

PI QUICK GUIDE - SUBAWARDS

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The Office of Management and Budget (OMB) has combined many federal circulars into a single guidance document (known as Uniform Guidance, or 2 CFR 200) that can be used by all agencies. These new regulations became effective December 26, 2014.

A general guideline to UMN roles and responsibilities for subawards is available at: <http://www.ospa.umn.edu/subaward/roles.htm>.

<p>SELECTION AND RISK ASSESSMENT OF SUBRECIPIENTS</p> <p>Applicable Uniform Guidance (UG) Section: 200.331</p>	<p>The pass-through entity (sometimes known as “the prime award recipient”) is responsible for selecting capable subrecipients and is obligated to evaluate a subrecipient’s risk of non-compliance with federal statutes, regulations, and conditions of the subaward and must factor the outcome of that assessment into their subrecipient monitoring processes.</p> <p><u>Selection</u> A Subrecipient should be selected based upon its technical expertise and potential ability to perform the scope of work successfully, within an infrastructure that meets certain federal internal control and policy requirements. PIs are responsible for assessing the technical adequacy of subrecipients and the appropriateness of their proposed budget. SPA validates the adequacy of the internal controls and policies of the selected subrecipient via its risk assessment process. SPA offers the Fair and Reasonable Cost Analysis Form 1 as an optional tool for PIs and departments to use to guide and document the unit portion of the selection process. If there is uncertainty about a potential subrecipient, consult with the SPA Grant Administrator serving your unit.</p> <p><u>Risk Assessment</u> To initiate this assessment, PIs or departmental staff should ask subrecipients to complete a Subrecipient Commitment Form when they invite the subrecipient to send UMN a proposal. The completed form should be submitted to SPA; it is optional at time of proposal but is required prior to issuance of the subaward.</p>
<p>CONTRACTOR VS. SUBRECIPIENT DETERMINATION</p> <p>Applicable UG Sections: 200.23 200.92 200.93 200.331</p>	<p>The pass-through entity holds the responsibility for deciding whether any given arrangement constitutes a subaward (carrying out an intellectually significant portion of the Federal award, creating a financial assistance arrangement) or a contractor agreement (obtaining goods and services, creating a procurement relationship).</p> <p>As a reference tool, the FDP Checklist to Determine Subrecipient or Contractor Classification provides guidance about making this determination. If a PI is unable to determine whether a transaction is a subaward or a contractor agreement, contact your departmental administrator or SPA Grant Administrator for assistance. Note that it is critical for this determination to be correct at the time of proposal in order to ensure accurate pricing and efficient subaward issuance at time of award.</p>
<p>CONFLICT OF INTEREST</p> <p>Applicable UG Section: 200.112</p> 	<p>A process must be in place for screening and managing potential conflicts of interest arising between the PI/UMN and their subrecipients.</p> <p>When a PI completes the Proposal Routing Form and answers “no” to Question #15.b., they are certifying there is no conflict of interest with the subrecipient. If they answer “yes” because there is a conflict, Minnesota state law prohibits the University from entering into that transaction; contact SPA to determine acceptable alternatives.</p>



