



Procedures for the Administration of Sponsored Projects Subcontracts

**Office of Research Administration
University of Maryland, College Park**

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I. INTRODUCTION

The procedures in this manual lay out the processes established by the Office of Research Administration for requesting, monitoring, and closing out ***Subcontracts*** issued in support of research, development and/or training contracts funded by an outside sponsor and performed under a proposal submitted by the University of Maryland College Park (UMD). The campus official authorized to execute ***Subcontracts*** on behalf of UMD is the ***Assistant Vice President, Office of Research Administration*** or their designees within the Office of Research Administration (ORA). The campus Authorizing Official for Purchase Orders and Consulting Agreements is the ***Assistant Vice President for Procurement and Business Services*** or their designees.

Responsibilities at various stages of the process are shared by the Project Director/Principal Investigator (PI), the administering academic unit, ORA, the Office of the Comptroller, and the Procurement & Business Services. All subcontracting activity will be conducted in accordance with the provisions of FAR 3.502-2 (Anti-Kickback Act of 1986). Any suspected violations thereof will be reported to ORA.

UMD's policies governing ***Subcontracts*** and related subcontractor or subaward forms¹ are posted at [Subawards | Office of Research Administration](#). Questions concerning any of the information contained herein may be directed to orasubaward@umd.edu.

The **UMD Procedures for the Administration of Sponsored Projects Subawards** separately documents the requesting, monitoring, and closing out of *Subawards* issued under federal prime grants and cooperative agreements. Subawards issued under federal grants and cooperative agreements are financial assistance awards in support of a public purpose. The procedures and requirements for federal flow through *Subawards* are governed by the Federal Grant and Cooperative Agreement Act and the Office of Budget and Management Uniform Guidance.

II. BACKGROUND

Federal regulations require that the applicable terms and conditions of a Prime Contract be flowed down to the first-tier subcontractors and include provisions for further flow-down to any lower-tier subcontractors. Federal contracts are governed by the Federal Acquisition Regulations (48 CFR). In contrast, federal financial assistance grants and cooperative agreements are governed by the Federal Grant and Cooperative Agreement Act and the Office of Budget and Management (OMB) Uniform Guidance (2 CFR).

A subcontract under a federal contract supports a distinct entity in carrying out a portion of the federal program's objectives and is governed by the terms, conditions, and compliance

¹ Form names are generic and apply to both subawards and subcontracts. These are administrative documents designed for process consistency, rather than as an indicator of the specific type of award.

requirements of the recipient institution. *Appendix 1* provides a detailed overview of the federal legal framework for financial assistance awards and the distinctions between financial assistance and contract actions. The *Table* below provides a snapshot of the key differences between grants and contracts.

Key Differences: Grants vs. Contracts

Aspect	Grants	Contracts
Legal Framework	2 CFR Part 200 (Uniform Guidance)	Federal Acquisition Regulation (FAR)
Purpose	To fund research and innovation with less control over methods	To procure specific research services with oversight and deliverables
Oversight	Limited oversight, focusing on outcomes and compliance	Significant oversight, including performance and milestones
Cost Regulations	2 CFR and agency – specific regulations	FAR Subpart 31.3 and agency-specific cost regulations
Flexibility in Work	Flexible; research methods can evolve over time	Strictly defined scope of work and deliverables
Award Process	Merit/Peer Review – Agency staff make final award decisions	Competitive bidding or proposals
Payment Terms	Typically awarded as lump sums or initial award with follow-on increments based on performance and compliance with terms and conditions	Fixed tied to specific deliverables or milestones, or increments as prescribed in contract

Subcontracts issued under non-federal funding sources, such as state and local government, private foundations, or industry sponsors, are not subject to the Uniform Guidance (2 CFR 200) or the Federal Acquisition Regulation (FAR) unless those requirements are expressly included by the sponsor or required by institutional policy. Federally funded Other Transaction Agreements (OTAs) are also not subject to Uniform Guidance or the FAR. Non-federal and OTA type **Subcontracts** are instead governed by the prime contract terms, applicable state or local laws, institutional policies, and any sponsor-specific requirements; however, institutions often apply select federal principles, such as defined scope of work, financial accountability, and risk-based monitoring to these subcontracts for consistency, effective management, and responsible stewardship of funds, without converting the agreement into a federal award (in the case of non-federal awards).

A. SUBCONTRACTOR VS. CONTRACTOR DETERMINATION

UMD must determine whether a collaborator should be classified as Subcontractor or Contractor (Vendor). Proper classification begins during the proposal development process when the anticipated award type is a federal contract.

1. A **Subcontractor** is issued a Subcontract by ORA and is distinguished from either a Contractor (Vendor) or by several key characteristics. A Subcontractor:
 - Performs a substantive portion of the proposed Statement of Work incorporated into the Prime Contract
 - Has responsibility for internal programmatic decision-making and design, as identified by a separate scope of work and budget
 - Is responsible for assisting the prime contractor in meeting the goals of the project
 - Is responsible for adhering to applicable Federal programmatic compliance requirements
 - Retains intellectual property rights and copyright to the work produced by the Subcontractor's personnel
 - Intends to publish or co-author an article in a professional journal, etc.

2. A **Contractor (Vendor)** is issued a Purchase Order when a request is sent by an administering unit to Procurement and Business Services. The purchase of goods and services, including Consulting Services, are obtained from a commercial vendor. ORA does not issue **Subcontracts** to individuals.
 - A Contractor (Vendor) provides similar goods and services to multiple customers as part of their routine business operations
 - A Contractor (Vendor) competes for customers with other like providers
 - Contractor (Vendor) does not retain intellectual property rights or copyright to the deliverables
 - Cost sharing is not required of a Contractor (Vendor)
 - Joint authorship of publications and intellectual property rights are not sought by a Contractor (Vendor)
 - The general terms of the Prime Contract do not flow down to the Contractor (Vendor)

A **Consultant** may be an individual or a commercial entity and is a type of Contractor (Vendor) paid through a Purchase Order issued by Procurement and Business Services.

