance payments to subrecipients if and when indicated in the subagreement. Through the Monthly Invoice and Expenditure Reports, advance payments are reconciled with actual costs incurred.

UMB/MGIC approvals

The time at which a subrecipient must seek prior approval from UMB (through MGIC) depends on the subaward's terms and conditions. The following likely require UMB/MGIC approval:

- Procurement transactions in excess of an established threshold
- Equipment purchase, transfer, and disposition
- Major alteration or renovation of a building
- International travel not previously approved
- Substantive changes in the statement of work, including changes to the project's geographic area
- Budget modifications
- Changes in key personnel
- Changes in the project period for the subaward

Technical assistance and monitoring

As the recipient of the award from an external funding agency, UMB assumes responsibility for the conduct and completion of the project's statement of work. MGIC offices support fulfillment of this responsibility in many ways, one of which is through periodic review and monitoring of each subrecipient's technical performance and progress. This includes:

- Maintain regular contact with the subrecipient, conducting monthly coordination meetings in the initial months and thereafter as needed
- Verify that the subrecipient's work is performed on a timely basis and is in line with the proposed and funded statement of work
- Support collection of and review Monthly Technical Reports, acknowledge receipt of them, and share feedback when indicated (see [Monthly Technical Reports](#) below)
- Verify that subrecipient's compliance requirements are up-to-date (e.g., approvals for human subjects research)
- Conduct technical site visits on at least a quarterly basis (more frequently for high-risk subrecipients) and document them in [Subrecipient Technical Site Visit Reports](#); organize and schedule the visits in coordination with the CO financial lead and the semi-annual subrecipient operational reviews
- Communicate any deficiencies or other concerns to the subrecipient in a timely manner
- Participate in meetings convened by UMB for milestone reviews of agreed-upon technical and financial milestones or for other purposes

In addition, some good practices are:

- Maintain a calendar in which both technical and financial personnel indicate subrecipient visits and other information that will support effective coordination and smooth interaction between the country office and subrecipient
- Conduct joint technical-financial site visits

Operational reviews and subrecipient mentoring

MGIC offices play an important role in supporting UMB's responsibility for proper compliance and financial management of the sponsor's funds.

Results of the [Pre-Award Assessment](#): The first step that the MGIC technical lead, financial lead, and other key staff should take when a new subaward is issued is to read the subaward documentation and review the results of any [Pre-Award Assessment](#) conducted by the UMB department and/or the country office. The assessment's output enables the MGIC team to understand the subrecipient's capacity to fulfill finance and administrative requirements and to make plans accordingly. For subrecipients identified as **high-risk** because of less known or weak capabilities, MGIC should collaborate with the UMB department G&C manager to develop and implement targeted training and mentoring.

Communication flow: The second step is to work closely with all subrecipients during the start-up period as described in [Start-up and orientation](#) and maintain good communication flow throughout the life of the subaward.

Subrecipient Operational Reviews: After start-up and in coordination with the technical team, the country office should conduct operational reviews for all subawards using the [Subrecipient Operational Review Form](#).

Operational reviews should be carried out on-site whenever possible, and on at least a semi-annual (twice yearly) basis, with more frequent on-site reviews for high-risk subrecipients. The reviews should be organized and the visits scheduled in coordination with the technical reviews the country office conducts.

Prior to each review, MGIC asks the subrecipient to prepare and make available documentation as prescribed in an MGIC checklist or some other format. Subrecipients will need to ensure that key staff, such as human resources, administration, procurement, and finance personnel, as well as program staff, are available during the operational review to participate in the exercise. In addition, having staff present enables the country office to conduct a physical verification of the subrecipient's personnel working on the project.

When conducting subrecipient operational reviews, MGIC personnel should be advised to watch out for the following situations that often appear in audit findings, yet may be avoided with early detection and action:

- Travel is not in accordance with UMB/MGIC and sponsor requirements.
- Fixed assets are not tracked properly and not documented sufficiently.
- Standards for ethical conduct are not in place (see [Ethical conduct as relates to award and subaward management](#) in 6-2 Award Management).
- Timesheets are missing or are not properly completed.
- Cost allocations (proportionally distributing costs to the appropriate projects or activities in a way that is fair, transparent, consistent, and compliant) are not prepared correctly and are not documented sufficiently (see [5-9 Cost Allocation](#)).
- Procurement requirements have not been fulfilled.
- Financial transactions are not in accordance with UMB/MGIC and sponsor requirements.
- Supporting documentation for transactions is missing, not completed accurately, and/or missing proper approvals.
- Bank reconciliations have not been done.
- Advances have not been cleared on time.

