

# Research Administration Practices (RAP) Sessions

## Subawards: Updates & Hot Topics

November 14, 2024

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Information provided in this learning session is based on information available as of the date of this presentation

# 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.

- Welcome
- Uniform Guidance (Effective 10/01/2024)
  - Increased De Minimis Rate
  - New and Existing Awards
- Industrial For-Profit Subcontractors
- Subrecipient trends
- Case Studies
- Discussion

# Subrecipient De Minimis Rate

- Uniform Guidance update effective October 1, 2024
- **De minimis rate** ([2 CFR 200.414\(f\)](#)) - Subrecipients that do not have a current Federal negotiated indirect cost rate (including provisional rate) may elect to charge a de minimis rate of up to 15 percent of modified total direct costs (MTDC).
- For proposals submitted on or after 10/1/2024, proposed subrecipient entities that do not have a federally negotiated indirect cost rate may use the revised federal de minimis rate of up to MTDC 15%

# Impact on New Subawards

- For new awards, the de minimis rate may be used for any subaward issued under an award executed on or after 10/1/24
- If the award includes subawards to entities that used the previous MTDC 10% de minimis, please consult with your CA

# Impact on Existing Subawards

- Currently **active awards**, it will be on a case-by-case basis:
- If the Federal agency amends an existing award that was issued prior to October 1, 2024 to apply the 2024 Revisions, then the **2024 Revisions must apply to subawards issued under that award**. In this case, applicable subrecipients could choose to use the MTDC up to 15% de minimis for expenses beginning 10/1/24
  - DLCI would need to request a change order to request a subaward modification
  - Subrecipient would require a budget modification within current subaward amount, as no additional funding would be issued
  - Subrecipient would need to meet its original obligations with the original total, regardless of budget revision

# Impact on Existing Subawards

- If the Federal agency has not applied the 2024 Revisions to an existing award, the passthrough entity **must not apply the 2024 Revisions** to a subaward issued under that Federal award—even if **the subaward itself is executed on or after October 1, 2024**

# Subawards vs. Subcontracts

*Often incorrectly used inter-changeably*

- Subaward – *funded through grant/cooperative agreement*
  - Serves a public purpose
  - No fee or profit
  - Flow down of Prime Award terms to subrecipient
- Subcontract – *issued directly from the federal agency to a non-federal entity*
  - Can cause confusion for PIs and proposed subrecipients
- Subcontract – *funded through a federal contract issued to MIT (rare)*
  - Type of procurement
  - Fee/profit allowable
  - Some Prime Award terms may flow down depending on type of contract

# For Profit Organizations

- For Profit Organizations
  - Often expecting terms similar to other procurement agreements
  - Sponsor program contact vs contracting contact
  - Federal protections that allow for profit institutes to consider Indirect Cost rate information proprietary

## Examples:

- 1-person LLC hiring consultants for projects
- For-profit electing out of a subrecipient relationship
- Proposing subrecipients to start-ups or yet to be start-ups



# Trends and Speed Bumps

- **Words That May Indicate Subcontract Instead of Subaward**
  - “quote” “budgeting hourly rates”, and “price”
- **Compliance**
  - Indirect cost - Federally approved rates vs. de minimis rate
  - Lack understanding of protocol requirements for Subrecipients engaging in Human or Animal research
  - Lack of subrecipient’s understanding of compliance-related infrastructure
- **Federal agencies**
  - Shifting responsibilities for all other collaborators to Pass Through Entity (PTE)
  - Flow down additional requirements (DOE)
  - Programs for start up companies (e.g. ARPA-H)
- **Ancillary Agreements**
  - Currently associated or needing to be added

# Trends and Speed Bumps

- **Organizations with limited infrastructure**
  - Individual/One-Person Organization
  - Consulting firms
  - NGOs (domestic and International)
- **International Sponsors**
  - Onerous administrative requirements presenting unacceptable risk for MIT to flow down to subrecipients
  - Disallowances found in audit of subrecipient
- **Regranting Programs**

# Reminders & Additional Resources

- [Subrecipient website](#)
- Subaward forms:
  - [Subrecipient Letter of Intent/Commitment Form](#)
  - [New Subrecipient Entity Profile Questionnaire](#)
  - [New Subaward Checklist](#)
  - [Subaward Modification Checklist](#)
  - [Subawards Closeout Request Form](#)
- Subaward Team can be contacted for training on KC navigation and available reports to help plan subaward management
- [Contacts](#)