- A Consultant's deliverable(s) may be intermittent throughout the project, is clearly defined, and is similar to other work that is performed by that consultant on a routine, commercial basis
- A Consultant's deliverables do not ordinarily generate patentable or copyrightable results of an original or substantive nature
- A Consultant is not subject to the compliance requirements of the Prime Contract
- A Consultant's fee is based on an hourly or daily rate which is provided and explained in a consultant rate proposal

- A Consultant’s services are on a “work for hire” basis and all intellectual property or copyrightable rights are assigned to UMD by the consultant
- A Consulting Firm is a commercial entity whose routine business activity is to provide services similar to those proposed under the project
- An Individual Consultant is a non-UMD employee hired to provide technical expertise in support of a sponsored project. Generally, the activities performed by a non-UMD faculty member who is named as an individual consultant in a proposal must fall outside of the individual’s normal employment or academic duties and cannot make use of his/her employer’s (institutional) facilities, personnel or students. If these criteria are not met, then the faculty member’s home institution should appear as a Subcontractor in the UMD Proposal rather than naming an individual as a consultant

III. DEFINITION OF TERMS

AUTHORIZED ORGANIZATIONAL REPRESENTATIVE (AOR) is an individual designated by an institution, business, or organization who has the legal authority to submit proposals, make certifications and assurances, enter into binding agreements, and commit institutional resources on behalf of the organization.

CONTRACT means a mutually binding legal relationship obligating the seller to furnish the supplies or services and the buyer to pay for them. It includes all types of commitments that obligate the Government to an expenditure of appropriated funds and that, except as otherwise authorized, are in writing. In addition to bilateral instruments, contracts include (but are not limited to) awards and notices of awards; job orders or task letters issued under basic ordering agreements; letter contracts; orders, such as purchase orders, under which the contract becomes effective by written acceptance or performance; and bilateral contract modifications. Contracts do not include grants and cooperative agreements covered by 31 U.S.C.6301, et seq. *See Section IV for Contract Types.*

FEDERAL DEMONSTRATION PARTNERSHIP (FDP) is a consortium of federal funding agencies and grant recipient organizations. Its mission is to streamline the administration of federally sponsored research and create resources available to the research enterprise. The co-equal goals are maintaining the highest standards of accountability and compliance while reducing administrative burden, all in service of moving research forward.

OTHER TRANSACTION AGREEMENTS (OTAs) refer to flexible, legally binding instruments used by federal agencies to engage industry and academia for research, prototyping, and development projects. Unlike traditional contracts, they are not subject to the Federal Acquisition Regulation.

PRIME CONTRACT means a contract or contractual action entered into by the prime sponsor and an entity for the purpose of obtaining supplies, materials, equipment, or services of any kind.

PRIME CONTRACTOR refers to a business or entity that has entered a contractual relationship with a federal agency to provide goods, services, or construction, holding primary responsibility for overall project completion, compliance, and management.

PRIME SPONSOR refers to the entity with the original source of funding, typically a governmental agency or other organization, that issues an award (e.g., contract, Other Transaction Agreement) directly to the UMD, establishing the terms under which the sponsored program will be conducted.

PROJECT DIRECTOR/PRINCIPAL INVESTIGATOR (PD/PI) – the individual designated by UMD in the proposal who is responsible for the direction and management of the project.

SUBAWARD refers to an award provided by a pass-through entity to a subrecipient to contribute to the programmatic goals and objectives of the pass-through entity’s sponsored award. A subaward does not include payments to a contractor, beneficiary, or participant.

SUBCONTRACT refers to a contract, as defined in FAR Subpart 2.101, entered into by a subcontractor to furnish supplies or services for performance of a prime contract or another subcontract.

SUBCONTRACTOR means any supplier or firm that furnishes supplies or services to or for a prime contractor or another subcontractor.

SUBRECIPIENT refers to an entity that receives a subaward from a pass-through entity to carry out part of a federal award. The term subrecipient does not include a beneficiary or participant. A subrecipient may also receive other Federal awards directly from a Federal Agency.

IV. CONTRACT TYPES & TEMPLATES

A. CONTRACT TYPES

UMD issues subcontracts under two primary contract types: Cost Reimbursement and Fixed Price.

i. Cost Reimbursable Subcontract

Cost Reimbursement (also referred to as “Cost Contract”) is the most common contract type used by UMD. Cost-reimbursement contracts provide for payment of allowable costs incurred, to the extent prescribed in the contract. These contracts establish an estimate of total cost for the purpose of obligating funds and establishing a ceiling that the contractor may not exceed (except at its own risk) without the approval of the contracting officer. A subcontract issued under a Prime Contract sets a total cost, or ceiling, that the Subcontractor cannot exceed without prior approval and agreement by UMD.

Types of Cost Reimbursement Contracts

- **Cost Contract** is a cost-reimbursement contract in which the contractor receives no fee. A Cost contract is usually more appropriate for research and development work, particularly when conducted by nonprofit educational institutions or other nonprofit organizations (FAR Subpart 16.302).
- **Cost-Sharing** is a cost-reimbursement contract in which the contractor receives no fee and is reimbursed only for an agreed-upon portion of its allowable costs. Under this type of contract, the Subcontractor agrees to absorb a portion of the costs (FAR Subpart 16.303).
- **Cost-Plus-Incentive-Fee** is a cost-reimbursement contract that provides for an initially negotiated fee to be adjusted later by a formula based on the relationship of total allowable costs to total target costs (FAR Subpart 16.304).
- **Cost-Plus-Award-Fee** is a cost-reimbursement contract that provides for a fee consisting of (a) a base amount (which may be zero) fixed at inception of the contract and (b) an award amount, based upon a judgmental evaluation by the Government, sufficient to provide motivation for excellence in contract performance (FAR Subpart 16.305).
- **Cost-Plus-Fixed-Fee** is a cost-reimbursement contract that provides for payment to the contractor of a negotiated fee that is fixed at the inception of the contract. The fixed fee does not vary with actual cost but may be adjusted as a result of changes in the work to be performed under the contract. This contract type permits contracting for efforts that might otherwise present too great a risk to contractors, but it provides the contractor with only a minimum incentive to control costs (FAR Subpart 16.306). Federal sponsor guidelines generally do not allow fee or profit to be charged when collaborators are conducting fundamental research under 2 CFR Part 200.

ii. Fixed Price Subcontract

Fixed Price types of contracts provide for a firm price or, in appropriate cases, an adjustable price. Fixed Price contracts providing for an adjustable price may include a ceiling price, a target price (including target cost), or both. Unless otherwise specified in the contract, the ceiling price or target price is subject to adjustment only by operation of contract clauses providing for equitable adjustment or other revision of the contract price under stated circumstances.