<p>F&A ON SUBAWARDS</p> <p>Applicable UG Sections: 200.331 200.414</p>	<p>The subrecipient’s negotiated F&A rate or an alternative rate must be used for all subawards.</p> <p>Apply these rules related to F&A on subawards to all competitive proposals and all new/renewal awards issued on or after 12/26/14:</p> <ol style="list-style-type: none"> 1. If a federal program or a non-profit sponsor has a published statutory F&A cap, or a reduced rate that has been approved by the agency head and listed in an RFA, that reduced rate must be used both by UMN and all of its subrecipients. 2. In all other cases, apply the following rules in order of precedence: <ul style="list-style-type: none"> ○ The subrecipient’s federally negotiated F&A rate. This applies <i>both</i> to subawards the University of Minnesota receives from other entities (our applicable negotiated F&A rate must be used), and to subawards we issue (we may not reduce F&A for our subrecipients who have their own negotiated F&A rate). ○ If the subrecipient does not have a negotiated F&A rate, a 10% MTDC de minimus F&A rate must be used. Unless otherwise dictated by the federal sponsor, this rate is available to both domestic and foreign subrecipients. Pls may not negotiate or agree to lower rates with their subrecipients. (NIH caps foreign subrecipients at 8% MTDC.) ○ SPA will, as an alternative to the 10% MTDC de minimus rate, negotiate an F&A rate with a subrecipient that is ineligible to negotiate with the federal government but has more than \$750K of sponsored award business with the University per year. Contact SPA if you believe this may apply to your situation. <p>For ongoing subawards that receive a new obligation of funds subject to the Uniform Guidance, the F&A rate will remain at the rate(s) used in the original subaward throughout the rest of the current project period (unless a federal agency has specified differently). New subawards (not yet signed at the time its parent award becomes subject to the Uniform Guidance) will be required to conform to Uniform Guidance F&A requirements listed above (unless the federal agency designates otherwise). Pls may either rebudget from their direct costs to meet any F&A shortfalls or may request supplements from the federal agencies, at their discretion. University personnel may not require or suggest to subrecipients that they forego F&A to which they are otherwise entitled.</p> <p>There is no change to UMN’s recovery of its own F&A – this remains limited to receiving our F&A on the first \$25K of each subaward we issue.</p>
<p>RETAINING “PROFIT” ON FIXED PRICE SUBAWARDS</p> <p>Applicable UG Sections: 200.201 200.400 FAQ .201-1</p>	<p>Excess revenue over expense on a fixed price subaward will not be considered profit as long as the price for the original fixed price subaward was properly established.</p> <p>A properly established fixed price (sub)award in this context means that the cost of the subaward was determined in accordance with the cost principles in the Uniform Guidance and/or using past experience with similar types of work for which outcomes and their costs can be reliably predicted.</p> <p>Principal Investigators and their departments are responsible for reviewing subaward budgets to ensure the proposed costs are in alignment with the programmatic objectives and are allowable and reasonable costs to their awards. Consult your SPA Grant Administrator if there are questions.</p>



<p>FIXED PRICE SUBAWARDS</p> <p>Applicable UG Sections: 200.45 200.201 200.332</p>	<p>Unless waived by the federal agency, prior agency approval is required to enter into fixed price subawards, which may not exceed \$150K. A certificate of completion or price adjustment will now also be required.</p> <p>(To date, NIH and NSF have waived the prior-approval requirement for fixed-price subawards. Note, however, NSF still requires prior approval to enter into any subaward not listed in the proposal.)</p> <p>This will impact approximately 20% of all subawards issued by UMN, which are most commonly used for clinical trial site agreements, foreign subrecipients, small businesses, and small community organizations. To expedite agency approval, PIs/departments should add a justification statement to proposals contemplating a fixed price subaward. If no such statement was used at time of proposal, the PI must initiate a request for agency approval and have it countersigned by SPA, who will submit it to the agency. Allow 30 days for the agency to respond.</p> <p>At the end of a fixed price subaward (during the closeout process), a new requirement has been imposed to certify completion of the fixed price subaward, documenting that the full effort or activity occurred. If the work was only partially completed, there is an obligation to adjust the price to fairly reflect the amount of work that was completed. Procedural details on the mechanics of this certification will be released in the future.</p>
<p>SUBRECIPIENT PROGRESS REPORT TRACKING</p> <p>Applicable UG Sections: 200.328 200.331</p> 	<p>Pass-through entities must specify any required financial or programmatic reports needed in their subawards and they are responsible for reviewing and retaining such reports.</p> <p><u>Financial Reports/Invoices</u> Specifying and tracking financial reports (invoices) from subrecipients is not a new requirement under Uniform Guidance and the University already has systems in place to meet this requirement that will continue to be followed.</p> <p><u>Programmatic Reports</u> PIs will be asked by SPA before a subaward is issued if they want to require programmatic reports from their subrecipient. If a PI requires subrecipient programmatic reports, the PI must (1) collect, document their review*, and locally retain (in the PI's or departmental records) those reports as part of the regular record retention schedule set forth for sponsored project files; and (2) PIs will document they have received and reviewed all required reports when approving subaward invoices for payment. To document mid-project monitoring a statement will be added by SPA to each invoice before it is sent to the PI for approval.</p> <p><i>*e.g., an email back to the subrecipient indicating the report has been reviewed and is acceptable, or annotating on the report itself "Reviewed, Approved" with PI's signature and date.</i></p>



