Changes in Subaward Management: Implementing UG and Changes in KC

June 29, 2015

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Agenda

• What’s new?
  – Uniform Guidance Changes
  – Subawards at Proposal Stage – KC changes
  – Subrecipient Monitoring Program - update
  – Subaward invoices now available in KC
  – Redesigned subawards website

• Closeouts – update
• If a subrecipient has a negotiated F&A rate, they should use it. Like us, if they forgo it, it will be counted as voluntary cost share

• If the subrecipient has never had a negotiated rate, they may budget 10% de minimus rate on an MTDC base (agency caps still apply, e.g. NIH caps at 8% for foreign subs).

• No changes to current rates in current subawards issued under A-21
UG – COI and Subs

• UG requires that we inform federal sponsors of potential conflicts of interest related to subawards.

• At proposal stage, we ask Investigators if they have a significant financial relationship with potential vendors or subrecipients – Q.12

“Does this project contemplate any purchases from or subawards to a company or other organization in which you hold an SFI?”
• Federal sponsors must specifically approve Fixed Price subawards, unless their policy delegates approval to prime award recipients
• The amount of a Fixed Price sub may be limited to $150K (simplified acquisition threshold), unless the agency increases the limit
• Fixed Price subs are rare, used mostly as a tool to manage high risk organizations; we do not encourage these
PIs are responsible for:

- monitoring the technical aspects of the project and
- documenting approval of technical reports

Approval of subaward invoices must be based on satisfactory technical progress.

Billed amounts must correspond to work completed to date, completion of milestones, etc.

PI and OSP are responsible for taking appropriate action where there are discrepancies – PIs must notify OSP when there are performance or other issues.
Goals @ Proposal Stage

1. Confirm the relationship with the organization is a subaward and not a consultant or a vendor
2. Determine the organization’s risk level
3. Propose the right overhead rates
**Subaward vs. Vendor vs. Consultant**

**Subaward**
- Other organization is intended to carry out a portion of the scope of work
- Typically includes collaboration on the project; both entities have PIs involved, though MIT is lead institution
- Subrecipient retains control of any IP that it develops

**Vendor**
- Provides goods and/or services within normal business operations
- Provides similar goods and services to many different purchasers
- Operates in a competitive environment

**Consultant**
- Paid at fixed negotiated hourly rate
- Considered "work for hire"
- IP is assigned to MIT

**Remember:** PIs select collaborators and document determination

**Remember:** Vendor and consultant costs bear full F&A
Organizational Risk Levels

Low Risk
- May be included in proposal.

Risk Undetermined
- New organization in the process of being evaluated by the OSP Subawards Team. Contact Subaward Team for more details before including this organization in the proposal.

High Risk
- Organization has been determined to be High Risk. Contact the Subaward Team for details before including this organization in the proposal.

Organization is not in KC
- If the organization is not in KC, please complete the “new org” form on the KC website and send us the SOW and budget so we can evaluate it.
Subaward Organization Status in KC

- Flag showing risk level will be here
- Clearly shows where MIT must focus to manage risk
Factors in Evaluating Subrecipient Risk

1. How long has the organization been operating?
2. Is the organization based in the US or abroad?
3. Has the organization received federal research funding in the past?
4. Does the organization have an A-133 or similar independent audit of their financial statements? Are there any material and relevant audit findings?
5. Does the organization have a negotiated Federal Facilities and Administrative rate or is the organization willing to accept the 10% F&A rate provided under CFR 200.414?
6. Does the organization have formal written policies and procedures regarding various matters, such as travel, purchasing procedures, time and attendance?
7. Does the organization have adequate internal controls in place to responsibly manage federal funds?
8. Does the organization have a written conflict of interest policy (if under an NIH prime, does the COI policy meet the NIH standard)?
9. If the organization has worked with the government, has it been penalized or been given negative reviews through CCR or SAM?
10. What is the size of the project, the term of the proposed Subaward and the complexity of the project? Will the organization be able to accomplish the work given its performance track record?
Options For Risk Management

1. Issue a firm fixed price contract with total payment at the end of the period, when all work has been completed to MIT’s satisfaction
2. Issue a contract that reimburses the subrecipient based on completion of milestones
3. Audit the Subaward regularly (possibly with the help of MIT’s Internal Audit)
4. Require receipts and/or time and effort records to accompany all requests for payment
5. Require quarterly or monthly (financial and or technical) progress reports to monitor progress
6. Limit Subawards to non-federal sources of funding only
7. Additional PI monitoring
8. Requiring the subrecipient to obtain technical or management assistance
9. Additional prior approvals, or additional milestones to be met before proceeding with the work
10. With the approval of the DLC head, require the DLC to provide backup account to cover any issues where payments are made but the deliverables are not met
11. Site visits to the organization to evaluate technical / administrative capabilities
12. Additional training or support to the subrecipient
13. Disallow the subaward
Subrecipient Monitoring