Types of Fixed Price Contracts

- **Firm Fixed Price** contract provides for a price that is not subject to any adjustment on the basis of the contractor's cost experience in performing the contract. This contract type places upon the contractor maximum risk and full responsibility for all costs and resulting profit or loss. It provides maximum incentive for the contractor to control costs and perform effectively and imposes a minimum administrative burden upon the contracting parties (FAR Subpart 16.202).
- **Fixed-Price Contracts with Economic Price Adjustment** is a fixed price contract with economic price adjustment that provides for upward and downward revision of

the stated contract price upon the occurrence of specified contingencies (FAR Subpart 16.202).

- **Fixed-Price Incentive** is a fixed price contract that provides for adjusting profit and establishing the final contract price by a formula based on the relationship of final negotiated total cost to total target cost (FAR Subpart 16.204).
- **Fixed-Price Contracts with Prospective Price Redetermination** is fixed-price contract with prospective price redetermination that provides for (a) firm fixed price for an initial period of contract deliveries or performance; and (b) prospective redetermination, at a stated time or times during performance, of the price for subsequent periods of performance (FAR Subpart 16.205).
- **Fixed-Ceiling-Price Contracts with Retroactive Price Redetermination** is a fixed-ceiling-price contract with retroactive price redetermination provides for (a) fixed ceiling price; and (b) retroactive price redetermination within the ceiling after completion of the contract (FAR Subpart 16.206).
- **Firm-fixed-price, level-of-effort term** is a firm fixed price contract that requires (a) the contractor to provide a specified level of effort, over a stated period of time, on work that can be stated only in general terms; and (b) the federal government to pay the contractor a fixed dollar amount (FAR Subpart 16.207).

B. CONTRACT TEMPLATES

UMD may use different subcontract templates depending on the type of sponsor and the nature of the funding mechanism.

i. UMD Long-Form Templates

UMD utilizes its institutionally drafted Long Form templates for the majority of contract-based awards issued under federal and non-federal sponsors such as private foundations, corporations, foreign organizations, state agencies, or local governments.

The Long Form provides flexibility to include:

- Sponsor-specific requirements (e.g., publication review, confidentiality, intellectual property, or data ownership terms);
- Provisions required under state law or university policy to protect UMD and the State of Maryland;
- Custom invoicing, reporting, or deliverable schedules that differ from federal expectations; and
- Unique terms required by foundations, corporate sponsors, or governmental entities.

ii. FDP Templates (Federal Contracts)

As a participating institution in the Federal Demonstration Partnership (FDP), UMD may use the FDP Federal Contract Subcontract Sample Template for subcontracts issued under federal contracts. These templates are developed collaboratively by

research institutions and federal agencies to provide a standardized, compliant, and widely accepted set of terms and conditions.

FDP templates:

- Incorporates general federal provisions
- Streamline negotiation and reduce administrative burden

Subcontract amendments under federal grants are issued using the FDP Subcontract Amendment Template.

V. OVERVIEW OF SUBCONTRACT PROCEDURES

The following section summarizes ORA's subcontract lifecycle process for complying with federal requirements. This process ensures that subcontracts are accurately established, administered, monitored, and ultimately closed out in accordance with federal and sponsor regulations. It also ensures that each subcontract is properly recorded for tracking purposes and fully executed by an AOR before any federal funding is disbursed to the subcontractor. More detailed guidance on each stage of the subcontract lifecycle is provided later in this document.

Subcontract Lifecycle Steps

1. Proposal and Award Initiation

- a. Subcontracts are typically included in the contract proposal submitted to the prime sponsor.
- b. After receiving the prime contract, ORA, through Kualu Research (KR), notifies Departments and PD/PIs of official award setup.
- c. If the subcontract was not included in the contract proposal, ORA works with the PD/PI and Department designee to submit a prior approval request to the prime sponsor, where applicable.

2. Subcontract Request Submission

- d. Departments and PD/PIs complete the **ORA Subaward Request Form** and submit it to the ORA subaward team. Required components include (but are not limited to):
 - Subcontractor's Letter of Intent or **ORA Subrecipient Commitment Form**
 - Period of performance (must fall within the University's award period)
 - Statement of work
 - Budget (including cost share, if applicable)
 - Budget justification
 - Federally Negotiated Indirect Cost Rate Agreement (if applicable)
 - Payment terms and schedule
 - Technical and financial reporting requirements
 - Verification of IRB, IACUC, Export, and IBC compliance (as applicable)
 - Subcontractor contact information
 - Approval for carryforward of funds (if allowed by the prime contract)

3. Review, Risk Assessment, and Agreement Preparation

- e. Subaward Administrators review the **Subaward Request Form** and attachments for completeness and consistency with the terms and conditions of the prime award.
 - f. If applicable, the Compliance Coordinator completes the initial Risk Assessment, then assists with documenting monitoring requirements.
 - g. Subaward Administrators draft the subcontract agreement, including flowing down required sponsor terms and conditions; processing and/or negotiating the subcontract.
- 4. Execution and System Setup**
- h. Subaward Administrators process the subcontract details into KR Subaward module
 - i. Workday supplier contract is processed.
 - j. AORs of both institutions execute the subcontract.
 - k. The fully executed subcontract is uploaded to KR and sent to the Subcontractor AOR.
- 5. Subcontract Performance and Monitoring**
- l. The subcontractor completes the approved scope of work.
 - m. The PD/PI oversees technical performance in accordance with the statement of work.
 - n. Invoices are received, reviewed, approved, and paid.
- 6. Closeout**
- o. The subcontract is formally closed out.

