

## **The Procedure to Account for Subcontracts**

### **The Pre-Award Process (Research Office)-Rutgers-Newark**

1. Approval must be obtained from the prime sponsor, usually in proposal stage. **This is to ensure that the program laws and regulations allow for sub awards.**
2. Subaward Request Form is sent to the Research Office with a budget and scope of work **to be reviewed.**
3. The Research office (**Rutgers authorized official to review and approve the subcontract**) will create a subcontract and issue the document on the **principal investigator (PI)/project director's (PD)** behalf. A subcontract is not binding until the authorized official of the subcontracting entity and the Research Office Director have both endorsed the document. Some subcontracts require significant negotiation of terms with a potential entity and may be subject to some time delays.

### **Encumbrance of Subcontractor Funds by Rutgers-Newark**

1. Once a fully executed (both parties signatures have been obtained) subcontract has been received by the Research office, the Contract Monitoring Specialist will generate a purchase order. This act will encumber (**via a commitment**) the funds from your restricted account to pay your subcontractor upon receipt of an authorized invoice **and/or invoices**. This process is repeated each time continuation funding is received.

### **Invoicing by Subcontractor**

1. In accordance with the legally binding subcontract , the subcontractor will submit monthly invoices to the Newark Grants Office.
2. The Newark Grants Office will send the submitted invoice to the Rutgers PI for approval.
3. The PI/PD will approve each invoice submitted, make two copies of the signed original and disperse as follows:  
Original to the Newark Grants Office, Attn. Contract Monitoring Specialist.  
1 Copy to the Department Business Office  
1 Copy for the PI/PD's records.
4. **After securing a copy for the file**, the Newark Grants Office will forward the endorsed original to Invoice Processing for Payment.

### **PI/PD/DEPT. Responsibilities**

- The PI/PD on the grant is responsible for managing a subcontract, programmatically and fiscally. **This responsibility includes, but not limited to, ensuring that the expenditures charged to the prime award by the subcontractor are appropriate, reasonable and necessary.**
- Each original invoice that you receive from your subcontractor must be approved by endorsing it with your signature, indicate “O.K. to Pay” on the face on it and then forwarded to the Newark Grants Office for **review** and payment **processing**.
- Only the PI/PD should be approving payment to subcontractors as only the PI is liable should payment be made without work being completed to satisfaction **or payment/s for inappropriate expenses.**
- Any changes (**modifications, amendments, revisions**) from the original subcontract, must be submitted and approved by the Research Office. This includes a change in Scope of Work, Budget, Period of Performance and any other Terms and Conditions of the contract.
- **Funds for subcontract must be reserved for that purpose and should not be used by the PI/PD for his/her activities at Rutgers.**
- **If the PI/PD spends a portion of the committed funds for the sub award and the institution is subsequently billed for the full amount, then the PI/PD/Department will be liable for the amount overspent.**
- **Secure a final invoice at end of project from subcontractor.**

**DON'T FORGET: Each original invoice that you receive from your subcontractor must be approved by endorsing it with your signature, then forwarded to the Newark Grants Office for payment.**