Goals: Convenient, Compliant Monitoring

- Subrecipient monitoring occurs in all phases of the process – roles and responsibilities are clear
- UG emphasizes the need for strong internal controls – monitoring and documenting that PI has received and approves work – how can you document this?
- Biggest Change: PIs participate in the development of management plans for high risk subawards and PIs must provide more oversight and scrutiny of reports, invoices, deliverables
- Coming Soon: Electronic routing and approval of subaward invoices (Buy to Pay)
Subaward Record / Docs in KC

### Document Overview

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OSP Forum: Subaward Management
6/29/15
### Subaward Invoices in KC

#### Invoices

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*Note: Attachments are accessible in the system.*
Subawards Overview

What is a Subaward?
When MIT Principal Investigators partner with another PI and institution to carry out a portion of a project awarded to MIT, we will issue a subaward agreement to allocate a portion of the work to be carried out at the other institution. In these cases, the subrecipient PI will be responsible for the design, conduct and reporting of the research. The organization must have the appropriate facilities to be able to carry out the work, and the organization’s policies and procedures must be sufficient to ensure the responsible use of sponsored funds. This relationship is different than a purchase or service agreement, or a work for hire relationship. Note that this determination has a significant impact on the project budget.

On this page:
- The OSP Subawards Team
- Subawards Basics
- Subawards Lifecycle
- Regulations and Circulars Citations

The OSP Subawards Team
The OSP Subawards Team issues and administers...
High Risk Area – Closeouts

Current events:

• Pressure on agencies - OMB July 2012 Controller Alert
• New sub-accounting – NSF, NIH, DOE, others to come
• No cash draws on awards after 90 days, except in exceptional cases, as approved by the agency
• Applies to all reports (financial, technical, patent)

According to UG: reports are due “no later than 90 calendar days after the end date of the period of performance”

Some agencies are giving us more time, but MIT policy will remain at 90 days, giving us more time to solve toughest problems

60 Days for subawards
**NIH GPS - 8.6 Closeout**

- Recipients must submit a final FFR, final progress report, and Final Invention Statement and Certification **within 120 calendar days**
- Retroactive back to all projects ending on/after 10/1/14 (per FAQs) / Unilateral Closeout by Day 270

**NSF PAPPG (open for comments until July 20th)**

- ...annual project reports should be submitted... no later than 90 days...
- ...liquidate all obligations incurred under their awards not later than 120 calendar days...

**DoD**

- Anticipate 120 days for financial reports and 90 days for programmatic

• **Other Agencies - TBD**

MIT policy on closeouts will remain the same – 90 days for all reports – helps ensure we meet all sponsor requirements. Additional time can be used to solve the more complicated problems.
Closing out a Subaward

MIT can close our prime award when sub provides:
- Final invoice – OSP chases
- Final technical report – PI chases
- Final invention report – OSP chases
- Final property report – OSP chases

Send documents to osp-research-subawards-closeout@mit.edu

- **Final payment depends upon receipt of all reports**
**Closeouts**

**Vision for subs process improvement in KC:**

- **In Progress**
  - Regular management reporting of subawards that are ending

- **To Be Developed**
  - Tracking the receipt of reports in KC – Report Module
  - Reminder emails to subrecipients and DLCs about what’s due
  - Closeout info added to KC dashboard / Atlas
Confirming relationship – subrecipient v. contractor

Identification of high risk subrecipients – contact us if red, yellow or if the organization is not in KC

Propose the right rates – negotiated rate or 10% MTDC if no negotiated rate

Monitoring progress throughout the life of the subaward; payment based on satisfactory performance

Contact OSP if you have questions
Please send feedback to osp-research-subawards@mit.edu
• Extra Slides
Sub Accounts Transparency
Clear visibility into payments by project

Agency & Payment Management Groups
are enforcing limitations on drawdowns / liquidation

The Catalyst

GAO Report

Regulatory Guidance

- **UG:**
  - Reports Due at 90 Days
  - Agencies to proceed to Unilateral Close if needed
  - Includes financial & programmatic reports

- **Sponsors/Agencies:**
  - Timeline varies

*Timely and Effective Closeout & Report Submission:*
- Safeguard sponsor and institutional funds
- Accurate & compliant close-out that does not require revisions