VI. PRE-AWARD SUBCONTRACT PROCEDURES

A. SUBCONTRACTOR DETERMINATION

Consistent with the criteria outlined in Section II.A., UMD must determine whether a collaborating organization constitutes a subcontract or contractor (vendor) relationship. For guidance in making this determination, refer to *Appendix 2, Subcontractor v Contractor (Vendor) Decision Matrix*.

Once the collaborating organization is classified as a subcontractor, the steps outlined below apply.

B. SUBCONTRACTOR SELECTION METHOD

Selecting subcontractors under contracts requires either a non-competitive bidding process (with justification) or competitive bidding process in accordance with the FAR; however, this is not a procurement action in accordance with UMD policy (see *VIII-3.10(A) University of Maryland Procurement Policy*).

Subcontractors are selected by the Principal Investigator (PI) in compliance with applicable federal regulations and UMD policies. The two methods for selecting a Subcontractor are non-competitive bidding (single source or sole source) or competitive bidding. In most cases Subcontractors, regardless of selection method used, are identified in the proposal submitted to the sponsor. The PI, consistent with federal regulations, determines that the collaborating organization is appropriately classified as a subcontractor based on its substantive programmatic

role in the proposed scope of work. However, with prior sponsor review and approval, as required, additional subcontractors may be added after an award has been issued.

Other than full and open competition (FAR Subpart 6.3)

- i. **Sole Source** is a non-competitive process whereby a proposal is solicited from and negotiated with only one source. This process is used when only one responsible source is available or there is an unusual or compelling urgency.
- ii. **Single Source** is a non-competitive process whereby a proposal is solicited from a specific service provider although multiple providers who conduct similar services exist. This process is used based on the need for continuity, compatibility, or when specific expertise is required.

Using either Single Source or Sole Source selection method requires justification by the PI, which is documented on the Subaward Request Form. This method is generally justified due to one or more of the following reasons:

- Unique location, facilities infrastructure, major research instrumentation and/or shared services
- Unique SOW/services (e.g., compatibility or publications, patent and/or licensing considerations, etc.)
- Scientific/technical requirements, responsiveness, experience of personnel
- Prior work/collaboration history on earlier phases of project
- Understanding of the scope of work and method proposed for accomplishing work objectives
- Access to relevant animal species or relevant participant pool
- Access to relevant research security measures and/or infrastructure
- Sponsor of the original contract requests this specific Subcontractor

Full and open competition (FAR Subpart 6.4)

- iii. **Competitive bidding** is a competitive process whereby a request is made for proposal submissions from non-UMD sources. Solicited proposals are reviewed and evaluated by the PI before a final selection is made based on technical merit and cost objectives.

B. SUBCONTRACT PROPOSAL

The Subcontractor's proposal format should align with UMD's proposal format to the Prime Sponsor and will be reviewed as part of the overall UMD submission. At a minimum, the Subcontractor's proposal must include:

- **Letter of Commitment / Subrecipient Commitment Form**
 - A Letter of Commitment signed by an AOR and/or a Subrecipient (Subcontractor) Commitment Form.
 - UMD provides a sample Subrecipient Commitment Form; however, subrecipients (subcontractors) may use their own institutional forms.

- **Budget and Budget Justification**
 - Must include an itemized breakdown of expenses necessary to complete the proposed work, such as salaries, wages, fringe benefits, materials, supplies, equipment, travel, and other direct costs.
 - Indirect Costs should be calculated using the Subcontractor’s current negotiated indirect cost rate(s).
 - The subcontract budget total is incorporated into UMD’s overall proposal budget as a direct cost line item.
 - **Fixed Price Subcontracts:** Fixed price proposals must have a project scope with deliverables; and accurate costs, historical, or unit pricing data to establish a fixed budget based on a reasonable estimate of actual costs.
- **Statement of Work (SOW)**
 - Must clearly describe the subcontractor’s specific role in the project.
 - Must outline tasks, deliverables, timelines, and key personnel, as appropriate or applicable.
- **Indirect Cost Rate Documentation**
 - Provide a copy of, or hyperlink to, the Subcontractor’s Federally Negotiated Indirect Cost Rate Agreement or equivalent documentation.
 - Note that some federal agencies may have additional requirements or restrictions; always consult the specific agency’s guidelines.

C. PRICE OR COST ANALYSIS

A Price or Cost Analysis must be performed in connection with every subcontracting action. FAR 15.404-3(b) states that the prime contractor or Subcontractor shall:

1. Conduct appropriate cost or price analyses to establish the reasonableness of proposed subcontract prices; and
2. Include the results of these analyses in the price proposal.
 - a. Price Analysis is a means of determining if the asking price for a service or product is fair without resorting to an examination of the Subcontractor's cost and profit calculations. It is a comparison of the price with known indicators of reasonableness. FAR Subpart 15.404-1 states that “price analysis is the process of examining and evaluating a proposed price without evaluating its separate cost elements and proposed profit . . .”, and lists some examples:
 - i. Comparison of proposed prices received in response to the solicitation,
 - ii. Comparison of previously proposed prices and previous government and commercial contract prices with current proposed prices for the same or similar items if both the validity of the comparison and the reasonableness of the previous price(s) can be established,
 - iii. Use of parametric estimating methods/application of rough yardsticks (such as dollars per pound or per horsepower, or other units) to highlight significant inconsistencies that warrant additional pricing inquiry,

