Research Administration Practices (RAP) Sessions

Subaward Pre-Award Process

Sharon Ray, Associate Director, Research Administration Services, RAS
Victoria Grafflin, Manager, Research Subawards, RAS

April 27, 2023
Agenda

RAP Sessions: Targeted skills based educational offerings open to the Research Administration community at MIT. Information gathered and shared with attendees can be taken back to their desks and applied immediately.

- Getting ahead of potential concerns
- Determining is Subawardee, Vendor, Independent Contractor
- Subaward organizations - risk level and risk management
  - Request new organization for KC
  - Complexities: International, Private Sector, Non-Profit
  - New Entity Questionnaire
  - Subaward Indirect Cost Rate
- Individual Subaward Project Considerations
  - Project Specific Questionnaire
  - Distinct SoW, Budget (reasonable, allowable) <50% total project cost
  - PI responsibility, certification
- Is It A Subaward? (interactive)
Getting ahead of potential concerns

• Ability of a Subrecipient to manage sponsored funds
• Subrecipient has sufficient cash flow to accept cost reimbursable award
• Subrecipient’s ability to comply with Terms and Conditions
• Rates included in proposal that cannot be awarded by MIT
• Perceived or apparent Conflict of Interest needing mitigation
• Entity inaccurately classified as a Subrecipient

Subaward is a binding legal agreement between MIT and the Subrecipient
How to Determine the Relationship

SUBAWARD? VENDOR? CONSULTANT?

Subaward

✓ Research Collaborator;
✓ Contributes Significantly to Project;
✓ PI is named;
✓ Keeps IP they Develop;
✓ Responsible for Sponsor Requirements;
✓ Independent Decision Making
✓ Work Measured by Project Results
✓ Publish or Co-author

Vendor

✓ Provides similar services to a range of clients;
✓ Operates in competitive environment;
✓ No PI identified;
✓ Not collaborating in research design;
✓ No expectation of IP or development of new knowledge

Consultant

✓ Paid for hourly work
✓ Considered “work for hire”
✓ Resulting IP goes to MIT
MIT policy follows the Federal Regulations Uniform Guidance (CFR 200).

§200.330 Subrecipient and contractor determinations.

- The non-Federal entity may concurrently receive Federal awards as a recipient, a subrecipient, and a contractor, depending on the substance of its agreements with Federal awarding agencies and pass-through entities. Therefore, a pass-through entity must make case-by-case determinations whether each agreement it makes for the disbursement of Federal program funds casts the party receiving the funds in the role of a subrecipient or a contractor. The Federal awarding agency may supply and require recipients to comply with additional guidance to support these determinations provided such guidance does not conflict with this section.

(a) Subrecipients. A subaward is for the purpose of carrying out a portion of a Federal award and creates a Federal assistance relationship with the subrecipient. See §200.92 Subaward. Characteristics which support the classification of the non-Federal entity as a subrecipient include when the non-Federal entity:

   (1) Determines who is eligible to receive what Federal assistance;
   (2) Has its performance measured in relation to whether objectives of a Federal program were met;
   (3) Has responsibility for programmatic decision making;
   (4) Is responsible for adherence to applicable Federal program requirements specified in the Federal award; and
   (5) In accordance with its agreement, uses the Federal funds to carry out a program for a public purpose specified in authorizing statute, as opposed to providing goods or services for the benefit of the pass-through entity.
(b) Contractors. A contract is for the purpose of obtaining goods and services for the non-Federal entity's own use and creates a procurement relationship with the contractor. See §200.22 Contract. Characteristics indicative of a procurement relationship between the non-Federal entity and a contractor are when the contractor:

1. Provides the goods and services within normal business operations;
2. Provides similar goods or services to many different purchasers;
3. Normally operates in a competitive environment;
4. Provides goods or services that are ancillary to the operation of the Federal program; and
5. Is not subject to compliance requirements of the Federal program as a result of the agreement, though similar requirements may apply for other reasons.

(c) Use of judgment in making determination. In determining whether an agreement between a pass-through entity and another non-Federal entity casts the latter as a subrecipient or a contractor, the substance of the relationship is more important than the form of the agreement. All of the characteristics listed above may not be present in all cases, and the pass-through entity must use judgment in classifying each agreement as a subaward or a procurement contract.

Increase in New Subaward Org Requests

Est. Requests for New Subaward Organizations - Calendar Year

- Heavy start to 2023
- Added Complexity
- Added Risk
- Increased Admin Support
- ALL Requiring Initial Assessment
New Subaward Organizations: Complexity

✓ **Entity verification** (UEI, legal name and address)
  ✓ Required for all subrecipients (full SAM for Federal)
  ✓ Increased research for assessments (D&B Hoovers)
    ✓ Financial Stability
    ✓ Connection to foreign government or parent organization
    ✓ New tools are identifying MIT data errors requiring correction
New Subaward Organizations: Complexity

✓ **Private Sector:**
  ✓ 10% De minimis can be an issue
    ✓ MIT does not negotiate IDC Rates directly with subrecipients
  ✓ Vendor status preferred
  ✓ Extended negotiations – IP, COI
  ✓ Potential COI needing to be managed
New Subaward Organizations: Complexity

✓ International:
  ✓ Currency/budget
  ✓ Infrastructure
  ✓ Extended negotiations
    ✓ Language, jurisdiction, legal and tax issues, specific terms

✓ Non-Profit:
  ✓ Internal controls and financial stability
  ✓ Ability to meet flow down terms – COI
  ✓ Payment terms
Special Requests

• “Rapid Response”: USAID (less than 4 weeks); MIT not equipped
• Indirect Rates
• Understanding of Subaward (not just an invoice)
• Advanced Payments: DLCI will need to guarantee payments
• DLCI expectations (negotiations may take time)

Reach out to RAS Subaward Team (subawards@mit.edu) with any questions
KC Risk Level

- Flag showing risk level will be here
Risk Level Assigned to Each Organization

Low Risk
- May be included in proposal.