Monthly Reviews: In between the operational reviews, the MGIC office is monitoring subrecipients' financial management through ensuring the timely submission of subrecipients' Monthly Invoice and Expenditure Reports and conducting a full initial review of each report (see [Monthly Invoice and Expenditure Reports](#) below).

Underspending and deobligation of funds: If it comes to the attention of the MGIC office that subaward activity for whatever reason is not requiring expenditure at the rate anticipated, the office should raise the issue of subaward underspending with the UMB department G&C manager or program lead. This may lead to discussion with the subrecipient as to whether the situation warrants a reduction in the obligated amount of funds (a "deobligation"). See [Subaward modifications](#) in 6-7 Subaward Modifications and Renewals for more information.

Monitoring construction and refitting subawards

Special considerations apply to construction and refitting projects that are not treated as regular procurements but as subawards. **Construction and refitting subawards**, also known as **construction and refitting contracts**, provide subcontractors with resources to construct or refit existing facilities and are carried out as part of a project. They are usually subject to specific sponsor restrictions.

MGIC technical leads are responsible to:

- Be knowledgeable of sponsor restrictions associated with this type of project activity
- Undertake a competitive procurement process to select the recipient of the subaward
- Ensure the technical specifications in construction/refitting contracts are complete and correct
- Monitor that the technical specifications are fulfilled during contract implementation
- Collaborate closely with the CO financial lead in executing and closing out these subawards

Reporting

Monthly Technical Reports

Subrecipients are required to submit **Monthly Technical Reports**. A template is provided as an attachment to the subagreement. Technical reports are due 15 days after the end of each calendar month, i.e., on the 15th day of the subsequent month. They should be submitted to the UMB and MGIC contacts indicated in the subagreement.

If UMB or MGIC requests that a subrecipient revise a Monthly Technical Report that they have submitted, the subrecipient's revised report is due **within five business days** of the request.

MGIC technical leads are responsible for implementing the following procedures related to these reports:

- Track subrecipients' compliance with technical reporting requirements
- Acknowledge receipt of Monthly Technical Reports in a timely manner
- Review the reports and document questions and issues in a timely manner
- Monitor that technical documentation is submitted as required in the subaward terms (for example, that manuscripts published by the subrecipient as a result of the work supported in part or whole by the subaward are included with the Monthly Technical Reports)

- Gather substantive feedback from UMB reviewers
- Communicate any substantive feedback to subrecipients in a timely fashion
- Advise the finance team that the Monthly Technical Report was received and was satisfactory; if not satisfactory, make a recommendation to the UMB department administrator regarding whether to withhold payment against the subrecipient's invoice
- Share the reports and any correspondence touching on substantive issues with colleagues responsible for subaward management, e.g., G&C managers
- Monitor subaward budgets, including review of the finance team's summary reports that present subaward expenditures against budget

Monthly Invoice and Expenditure Reports

Subrecipients are required to submit **Monthly Invoice and Expenditure Reports** that, at a minimum, include the project name, subrecipient organization name and address, subrecipient Principal Investigator, invoice number, Purchase Order number, bank name, name on bank accounts ("beneficiary"), bank address, bank account number, SWIFT code, and amount due, with the expenses broken out by budget category as indicated by the approved subaward budget. The UMB X-9 Wire Transfer Form (available in the [UMB Financial Services Forms library](#)) must be completed, signed, and submitted as well. The subrecipient uses the Monthly Invoice and Expenditure Report template provided as an attachment to the subagreement. Invoices are to be submitted in US dollars.

Due date: As with the technical reports, the Monthly Invoice and Expenditure Reports are due on the 15th day of the subsequent month to the official UMB and MGIC contacts indicated in the subagreement.