<p>SUBRECIPIENT MONITORING</p> <p>Applicable UG Section: 200.331</p>	<p>There is an increased emphasis on effective monitoring of subrecipients both prior to issuance and during the life of a subaward.</p> <p>SPA is obligated under federal regulations to verify that a subrecipient has adequate internal controls to comply with agency requirements and regulations prior to entering into a subaward and during its lifetime. This includes reviewing a subrecipient’s audit information or alternative verification of the subrecipient’s internal control structures, and review of subrecipient programmatic and financial progress (including invoices and progress reports.) In most cases, SPA is able to undertake initial or annual risk assessments without involving the PI, but PIs will be informed if their assistance is needed.</p> <p>PIs play a major monitoring role by verifying progress and in ensuring invoices submitted by subrecipients are appropriate. In some cases, SPA will modify the terms of a subaward to manage institutional risk (e.g., require more frequent or detailed invoicing or reporting, use of a fixed price subaward, smaller but more frequent obligations of funding, etc.) or to meet specialized needs of a subrecipient (e.g., to help them manage cash flow). PIs should inform their SPA Grant Administrator of any special needs, concerns, or requirements arising with their subrecipients, either before a subaward is issued or as the subaward unfolds.</p>
<p>PROMPT SUBAWARD PAYMENTS</p> <p>Applicable UG Sections: 200.207 200.305 200.338</p> 	<p>When issuing payments on cost-reimbursement subawards, pass-through entities are expected to issue payment on allowable costs within 30 calendar days after receipt of the billing.</p> <p>With this new prompt subaward invoice payment expectation, coupled with the new emphasis on the timely closeout of awards, PIs are asked to review and approve invoices within 14 days of their receipt, and return the approved invoice to SPA for payment. For your reference, see the checklist that should be followed when reviewing invoices.</p> <p>SPA is phasing in a new streamlined invoice submission process. Subrecipients will no longer submit the invoice to the PI and Grant Administrator. Instead, subrecipients will be instructed to submit invoices to: sub-inv@umn.edu. SPA will send the invoice to the PI and department and monitor to ensure that it is approved by the PI and returned to SPA so that it may be paid within the 30 day window.</p> <p>If a PI believes payment should be withheld from a subrecipient, they should contact their SPA Grant Administrator immediately. Under certain limited conditions detailed in the regulations, payment may be temporarily withheld while remedial activities are requested.</p>
<p>CLOSEOUT</p> <p>Applicable UG Section: 200.343</p>	<p>For most federal sponsors, UMN is required to submit its final reports (financial and progress) within 90 days after project termination. Subaward invoices and final reports must be submitted within 60 days to allow the University to meet this deadline.</p> <p>If the sponsored award has a subaward, the University must receive and process all final subrecipient reports and the final invoice within 60 days. This allows Sponsored Financial Reporting (SFR) to capture the expense on the final financial report and final bill (or electronic funds draw down) with the prime sponsor. PIs must be diligent in monitoring the receipt and approval of subrecipient final invoices for processing within this 60 day deadline.</p> <p>Concurrently, SPA will be requesting and monitoring the required closeout forms, including the Subaward Release Form, from the subrecipient.</p>