- iv. Comparison with competitive published price lists, published market prices of commodities, similar indexes, and discount or rebate agreements,
 - v. Comparison of proposed prices with independent Government cost estimates,
 - vi. Comparison of proposed prices with prices obtained through market research for the same or similar items, vii. Analysis of pricing information provided by the Subcontractor.
- b. Cost Analysis is an element-by-element review of the estimated cost of contract performance. FAR 15.404-1(c)(1) states that “cost analysis is the review and evaluation of the separate cost elements and profit or fee in an offeror’s or contractor’s proposal, as needed to determine a fair and reasonable price or to determine cost realism, and the application of judgment to determine how well the proposed costs represent what the cost of the contract should be, assuming reasonable economy and efficiency.”
- c. Verification of cost or pricing data and evaluation of cost elements include:
- i. The necessity for, and reasonableness of proposed costs including allowances for contingencies;
 - ii. Projection of the offeror’s cost trends, on the basis of current and historical cost or pricing data;
 - iii. Reasonableness of estimates generated by appropriately calibrated and validated parametric models or cost-estimating relationships; and
 - iv. The application of audited or negotiated indirect cost rates, labor rates, and cost of money or other factors.
 - v. Documentation of cost or price analysis is initially dependent on the Principal Investigator’s approval and close review by the Contract Administrator at the proposal stage. Upon receipt of an award, the PI’s signature on the Subaward Request Form confirms that the Subcontractor’s costs are reasonable given the work proposed. These costs are closely reviewed a third time by the Subaward Administrator prior to issuing a new subcontract and additional back-up documentation is requested when necessary.
- d. ORA’s review of proposed costs is necessary in order to carry out the requirements of FAR Subpart 15.404 to determine the acceptability of the Subcontractor’s proposed costs. This evaluation of acceptable costs may be accomplished by ORA as follows dependent on thresholds established by the FAR:
- i. If the value of a subcontract issued under a Prime Contract is less than the threshold established by FAR Subpart 15.403-4 and UMD has had successful prior experience with the Subcontractor, a review of proposed costs will be performed. Plainly stated, based on discussions with the UMD PI, the nature of work to be performed, and discussions with representatives of the Subcontractor, a determination is made as to the reasonableness of all proposed costs to the proposed effort.

- ii. If the value of a subcontract issued under a Prime Contract is higher than the threshold established by FAR Subpart 15.403-4, the Subcontractor may be required by either the Prime Sponsor or ORA to provide more detailed pricing support data for purposes of determining acceptability of costs.
 - iii. The Subcontractor will be required to provide a Certificate of Current Cost and Pricing Data (Appendix 3) if the price negotiated between ORA and the Subcontractor exceeds the threshold established by FAR Subpart 15.403-4.
 - iv. If the subcontract value exceeds the threshold, an assist audit may be requested through the appropriate cognizant federal agency in the event the federal government has not already performed an audit on the Subcontractor.
- e. The Subcontractor will be asked to provide a copy of its most recently approved negotiated or approved indirect cost rate agreement if one has not been provided with the Subcontractor's proposal. Some commercial organizations are unwilling to provide copies of rate agreements to anyone other than governmental agencies. In this case, ORA will request rate verification from the Subcontractor's assigned cognizant audit agency (i.e. DHHS or DCMA) via the Contracting Officer.
 - f. The Subcontractor may be required to submit an audit report in accordance with Subpart F of 2 CFR 200 or audited financial statements if the entity is not subject to the requirements of 2 CFR 200.

VII. POST-AWARD SUBCONTRACT PROCEDURES

A. SUBRECIPIENT MONITORING AND OVERSIGHT COMMITTEE REVIEW (SMOCR)

A SMOCR is required for any Subrecipient and Subcontractor with no prior history of receiving a subaward or subcontract from UMD. Questions may sometimes arise as to a potential Subcontractor's ability to properly perform the work or to provide adequate financial management. Audit and financial information are requested directly from the Subcontractor. In addition, UMD ensures the entity is in good standing, does not appear on the SAM.gov Excluded Parties List (entities debarred or suspended from receiving federal funds), and reviews the annual audit report to verify there are no significant or material negative findings. If significant or material negative findings are reported, a close review of the audit and prior findings is conducted by the appropriate parties at UMD.

- a. Each Subrecipient/Subcontractor is given an overall risk rating of Low or High through completion of the FDP's Risk Assessment Questionnaire. Entities that fall into a High-Risk category based on the applicable risk factors require the development and implementation of a risk mitigation plan to reduce potential financial, compliance, or performance risk to UMD. The mitigation plan is tailored to the specific risk(s) identified and may include, but is not limited to, enhanced technical and/or financial reporting requirements during the project period, modified invoicing or payment terms, increased monitoring or review of deliverables, utilizing a firm fixed price agreement

type, or other appropriate controls designed to ensure proper stewardship of project funds and satisfactory performance.

- b. If, in connection with the Annual Audit Certification required under the Uniform Guidance, the Subrecipient or Subcontractor, as applicable, reports that it has a material finding in its audit report, the decision of whether to continue with the execution of the agreement by UMD will be made on a case-by-case basis. The agreement may be executed pending the correction of deficiencies; however, the agreement may be terminated if the Subrecipient/Subcontractor fails to correct the deficiencies in a manner acceptable to UMD.

UMD's complete procedures for risk assessment and ongoing monitoring—such as documentation reviews, export control checks, site visits, and annual reevaluation—are outlined in the **Subrecipient Monitoring Oversight Committee Review (SMOCR) Procedures**, maintained by the ORA.

B. SUBCONTRACT REQUEST FORM

Upon receipt of a **Subaward Request Form**, ORA initiates the preparation, negotiation, and execution of the subaward agreement. Although key elements of the subcontractor's role and budget are typically submitted to ORA to include in UMD's proposal, the following documentation must be provided to ORA to support issuance of a new subcontract:

- A statement of work that aligns with the effort(s) proposed under UMD's prime award
- A period of performance that falls within the prime award period
- A budget that matches what was included in the sponsored proposal and is fair and reasonable
- All required certifications and compliance documents
- Applicable sponsor terms, conditions, and flow-down requirements are identified and incorporated
- Whether sponsor prior approval is required before issuing the subcontract

Once the **Subaward Request Form** and supporting documentation are received, ORA conducts an initial review to ensure compliance with federal, sponsor, and institutional requirements.