Report contents: Monthly Invoice and Expenditure Reports must be accompanied by the following submissions, which may be presented to the MGIC office either electronically or in hard copy:

- General ledger of expenses, with only allowable, reasonable, and allocable expenses included (see allowable vs. unallowable costs in [5-7 Financial Management Systems and Processes](#))
- Expenditure projection for the remainder of the budget period
- X-9 Wire Transfer Form, including complete banking information
- Any other subaward-specific requirements, such as project support cost documentation or reporting on cost share and in-kind contributions

Timing of UMB Payments

Subrecipients should be informed that the UMB process of reviewing subrecipients' reports and issuing payments involves many steps and different departments. Expectations about quick payments should be tempered with the reality that the process typically takes 4-6 weeks from submission of the report to electronic transfer of funds.

If the X-9 Wire Transfer Form includes any changes to the bank account information previously submitted, a new official bank letter must accompany submission of that form.

MGIC review: The MGIC finance team is responsible for reviewing subrecipients' Monthly Invoice and Expenditure Reports to determine if costs associated with the subaward are reasonable and allowable for the statement of work that the subrecipient is undertaking. The review process requires that MGIC:

- Ensure that charges to the project are allowable, allocable, reasonable, and within the period of performance

- Check that the percent effort charged to the project is in line with the effort proposed in the approved (funded) budget; if not in line, highlight the issue
- Notify the UMB department G&C manager if payment will be temporarily withheld due to unallowable expenses or other significant reasons, document the issue, and resolve it with the subrecipient

If UMB or MGIC requests that a subrecipient revise a Monthly Invoice and Expenditure Report that they have submitted, the subrecipient's revised report is due **within five business days** of the request.

Once reviews of the financial reports are completed and the reports are approved by the designated financial lead, the MGIC office forwards them to the UMB department G&C manager, who shepherds the UMB payment process.

While subrecipients do not submit supporting documentation for each expense, such as receipts and timesheets, the country office may ask to review some or all of this documentation as part of the review of the Invoice and Expenditure Report or at a later time.

Exchange rates: While subawards are granted in US dollars and expenditures reported back in USD, most financial transactions that subrecipients execute will happen in local currency. In rare cases of USD or third-currency transactions – typically for international procurements – subrecipients should convert the transactions to local currency using the weighted average exchange rate (WAER) calculated using bank rates provided by the bank where they hold the funds.

Local Currency for Local Procurements

For subawards with USG-sourced funding, payments for goods and services that are supplied by local businesses, dealers, or producers must be made in local currency to the extent possible.

At month end, special consideration should be taken to make sure that the USD balance on the trial balance is adjusted using that day's exchange rate to convert to the local currency.

Timing of Currency Transactions

The country office should encourage subrecipients to carefully plan foreign exchange transactions – to minimize exchange rate losses and bank charges.

Monitoring subaward expenditures against budgets

Both the designated MGIC finance lead and designated technical lead have a role in monitoring subaward budgets. To support this role, the finance team should provide both individuals with monthly summary reports that present subaward expenditures against budget. MGIC may choose, at its discretion, to hold in-house monthly meetings for the purpose of monitoring subaward expenditures against budgets.

Certification of effort

Subrecipients must use standardized timesheets or time records to capture all time actually worked on, and charged to, projects. These must be collected on at least a monthly basis, typically at the end of each pay period. For certain subawards, UMB/MGIC may require submission of timekeeping records as supporting documentation for the Monthly Invoice and Expenditure Reports.

Employees and supervisors must sign these timekeeping records. By signing, the subrecipient employee certifies that the stated hours or percentage of effort dedicated to the subaward work accurately reflects the actual time worked during the pay period. By signing, the supervisor certifies that the timesheet data represents a reasonable estimate of the actual work performed by the employee. Certifications of effort must align with corresponding payroll payments charged to the subaward.

Subrecipient invention reports

As stated in their subagreements, subrecipients are required to notify the UMB department G&C manager within two months after the subrecipient's inventor discloses an invention in writing to their organization.

