University of Colorado **Boulder**

PROCEDURAL STATEMENT

Procedural Statement Title: Indirect Costs (IDC) on the Transfer of Existing Subagreements

Functional Area: Research Administration

Related Policy:	Indirect Cost Recovery Policy
Effective Date:	March 9, 2017
Approved by:	Gary Henry, Assistant Vice Chancellor for Research and Director, Office of Contracts and Grants
Responsible Office:	Office of Contracts and Grants
Procedural Statement Contact:	Joan Eaton, Assistant Director, Proposal Development
Last Reviewed/Updated:	June 9, 2023

I. PROCEDURAL STATEMENT

This document is intended to provide guidance on the charging of indirect costs when an existing outgoing subagreement is changed during the life of a project.

II. DEFINITIONS

Subagreement: "Subagreement" is a generic term used for a Subaward or Subcontract.

Subaward: A subaward is defined in the U. S. Office of Management and Budget's Uniform Guidance, 2 CFR 200.1 as:

> *An award provided by a pass-through entity to a subrecipient for the subrecipient to carry out part of the work on a Federal award received by a pass-through entity. It does not include payments to a contractor or payments to an individual that is a beneficiary of a Federal program. A subaward may be provided through any form of legal agreement, including an agreement that the pass-through entity considers a contract.*

Subcontract: A subcontract is an award provided by the prime sponsor to a subcontractor for the subcontractor to carry out part of the work on an award received by the prime sponsor, for which the principal purpose of the award is to acquire property or services for direct benefit or use of the sponsor.

Sub: Shortened form of the words "Subrecipient" or "Subcontractor"

Indirect Costs (IDC): Indirect costs are defined in 2 CFR 200.1 as:

> *those costs incurred for a common or joint purpose benefitting more than one cost objective, and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved. To facilitate equitable distribution of indirect expenses to the cost objectives served, it may be necessary to establish a number of pools of indirect (F&A) costs. Indirect (F&A) cost pools should be distributed to benefitted cost objectives on bases that will produce an equitable result in consideration of relative benefits derived.*

Modified Total Direct Costs (MTDC): Modified total direct costs are defined in 2 CFR 200.1 as:

> *all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and subawards and subcontracts up to the first $25,000 of each subaward or subcontract (regardless of the period of performance of the subawards and subcontracts under the award). MTDC excludes equipment, capital expenditures, charges for patient care, rental costs, tuition remission, scholarships and fellowships, participant support costs and the portion of each subaward and subcontract in excess of $25,000.*

Total Direct Costs (TDC): IDC base rate classification in which all cost categories are charged IDC, including tuition remission, fixed assets, student aid, and all subagreement costs.

III. PROCEDURES

A. Indirect Cost Base and Subagreement Costs

Section 2 CFR 200.1 Modified Total Direct Cost (MTDC) of the Uniform Guidance determines that the first $25,000 of a subaward is subject to indirect costs (IDC) when the MTDC base type is applicable to a project.

If the IDC rate on CU Boulder's budget is based on Total Direct Costs (TDC), IDC will be charged on the full amount of the sub; the $25,000 cap on subagreement costs does not apply.

B. Federal Awards – Subagreement Moves to New Institution

When an existing subagreement moves to a new institution, a new subaward is issued by CU Boulder to the recipient. Because these are considered new subagreements, IDC is charged on each subagreement up to the first $25,000 for IDC calculations based on MTDC and on the full amount of the subagreement for IDC calculations based on TDC.

C. Federal Awards – Supplemental Proposal and Award

In cases where a supplemental proposal provides funding for additional scope of work and is related to the parent proposal as a child proposal in infoEd, the original subagreement is modified and no additional IDC is assessed for the subrecipient.

D. Non-Federal Awards

Section 2 CFR 200.403(c) of the Uniform Guidance requires that CU Boulder apply our policies and procedures uniformly to both federally-funded and other activities of the university. Therefore, CU Boulder's Cost Principles Policy and related guidelines, including this procedural statement, are also applicable to non-Federal awards.

IV. Frequently Asked Questions

Question: Under what circumstances would an existing subagreement be closed and a new subagreement be issued to a new institution?

Answer: Two examples of when a subagreement might be reissued to a new institution include:

1. If the sub PI transfers to a new institution and will continue the work at the new institution; or
2. The inability of an existing sub to complete the scope of work and subagreement moves to an institution that is able to complete the scope of work.

Question: What is a supplemental proposal?

Answer: A supplemental proposal is a request to the sponsor for additional funds for an ongoing project during the previously approved performance period. Supplemental proposals may result from increased costs, modifications in design, or a desire to add closely related components to the ongoing project. In infoEd, supplemental proposals are related to the original proposal as a child proposal.

Question*:* We already charged IDC on the subaward to University A. University A cannot complete the scope of work, so we're now working with University B as the subawardee. Why is IDC charged again on a subaward to University B for the same scope of work?

Answer: The subaward to University B is a new subaward, even though it is continuing the work started at University A. A new agreement must be written, negotiated and signed, and new documentation must be collected. The new subaward requires the same amount of administrative resources as the initial subaward to University A, so IDC must be charged in order to recover these costs. It is important to understand that subawards are issued to the institution, not to the PI.

The same reasoning applies when a subagreement PI changes institutions, will continue the scope of work, and a new subagreement is issued to their new institution.

Question: Our Co-PI is moving to a new institution. If we want to issue a subaward to the Co-PI's new institution do we need to charge IDC on the subagreement?

Answer: If the Co-PI is going to stay on the project and has a portion of the statement of work that they are responsible for, then it would require permission from the sponsor to add a subagreement. Once approval is given, a new subagreement would be issued to the Co-PI's new institution. We would charge IDC as this is a new sub.

V. RESOURCES

OCG Indirect Costs: Facilities and Administrative (F&A) Costs – General Information Webpage with Rate Decision Guide and information on Addendums, Waivers, and ICR Splits

VI. HISTORY

Changes	Date	Approved By
Adopted	03/09/2017	Denitta Ward
Revised to new format, updates to 2 CFR 200 references, added procedural statement contact	11/23/2020	No substantial changes
Editing and rewording, addition of definitions for "Subagreement" and "Sub," replacing "subaward" with "subagreement" throughout, clarification of when to apply IDC to a sub on a supplemental proposal or award, addition of sections to "Procedures" and Resources	6/9/2023	Gary Henry