This review includes the following actions:

1. **Risk and Compliance Screening**
 - The Subaward Administrator reviews the Form for any Conflict of Interest (COI) or compliance concerns and, if applicable, submits a request to the Compliance Coordinator to conduct the initial risk assessment (SMOCR).
2. **Internal Processing and Assignment**

- The subcontract request is assigned to the Subaward Administrator responsible for drafting the subcontract and is logged into KR.
3. **Review of Sponsor Award and Applicable Requirements**
- The Subaward Administrator reviews the sponsor’s award document to confirm:
- **Budget alignment:**
 - That the subcontract was included in UMD’s proposal and budget; and
 - That the subcontract amount is within the scope and funding level authorized by the sponsor, consistent with applicable prior approval requirements of the contract and FAR.
 - **Applicability of sponsor terms and conditions:**
 - Identification of general provisions, flow-down clauses, and any terms required to protect the interests of UMD and/or the sponsor.
 - **Sponsor approval requirements:**
 - Whether additional prime sponsor approval of the subcontract is necessary prior to issuance in accordance with FAR 52.244-2 and the terms of the contract.

4. **Compliance Validation**

Before issuing the subcontract, ORA completes a final compliance validation to ensure that the subcontractor is eligible to receive funding and that all regulatory and institutional requirements are satisfied. This includes:

- Verification of subcontractor eligibility to receive federal funding
- Review of the subcontractor’s Indirect Cost Rate Agreement (if applicable)
- Confirmation of COI documentation, including:
 - Verification that subcontractor following UMD’s COI policy have completed training and submitted the required disclosure
- Verification of IRB, IACUC, IBC, or other compliance approvals, as applicable
- Coordination with other UMD offices (e.g., Export Control, Compliance, PD/PI) when specialized review or approval is required.

NOTE: A subcontract will not be issued, nor payments to a subcontractor authorized, before UMD accepts a notice of award or a fully executed contract from the prime sponsor. A UMD PD/PI or designee may not authorize a subcontractor to begin working without a fully executed subcontract. **Proposed subcontractors who commence work without a fully signed subcontract from UMD do so at their own risk and have no assurance of payment from UMD.** Once a subcontract is in place (typically for a year at a time), additional increments of time and funding will not be issued until UMD receives the new budget period funding from the sponsor.

C. DRAFTING, NEGOTIATING AND EXECUTING THE SUBCONTRACT

1. The ORA Subaward Administrator or other designated ORA personnel prepares a subcontract using the appropriate agreement template, in accordance with the requirements of the prime contract. Subcontract numbers are assigned by the Subaward Administrators, in accordance with established UMD guidelines, and Workday will automatically assign a Supplier Contract Number to each subcontract when the action is entered into the system. The Supplier Contract Number will then be assigned and documented in the subcontract.
2. If the agreement between UMD and the Prime Sponsor requires prior approval before a subcontract can be issued, the request is sent to the Prime Sponsor by the appropriate Contract Administrator in ORA to obtain prior approval.
3. A copy of the subcontract is sent to the Subcontractor for signature. Original or electronic signature copies must be returned to UMD. Any flow-down terms and conditions will accompany the subcontract created and forwarded to the Subcontractor for signature. Scanned or electronic signature may be accepted as a final copy of the subcontract if both UMD and Subcontractor mutually agree.
4. During the approval or Subcontractor acceptance process, changes may need to be negotiated, or clarifications provided in the subcontract. ORA will negotiate all changes to the subcontract in close coordination with the department administrator and may require input from the PI and the Subcontractor, as appropriate.
5. Upon receipt of a signed document from the Subcontractor and receipt of prime sponsor approval, if required, the subcontract is signed by the Assistant Vice President, Office of Research Administration or their designee on behalf of UMD.
6. After the subcontract has been executed by UMD, ORA will transmit one fully executed copy of the subcontract to the Subcontractor and make a copy available internally to the appropriate Department or College business officer in the KR Subaward module. All supporting documentation for the issuance and negotiation of the subcontract will be maintained in ORA.

D. SUBCONTRACT MODIFICATION

All formal subcontract actions are processed by the ORA Subaward Team (orasubaward@umd.edu). Departments and PD/PIs may request modifications to an existing subcontract—including no-cost extensions, incremental funding, budget revisions, or other changes—by completing the **ORA Subaward Modification Request Form** and submitting it to the Subaward Team.

Upon receipt, the Subaward Team reviews the request and prepares a formal subcontract modification for bilateral signature, as required. The team is responsible for updating the KR Subaward module, the system of record for subcontracts. Entries made in KR, including adjustments to performance periods or funding amounts, drive corresponding updates in Workday. For example, when additional funding is added to a subcontract in KR, the overnight system feed moves the authorized funds from the parent GR line to the subaward GR line in

Workday. After the modification is fully executed, the Subaward Team finalizes the associated subcontract supplier contract in Workday.

NOTE: A subcontract modification in KR updates the *current amount* of funding available but does **not** update the Workday budget. Budget adjustments are made by the ORA Award Administrator at initial award setup or when new funding is received. If a department identifies a budget error, corrections may be requested through the **Post-Award Management Request Form** in Quali Build (KB).

VIII. ONGOING SUBCONTRACTOR MONITORING

A. TECHNICAL MONITORING

As the prime contractor, UMD assumes ultimate responsibility for the conduct and completion of the project. However, the PD/PI is directly responsible for monitoring the subcontractor's performance to ensure that project goals and sponsor requirements are met. This includes thoroughly reviewing subcontractor progress reports submitted with invoices, following up as needed, and addressing any performance concerns in a timely manner. Subcontractor progress updates are typically incorporated into the progress report that UMD submits to the sponsor.