Quarterly and Annual Foreign Taxes Reports

Subrecipients with USG-sourced funding must submit with their Invoice and Expenditure Report a Quarterly Foreign Taxes Report based on the template provided as an attachment to the subagreement. In the report and as specified in the subaward's terms and conditions, the subrecipient lists any purchase transaction that took place during the reporting period that had a value at or above the amount specified in the subaward's terms and conditions, typically US\$500. The report provides details about the amount of value added tax (VAT) reimbursed and unreimbursed by local government.

The Quarterly Foreign Taxes Reports are due on January 10th, April 10th, July 10th, and October 10th of each year. If foreign taxes were not paid during the quarter, a report is not required.

An Annual Foreign Taxes Report is due on November 10th for the year (budget period). This report is required even if the subrecipient did not pay any such taxes during the subaward period.

Checklist for CDs/CRs

- € Ensure MGIC fulfills its subaward management responsibilities over the entire life of a subaward
- € Stress collaboration between the designated MGIC technical lead and designated financial lead to ensure one coherent MGIC relationship with the subrecipient
- € Ensure the designated technical lead and financial lead coordinate actions with each other and the UMB department G&C manager, starting with a subrecipient's orientation
- € Do not issue advance payments or any other payments from MGIC to subrecipients
- € Guide subrecipients on when and how to seek UMB/MGIC approval
- € As guided by the UMB unit, conduct technical performance and progress reviews via on-site visits and document them in [Subrecipient Technical Site Visit Reports](#)
- € In collaboration with the UMB unit, develop training and mentoring activities for subrecipients, tailored in accordance with the findings in the [Pre-Award Assessment](#) as well as subsequent [Subrecipient Operational Review Forms](#)
- € Ensure an operational review is conducted with each subrecipient on at least a semi-annual basis and in coordination with technical visits, both on-site wherever feasible
- € Conduct first-line review of subrecipients' Monthly Invoice and Expenditure Reports
- € Alert the UMB department G&C manager or program lead of subaward underspending or overspending

- € Know and adhere to sponsor restrictions related to construction and retrofitting contracts
- € Ensure the finance team provides monthly budget summaries to designated technical and financial leads for close monitoring of subaward budgets
- € Notify the UMB department G&C manager of any invention disclosed to MGIC by a subrecipient
- € Ensure subrecipients with USG-sourced funding submit an Annual Foreign Taxes Report, even if the subrecipient did not pay such taxes during the subaward period

Key references

- [Pre-Award Assessment](#)
- [Subrecipient Operational Review Form](#)
- [Subrecipient Technical Site Visit Reports](#)
- [5-7 Financial Management Systems and Processes](#)
- [5-9 Cost Allocation](#)
- [6-2 Award Management](#)
- [6-7 Subaward Modifications and Renewals](#)
- [UMB Financial Services Forms library](#)

6-7 Subaward Modifications and Renewals

Subaward modifications

Subaward modifications may be undertaken for a number of reasons. Most frequently the reason is to increase or decrease the obligation of funds or to make mid-project changes to the statement of work or budget.

Deobligation of funds: Circumstances may arise where the implementation of a project proceeds more slowly than anticipated and/or with lower rates of expenditure than budgeted. In such instances, a deobligation of subaward funds may be warranted. Except in the case of subrecipients that are international organizations, the MGIC office should take the following steps, keeping the UMB department G&C manager informed throughout:

1. Initiate a conversation with the subrecipient about the under expenditure of funds to date and the projected rate of spending for the remainder of the subaward's period of performance
2. Conduct an analysis with the engagement of both the designated MGIC technical lead and financial lead
3. Reach agreement on whether, and to what extent, the subaward budget will likely be underspent
4. If appropriate, formulate a recommendation to deobligate a specified amount
5. Share the recommendation with the UMB department program lead and G&C manager

If the UMB department program lead and UMB SPA approve moving forward, UMB SPA will execute a subaward amendment and the MGIC office will be notified.

Modified statement of work and/or budget: While monitoring subaward implementation, MGIC might observe a need for a modification to either the statement of work or subaward budget. For

example, MGIC might determine that additional effort will be required from the subrecipient during the subaward period. The MGIC office should communicate their observation to the UMB department program lead.

