

North Dakota State University

Policy Manual

SECTION 811

ALLOWABLE COST POLICIES – SUBCONTRACTS

SOURCE: NDSU President

1. A Subcontract is a formal written agreement issued by NDSU for the performance of a portion of an NDSU sponsored project which will be performed by the subcontractor's personnel utilizing its own resources and facilities. A Subcontract is only issued for the performance of Substantive Programmatic Work. A Subcontract can be issued to another educational institution, a laboratory, or a private entity, either for-profit or non-profit.
2. Substantive Programmatic Work is a portion of the sponsored project's activities in which the subcontractor has responsibility for decision making and contributes to the scholarly/scientific conduct of the sponsored project. NDSU will not issue a Subcontract for routine service work or for goods or services which are commonly provided in the course of the third-party organization's operations.
3. Under federal guidelines, none of the Substantive Programmatic Work under a grant, contract or cooperative agreement may be subcontracted to a third-party without prior approval of the Federal sponsoring agency.
4. Under nonfederal sponsored projects, NDSU's prime award and the sponsor's guidelines must be reviewed to determine whether a Subcontract can be issued for any Substantive Programmatic Work.
5. All arrangements for the conduct of activities that are subcontracted shall be formalized in a written contract between NDSU and the third-party. The agreement must state the activities to be performed (Statement of Work), the time schedule, the prime award's terms and conditions that are applicable to the subcontractor, the maximum amount of money for which NDSU may become liable to the third-party under the agreement, the cost principles which will be used in determining allowable costs (for cost reimbursable contracts), and any other applicable terms and conditions.
6. No NDSU employee, officer, or agent shall participate in the selection, award, or administration of a Subcontract in which there is any potential or actual conflict of interest unless such conflict is disclosed and managed pursuant to NDSU Policy Section 151.1.
7. Subcontracts shall be made only with responsible third-parties who possess the potential ability to perform successfully under the terms and conditions of a proposed project. Consideration shall be given to such matters as integrity, record of past performance, financial and technical resources, and/or accessibility to other necessary resources.
8. The Office of Sponsored Programs Administration will assist the investigator in preparing the documentation necessary for any subcontracting arrangement, negotiate, and execute all Subcontracts.
9. When budgeting for a Subcontract in a proposal, the investigator shall include the Subcontract value as a single line item of direct cost. A Subcontract budget should be attached to the total proposal budget along with a budget justification, a Statement of Work, and a letter documenting the third-party's commitment to the project.

10. All invoices for payments under Subcontracts should be submitted to the Office of Grant and Contract Accounting. The Office of Grant and Contract Accounting will review the invoice for compliance with the terms of the Subcontract and prepare an Accounts Payable Voucher. The Accounts Payable Voucher will then be sent to the Principal Investigator for certification of the work performed as set forth below. The Accounts Payable Voucher should then be returned to the Office of Grant and Contract Accounting for processing.
11. All Accounts Payable Vouchers for Subcontract payments will include a certification statement to be signed by the investigator verifying as follows:

"I HAVE REVIEWED AND APPROVED THE WORK PERFORMED BY (name). I FOUND THE WORK TO BE SATISFACTORY AND IN ACCORDANCE WITH THE ESTABLISHED TERMS AND CONDITIONS OF THE CONTRACT AGREEMENT."
12. The initial \$25,000 of payments under a subcontract agreement should be coded Account 624010. Accumulated payments in excess of \$25,000 should be coded Account 624005.

HISTORY:

New	July 1990
Amended	April 1992
Amended	August 2007
Amended	October 2007
Amended	May 1, 2012