A recommended practice is to require subcontractor reports that both effectively monitor progress and support UMD's sponsor reporting obligations. For example, when an award requires annual and final progress reports, the UMD PD/PI should consider requiring the subcontractor to provide corresponding annual and final reports covering their portion of the project. These reports must be submitted far enough in advance to allow the PD/PI to review the information and incorporate it into UMD's sponsor report.

PD/PIs should be mindful that requesting additional reporting increases their administrative responsibilities, and those of their departments and that PD/PIs are accountable for ensuring that all required reports are received, reviewed for acceptability, and appropriately documented.

B. FINANCIAL MONITORING

In accordance with the payment terms outlined in the subcontract, subcontractor invoices are submitted to UMD's Accounts Payable Office. The invoice review process involves programmatic, financial, and administrative oversight to ensure that charges are allowable, allocable, reasonable, and consistent with the subcontract's scope of work and applicable regulations. The [Review and Approve \(Subaward\) Supplier Invoice Workday Job Aid](#) provides detailed guidance on invoice processing in Workday.

Additional information on subaward/subcontract processing can be found in the [Subawards Reference Guide](#), which offers clarification on how subawards/subcontracts function in Workday, recommended practices for invoice documentation and approvals, and other

operational guidance. The reference guide is updated regularly to incorporate new procedures and best practices.

C. ANNUAL AUDIT REPORTING

As the prime recipient of federal funds, UMD is responsible for ensuring that subcontractors remain eligible to receive federal funding and are able to carry out their portion of the project. This includes verifying that each subcontractor meets its applicable annual audit requirements and reviewing audit reports for any findings that may affect performance or compliance under UMD awards. UMD's responsibilities as a pass-through entity continue throughout the life of the subcontract; for all active subcontracts, UMD conducts an annual risk assessment to confirm ongoing compliance and identify any changes in risk level. These periodic reviews support the implementation of appropriate monitoring strategies in accordance with 2 CFR § 200.332(d) and (e).

IX. SUBCONTRACTOR CLOSEOUT REQUIREMENTS

A. CLOSEOUT NOTICES

UMD is responsible for ensuring that the subcontractor has submitted all required final deliverables and documentation at the conclusion of the subcontract. Within **90 days** of the subcontract's expiration or termination, **or earlier if required by the prime contract**, ORA Compliance initiates the closeout process by sending the **Subaward Closeout Form** to the subcontractor and the **Subaward Closeout Authorization Form** to the UMD Principal Investigator. Signatures from the subcontractor's Authorized Organizational Representative (AOR) and the UMD PI confirm that all required final reports, the final invoice, and any property or invention disclosures have been submitted to the appropriate campus offices. Completed certifications are uploaded into Quali Research (KR).

Although sponsor requirements vary, ORA will make reasonable efforts to complete the closeout process within **90 days** of subcontract expiration and will follow up as needed to ensure compliance with both sponsor and University requirements.

Required Closeout Documentation, including but not limited to:

- Final Technical Report
- Final Invoice
- Subcontractor's Final Property Report (if applicable)
- Final Report of Subcontractor Inventions (if applicable)
- Subaward Closeout Form

These documents ensure that project deliverables are completed, costs are properly accounted for, and all compliance obligations are satisfied before final payment is issued.

B. INVENTION REPORTING REQUIREMENTS

For federally funded subcontracts, the subcontractor must notify UMD's Administrative Contact of any inventions in accordance with **37 CFR 401.14**. Notification must occur within **60 days** to the sponsor after the subcontractor's inventor discloses the invention internally. When required, a **negative invention report** must be submitted (see the University of Maryland System Policy on Patents).

C. PROPERTY REPORTING REQUIREMENTS

If a subcontractor has purchased or fabricated property under the subcontract, a **Final Property Report** may be required at closeout. The report must identify all items acquired with subcontract funds and include item descriptions, serial numbers, acquisition costs, and current condition. UMD's Sponsored Programs Accounting and Compliance (SPAC) office will review the report to determine the appropriate property disposition in accordance with sponsor regulations, the terms of the prime award, and University policy.

D. PRINCIPAL INVESTIGATOR'S SUBAWARD CLOSEOUT AUTHORIZATION

By signing the Principal Investigator's **Subaward Closeout Authorization Form** (<https://ora.umd.edu/forms/umd-forms>), the Principal Investigator indicates that all deliverables are received and satisfactory, and all costs have been submitted, reviewed and approved, including cost sharing requirements.

E. FINAL INVOICE

When the final invoice has been received and routed in Workday, departments must follow the review and approval procedures outlined in the applicable Workday job aid.

If the subcontract was issued as a **fixed price**, the **Subrecipient's Certification of Completion** must be submitted to ORA along with the final invoice.

F. FINAL CLOSEOUT

Once all required closeout documents have been received and approved, ORA finalizes the **Subaward Closeout Package** and records the closeout in the KR Subaward module. The subaward status is then updated from *Closeout in Progress* to *Closed*. This update feeds to Workday and changes the subaward funding line status to *Closed*, thereby preventing any further payments to the subcontractor/subrecipient.

If required closeout documentation is not received within **120 days** of the subaward end date, UMD may proceed with an **Administrative Closeout**. Administrative closeout is used in place of a formal audit unless an audit is warranted due to the program's nature, the level of funding,

or concerns identified through the subcontractor's Single Audit or other financial or monitoring reviews.

Once the subcontractor's work is completed, closeout activities are finalized, and all final payments have been processed, departments should use the **Post-Award Management Request Form** in KB to **de-obligate any remaining subcontract funds**, releasing them back to the parent GR line when permitted under sponsor terms.

X. APPENDICES

Appendix 1

Key Statutes and Regulations Governing Research Grants:

The Federal Grant and Cooperative Agreement Act (31 U.S.C. § 6301-6308):

- This statute distinguishes between grants and contracts and provides the legal foundation for when an agency should use a grant or a contract.
- Section 6302 specifies that research grants are used when the purpose is to fund scientific or technical research, with the intention of advancing knowledge or discovering new insights, rather than for commercial or transactional purposes.