Whether sparked by that communication or by direct observation, UMB may determine that a change in the subaward terms is warranted. UMB will initiate discussion with the subrecipient about a subaward modification and if the parties agree on the terms of the modification, UMB will execute the subaward modification.

No-cost extension (NCE) and cost extension (CE): In rare situations and with subrecipient concurrence, UMB may execute a subaward no-cost extension or cost extension. An NCE provides a longer period for execution of the statement of work while the budget remains at the same level. A CE provides both a longer project period and additional budget for the same or a modified statement of work. In either case, MGIC may be called upon to support the process.

UMB uses the same process to execute subaward modifications as that used for initial subawards.

Subaward renewals

If UMB is preparing a non-competed continuation funding proposal and proposes to include a subrecipient in the new statement of work and budget, UMB/MGIC will notify the subrecipient 75 days prior to expiration of the existing subaward and request information for the renewal. UMB may engage MGIC in obtaining documentation required from the subrecipient, such as:

- An updated *Subrecipient Commitment Form*, naming key personnel with contact information
- The statement of work, budget, and budget justification for the new subaward
- An updated list of subrecipient contacts
- The latest technical reporting and pertinent publications from the research project

Checklist for CDs/CRs

- € Initiate conversation with subrecipients when subaward funds are notably underspent, and recommend deobligation of funds to the UMB unit when appropriate
- € Assist the UMB unit in obtaining appropriate documents required for subaward modifications and renewals

6-8 Subaward Audits and Close-Outs

Policy statement

In accordance with [USG Uniform Guidance \(Subpart F\)](#), subrecipients are required to undergo an annual independent financial audit if, on an annual basis, they expend funds sourced from the U.S. government at or above a stated threshold. This audit is referred to as a “Single Audit” and the threshold for the requirement is usually US\$300,000 but may be US\$750,000 in certain cases. To verify that its subrecipients are meeting the Single Audit requirements every year, UMB must receive from each qualifying subrecipient a copy of their Single Audit report and review it to affirm that the audits were conducted by qualified audit firms.

UMB or MGIC may additionally require subrecipients to undergo project-specific audits on a year-to-year basis and may employ an audit firm to do that work. During an audit, any expense that has been invoiced may be subject to review, and supporting documentation will be requested.

Each subaward must be closed out in a manner consistent with UMB and sponsor requirements.

As with other aspects of subaward management, MGIC offices support UMB with audits and close-out activities. If a subrecipient's audit report is received by MGIC, the report should be immediately forwarded to the UMB department G&C manager. This includes preliminary and final reports and management letters.

Audit procedures

UMB takes the lead in reviewing audit reports for any findings which might impact a subrecipient's ability to complete their portion of a project or which would disqualify them to receive USG funding. UMB holds responsibility for ensuring subrecipients take appropriate corrective action in the stated timeframe (typically six months) after receipt of an audit report with instances of non-compliance. MGIC offices may be called upon to support this process.

Audits do not substitute for regular MGIC and UMB monitoring of subrecipient activities.

Close-out procedures

Most subaward close-outs occur at the end of the performance period stipulated in the subagreement.

Soft close-outs: A "soft" close-out is undertaken in subaward renewal situations, wherein UMB has included the subrecipient in a continuation funding proposal with a new statement of work and budget. See [Subaward renewals](#) in 6-7 Subaward Modifications and Renewals for guidance.

Hard close-outs: A "hard" close-out is undertaken when the subaward will not be renewed. UMB will notify the subrecipient in writing at least 45 days prior to the expiration of a subaward and reference the close-out procedures stated in the subagreement. The close-out process must be concluded within the time period stipulated in the subaward (typically 60 days following termination). It involves the following elements:

- Disposition of assets
- Submission of final reports and invoices
- Issuance of the close-out letter

Disposition of assets

When equipment bought with subaward funds or lent by MGIC is no longer in serviceable condition or is no longer needed for work under the subaward or for other MGIC-approved activities, the subrecipient may dispose of the equipment through trade-in, discarding as unserviceable, sale, transfer to another entity, or another reasonable method. Prior UMB approval and potentially sponsor approval are required for disposition of capital assets procured under the subaward. The

MGIC financial lead should guide the subrecipient in preparing and submitting an *asset disposition plan*. UMB will provide approval in writing.