Risk Undetermined
- New organization or assessment has not been completed. Contact Subaward Team for more details before including this organization in the proposal.

High Risk
- Contact the Subaward Team for details before including this organization in the proposal.

Organization is not in KC
- Submit a request using Request a New Subaward Organization web form or OST.
New Subaward Organization

Subrecipient Profile Questionnaire:
- Use at proposal stage if MIT will issue a subaward (required at award stage)
- Use if MIT will be a subrecipient on a proposal

Questionnaire will be updated shortly
Questionnaire

✓ **Project Specific:**
  ✓ Recommended to be used with all proposals that include a subaward
  ✓ FDP Clearinghouse members may use their own
  ✓ MIT may use as our institutional commitment when MIT is a sub

✓ **New Subrecipient Entities:**
  ✓ Recommended at proposal – required to request sub
  ✓ Sub Team available for questions

DLCI and CA are responsible for confirming the allowability of a proposed subrecipient’s IDC rate prior to proposal submission regardless of receipt of questionnaire
Subaward IDC Rate

Must confirm allowability at Proposal Stage

• Federally Negotiated Rate
• 10% de minimus MTDC rate
• Other approved rates – reach out to Subawards Team
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#1: Is it A Subaward?

Scope of the Agreement:

“This Agreement between Organization X and MIT, is to provide access to observing time at the Organization X site to do observations as part of the MIT Program candidate follow-up program lead by Dr. X.”
Anonymous Award Budget Justification

Anonymous Center, in conjunction with Anonymous Fund, have agreed under the Anonymous Program Group to support the development of the MIT Something Or Other Project into a commercial project and it’s testing and evaluation within the MIT community. The MIT team will work with Company X Technologies, Anytown MA, to transfer their technical know-how, hardware designs, prototype software code, and recommended testing.

Based on this work, 100 production prototype Widgits will be produced by Company X Technologies for distribution and evaluation by Some kind of Specialists in Massachusetts. MIT will assist Company X with Some Kind of testing to tune the controls. Then MIT and Company X will together conduct a follow-up assessment of the use of the units after testing in Some kind of Place. In support of the assessment of field trial data and production design modifications, MIT will make available a 1 month FTE research scientist.

<table>
<thead>
<tr>
<th>Budget</th>
<th>USD</th>
</tr>
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<tbody>
<tr>
<td>Total Award Amount:</td>
<td>200,000</td>
</tr>
<tr>
<td>MIT research personnel at Company X for simulator testing</td>
<td>17,476</td>
</tr>
<tr>
<td>Subaward to Company X</td>
<td>182,524</td>
</tr>
<tr>
<td>50.6% OH on first 25K</td>
<td>12,650</td>
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<tr>
<td>Total to Company X</td>
<td>169,874</td>
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<tr>
<td>Net Per unit cost / 100</td>
<td>1,698.74</td>
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March 3, 2023

Cambridge, MA 02139-4307

Re:  

Dear  

is pleased to submit this letter of intent and a firm-fixed-price (FFP) budget estimate for continued assistance in developing water quality and supply indicators, testing the Water Management and Quality Model framework, and analysis of numerical experimentation results, in response to MIT’s email request dated February 21, 2023.

XXXXXX proposed FFP budget is provided as Attachment 1. XXXXXX confirms that it has been paid the proposed hourly rates (or higher) by multiple clients in 2023. Rates for subsequent years were calculated by applying a 6% escalation rate annually. XXXXX budget assumes that this work will continue until XXXXXX, XX, XXXX, at an approximate price of $XX,000 per year (please refer to Attachment 1 for the exact yearly prices that we intend to invoice on an annual basis).

is authorized to negotiate on behalf of XXXXX and to bind the firm contractually. We look forward to the prospect of providing support to MIT on this important project.

Sincerely,
FROM PROPOSAL BUDGET:

“3. Consultant Services: $25,000 in each year for Company X for continued assistance in developing water quality and supply indicators, testing the Water Management and Quality Model framework, and analysis of numerical experimentation results. Cost estimate based on existing contract, assuming 150 hours (modeler rate $138/hr) and associated computer usage and administrative support cost.”
#4: Is it A Subaward?

**Statement of Work:**
Small Business A will lead the aircraft measurements of ionospheric potential and coordinate the work on the DC global circuit. He will monitor the weather and make decisions about what days each month are favorable for flying. He will process the electric field soundings and obtain best values for ionospheric potential, and also obtain vertical profiles of air-earth current and evaluate the columnar resistance.
Help and Resources

— Resources —
RAS: Subawards Overview
Subawards in Proposals

— Contact for Help —
RAS Subaward Administrator - Department Assignments
Subaward team email - subawards@mit.edu
Research Administration Help - RA-help@mit.edu
Your DLCI RAS Contract Administrator | COI - coi-help@mit.edu