Guidance for Federal Financial Assistance (Uniform Guidance or UG):

- This set of regulations is one of the most essential governing grants and agreements, as it includes Federal Government-wide general administrative rules for federal awards and applies to both direct grants and subgrants.
- In addition to the guidelines on allowable costs, audit requirements, and financial and administrative management, it includes the procurement standards for procurements issued under assistance awards.

Agency-Specific Regulations:

- The 26 major federal grant-making agencies have agency-specific supplemental regulations that govern how they issue and manage research grants. Key examples are:
 - National Institutes of Health (NIH): NIH grants are governed by the NIH Grants Policy Statement and other specific NIH regulations.
 - National Science Foundation (NSF): NSF grants are governed by the NSF Proposal & Award Policies & Procedures Guide (PAPPG).
 - Department of Energy (DOE): DOE has its own set of regulations for grants that fund scientific research, such as the DOE Financial Assistance Regulations.

Research Contracts:

Research contracts are structured agreements between a sponsor (public agency or private foundation) and a contractor to perform specific services or deliverables **for the benefit of the federal agency**. These contracts are subject to a competitive bidding process outlined in the federal procurement regulations, specifying the oversight, performance metrics, and regulations sponsors employ.

Key Statutes and Regulations Governing Research Contracts:

Federal Acquisition Regulation (FAR):

- FAR (48 CFR Chapter 1) is the primary regulatory document governing procurement contracts with the federal government, including research contracts. FAR covers a wide range of procurement policies and requirements, including:
 - Solicitation procedures for research contracts.
 - Contract clauses and payment terms for contractors.
 - Performance metrics and deliverable schedules.
 - Cost accounting and audits.
- The FAR applies specifically to the purchase of goods or services and is used for contracts where the sponsor has more control over the research process.

Defense Federal Acquisition Regulation Supplement (DFARS):

- For contracts related to defense research, the DFARS supplements the FAR and provides additional requirements specific to contracts with the Department of Defense (DoD). This includes additional compliance and reporting requirements for research contractors.

Other Agency-Specific Regulations:

- Agencies like the Department of Energy (DOE) and the National Aeronautics and Space Administration (NASA) have agency-specific regulations and supplements to the FAR that govern their research contracts.

Appendix 2

Subcontractor v Contractor Decision Matrix

Subcontractor	Contractor (Vendor)
Subcontractor collaborations are uniquely designed in response to each project and are not provided commercially.	Contractor provides the goods or services within normal business operations, and to many different purchasers.
Subcontractor PD/PI is usually a scientific collaborator or even a PD/PI on the overall project.	Contractor operates in a competitive environment.
Subcontractor retains rights to intellectual property.	Contractor retains no rights to intellectual property.
Subcontractor participates in the development and execution of the statement of work.	Contractor provides the goods or services ancillary to the operation of the federal program.
If not originally included in the proposal, the subcontract usually requires the sponsor's prior approval (depending on the prime award's T&Cs).	Generally, does not require prior approval of the sponsor, subject to rebudgeting restrictions imposed on the particular category of cost.
Indirect costs are assessed only on the first \$25,000 of a subcontract on each approved funding cycle. Effective July 1, 2026, indirect costs are assessed on the first \$50,000 of a subcontract on each approved funding cycle.	Indirect costs are assessed on the entire amount.
Requires sole-source justification or open-bid requirements (unlike a subaward issued under a federal grant or cooperative agreement, which are exempt from such requirements).	Is subject to sole-source documentation or open-bid requirements.
Is subject to federal monitoring requirements.	Is not subject to federal subrecipient/subcontractor monitoring requirements.

Appendix 3

Certificate of Current Cost or Pricing Data

This is to certify that, to the best of my knowledge and belief, the cost or pricing data (as defined in section [2.101](#) of the Federal Acquisition Regulation (FAR) and required under FAR subsection [15.403-4](#)) submitted, either actually or by specific identification in writing, to the Contracting Officer or to the Contracting Officer's representative in support of _____* are accurate, complete, and current as of _____**. This certification includes the cost or pricing data supporting any advance agreements and forward pricing rate agreements between the offeror and the Government that are part of the proposal.

Firm _____

Signature _____

Name _____

Title _____

Date of execution*** _____

* Identify the proposal, request for price adjustment, or other submission involved, giving the appropriate identifying number (*e.g.*, RFP No.).

** Insert the day, month, and year when price negotiations were concluded and price agreement was reached or, if applicable, an earlier date agreed upon between the parties that is as close as practicable to the date of agreement on price.

***Insert the day, month, and year of signing, which should be as close as practicable to the date when the price negotiations were concluded and the contract price was agreed to.

(End of certificate)

(b) The certificate does not constitute a representation as to the accuracy of the contractor's judgment on the estimate of future costs or projections. It applies to the data upon which the judgment or estimate was based. This distinction between fact and judgment should be clearly understood. If the contractor had information reasonably available at the time of agreement showing that the negotiated price was not based on accurate, complete, and current data, the contractor's responsibility is not limited by any lack of personal knowledge of the information on the part of its negotiators.

(c) The contracting officer and contractor are encouraged to reach a prior agreement on criteria for establishing closing or cutoff dates when appropriate in order to minimize delays associated with proposal updates. Closing or cutoff dates should be included as part of the data submitted with the proposal and, before agreement on price, data should be updated by the contractor to the latest closing or

cutoff dates for which the data are available. Use of cutoff dates coinciding with reports is acceptable, as certain data may not be reasonably available before normal periodic closing dates (*e.g.*, actual indirect costs). Data within the contractor's or a subcontractor's organization on matters significant to contractor management and to the Government will be treated as reasonably available. What is significant depends upon the circumstances of each acquisition.

(d) Possession of a Certificate of Current Cost or Pricing Data is not a substitute for examining and analyzing the contractor's proposal.

(e) If certified cost or pricing data are requested by the Government and submitted by an offeror, but an exception is later found to apply, the data shall not be considered certified cost or pricing data and shall not be certified in accordance with this subsection.