Uniform Guidance Implementation

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 University of Iowa (UI) roles and responsibilities for subawards is available at http://dsp.research.uiowa.edu/subawards-university-iowa

CONTRACTOR VS. SUBRECIPIENT DETERMINATION

Applicable UG Sections: 200.23, 200.92, 200.93, 200.331

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).

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 DSP reviewer 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.

SELECTION AND RISK ASSESSMENT OF SUBRECIPIENTS

Applicable Uniform Guidance (UG) Section: 200.331

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.

Selection

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 adequacy of subrecipients and the appropriateness of their proposed budget. If there is uncertainty about a potential subrecipient, consult with the DSP reviewer for your prime award.

CONFLICT OF INTEREST

Applicable UG Section: 200.112

The non-Federal entity must disclose in writing any potential conflict of interest to the pass-through entity in accordance with applicable Federal awarding agency policy.

Subawards issued by the UI incorporate requirements for the subrecipient to comply with the Federal awarding agency conflict of interest policy.

For funding provided by Public Health Service (PHS) agencies, the UI proposal routing form question 6.3 requires additional information related to the subrecipient’s conflict of interest policy, as required by PHS policy.
**F&A ON SUBAWARDS**

Applicable UG Sections: 200.331, 200.414

The sub-recipient’s negotiated F&A rate or an alternative rate as described below must be used for all subawards.

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:

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 UI and all of its subrecipients.

2. In all other cases, apply the following rules in order of precedence:
   - The subrecipient’s federally negotiated F&A rate. This applies both to subawards the University of Iowa 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. PIs may not negotiate or agree to lower rates with their subrecipients. (NIH caps foreign subrecipients at 8% MTDC.)

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). PIs 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.

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). PIs 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.

There is no change to UI’s recovery of its own F&A - this remains limited to receiving our F&A on the first $25K of each subaward we issue.

---

**BUDGETING FOR FIXED PRICE SUBAWARDS**

Applicable UG Sections: 200.201, 200.400, FAQ .201-1

The non-Federal entity is NOT allowed to earn or keep a profit. 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.

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.

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 DSP reviewer if there are questions.
FIXED PRICE SUBAWARDS
Applicable UG Sections: 200.45, 200.201, 200.332

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.

(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.)

Fixed Price subawards are NOT allowed in programs which require mandatory cost sharing or match.

This will impact a small percentage of all subawards issued by UI. 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 DSP who will submit it to the agency. Allow at least 30 days for the agency to respond.

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.

*“The subaward to [name the subrecipient here] documented in this proposal meets the criteria described in Subpart C-200.201(b) and the University of Iowa is therefore requesting prior agency approval of this Fixed Price Subaward. The University will consider this subaward approved if an award is made and no contrary guidance from the agency is included in the award notice.”

SUBRECIPIENT PROGRESS REPORT TRACKING
Applicable UG Sections: 200.328, 200.331

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.

Financial Reports/Invoices
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.

Programmatic Reports
PIs will be asked to complete the Subaward Reporting Requirements form for all subawards and amendments subject to the Uniform Guidance. The PI must (1) collect, document their review*, and locally retain (in the PI's or departmental records) those subrecipient reports as part of the regular record retention schedule required for the Federal award**; and (2) PI will confirm they have received and reviewed all required reports with the “Receipt” of invoices in the EPro system. To document mid-project monitoring, a statement will be added to the Accounts Payable email notification and workflow approval system.

*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.

**Generally the record retention period is three years after completion of the federally funded project.
SUBRECIPIENT MONITORING
Applicable UG Section: 200.331

There is an increased emphasis on effective monitoring of subrecipients both prior to issuance and during the life of a subaward.

UI 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).

PIs and Departments play a major monitoring role by verifying progress and in ensuring invoices submitted by subrecipients are appropriate. In some cases, GAO and DSP 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 DSP reviewer of any special needs, concerns, or requirements arising with their subrecipients, either before a subaward is issued or as the subaward unfolds.

PROMPT SUBAWARD PAYMENTS
Applicable UG Sections: 200.207, 200.305, 200.338

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.

With the new prompt subaward invoice payment expectation, coupled with the new emphasis on the timely closeout of awards, PIs/Departments are asked to review and “Receipt” (approve) invoices as soon as email notification is received from APPO. A PI or their delegate is responsible for reviewing invoices for consistency with the subaward budget and monitoring a subrecipient’s performance of the work and compliance with the terms of the prime award. This is confirmed through the “Receipt” of a voucher in the E-Pro system.

GAO will send the final invoice to the PI and department and monitor to ensure that it is approved and returned to GAO so that it may be paid within the 30 day window.

If a PI believes payment should be withheld from a subrecipient, they should contact their GAO Contact immediately. Under certain limited conditions detailed in the regulations, payment may be temporarily withheld while remedial activities are requested.
CLOSEOUT
Applicable UG Sections: 200.343

For most federal sponsors, UI 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.

If the sponsored award has a subaward, the University must receive the final invoice, and Certificate of Completion for fixed price subawards, within the agreed upon timeframe (see subaward Terms and Conditions for the due date of the final invoice). This allows GAO to capture the expense on the final financial report and/or final bill (or electronic funds drawn down) that is submitted to the prime sponsor. PIs must be diligent in monitoring the receipt and approval of subrecipient final invoices within this deadline.

Concurrently, the PI should be requesting and monitoring the required final technical/progress and invention report, from the subrecipient.

CONTACT INFORMATION:
DSP: 319-335-2123  http://dsp.research.uiowa.edu/dsp-staff-directory
GAO: 319-335-3801  http://gao.fo.uiowa.edu/contact-us

Stay tuned...as the University of Iowa learns more information on how the different Federal Agencies will implement the Uniform Guidance, we will communicate with you on any new or changing UI policies and procedures.