MGIC requires proper disposition of project-related IT equipment that stores data, to ensure any sensitive or confidential data on the device is rendered unrecoverable. This includes devices such as desktop computers, laptops, network servers, mobile phones, multi-function printer/copiers, and removable devices such as USB flash drives and external drives.

The subrecipient is obliged to obtain and keep on file documentation of the actual disposition of an asset, such as documentation of sale, documentation that the item is unserviceable, or a police report regarding theft of the asset.

Final reports and invoices

Final Technical Report

Subrecipients are required to submit a Final Technical Report that, at a minimum, includes a statement of progress made toward the achievement of the originally stated aims, description of the results (positive or negative) considered significant, and a list of publications resulting from the project, with plans, if any, for further publication.

Final technical reports are due within the timeframe indicated in the subagreement, which is typically **45 days** following the termination or expiration of the subaward period. They should be submitted to the UMB and MGIC contacts indicated in the subagreement.

If UMB or MGIC requests that a subrecipient revise the Final Technical Report, the subrecipient's revised report is due **within five business days** of the request.

Final Invoice and Expenditure Report

Subrecipients are required to submit a Final Invoice and Expenditure Report within the timeframe indicated in the subagreement, which is typically **within 45 days** following the termination or expiration of the subaward period. The report should be visibly marked as "Final" and submitted to the UMB and MGIC contacts indicated in the subagreement.

- The invoice should clearly indicate any balance due after advance payments are taken into account.
- If the subrecipient has advance payment funds not expended for costs incurred in performance of the work under the subaward, the invoice should be accompanied by a reimbursement of the excess amount.
- If no funds are due from or reimbursable to UMB, the subrecipient must still submit the Final Invoice and Expenditure Report.

If UMB or MGIC requests that a subrecipient revise the Final Invoice and Expenditure Report and/or provide supporting documentation, the subrecipient's revised report is due **within five business days** of the request.

The Final Invoice and Expenditure Report must be accompanied by the following submissions, presented to MGIC either electronically or in hard copy:

1. General ledger of expenses with only allowable, reasonable, and allocable expenses included
2. Any other subaward-specific requirements (such as project support cost documentation)
3. Final Foreign Taxes Report, Final Invention Report, and Final Inventory of Property Report, as described below

Subrecipients should be made aware that UMB is not required to pay invoices that are submitted late, i.e., past the timeframe defined in the subagreement. This applies to late submissions of initial as well as revised Final Invoice and Expenditure Reports.

Final Foreign Taxes Report

Subrecipients with USG-sourced funding must submit a Final Foreign Taxes Report along with their Final Invoice and Expenditure Report. The report details commodity purchase transactions valued at US\$500 or more and the amount reimbursed and unreimbursed by local government. The report is required *even if the subrecipient did not pay any such taxes* during the subaward period.

Final Invention Report

The subrecipient must submit an invention report *even if they have no inventions to report*. The report takes one of three forms:

- A statement that the subrecipient has no inventions to be reported under this subaward, or
- A statement that an invention has resulted from the performance of this subaward and a completed Invention Disclosure has previously been submitted to UMB/MGIC, or
- A statement that an invention has resulted from the performance of this subaward, with an Invention Disclosure attached.

Final Inventory of Property Report

The subrecipient must report on the final disposition of assets furnished to the subrecipient under the subaward – see [Disposition of assets](#) above. If no assets were furnished under the subaward, this report is not required.

Close-out letter

As a last step in the close-out process in head office, UMB reviews and verifies that all deliverables have been received and are satisfactory and that all costs have been submitted, reviewed, and approved, including cost sharing requirements. UMB then sends the subrecipient a close-out letter. While not an official document, it serves as a cordial and courteous way to convey appreciation for the partnership and indicate that the close-out process is complete.

Checklist for CDs/CRs

- € Support audits and close-out activities as assigned by UMB
- € Provide guidance to subrecipients on asset disposition plans

Key references

- [6-7 Subaward Modifications and Renewals](#)
- [USG Uniform Guidance](#)