

New Procedure for Subawards/Subcontracts

A federal audit of Minnesota's indirect cost rate has resulted in a change in how that rate will be generated for special education in FY 2009. This change will affect only those Local Education Agencies (LEAs) that requested an indirect cost rate on their FY 2009 federal application.

Please refer to the Financial Management School Business Bulletin No. 37, June 2008, which can be found on the department website:

<http://education.state.mn.us/MDE/SchSup/SchFin/FinMgmt/index.html>

303 Federal Subawards and Subcontracts—Under \$25,000

When a district receives a federal grant (400 and 500 Finance Code Series) and has expenditures in that grant for a subaward or subcontract; the cost of the grant may have to be expensed in two different object codes. The first \$25,000 of contract expenditures must use this code. Any amount in excess over \$25,000 must use Object Code 304-Federal Subawards and Subcontracts Over \$25,000. This combination of codes should be used in lieu of the 390 object series when expenditures for a sub award or contract are from a federal grant. The reason for this coding is that only the first \$25,000 in expenditures of any federal grant may be allowed in the calculation and application of indirect cost rates. Please refer to Chapter 13 of the UFARS Manual for a description of Indirect Cost Rate Calculation and the OMB Circular A-133 for references to federal Subawards or Contracts.

304 Federal Subawards and Subcontracts-Over \$25,000

When a district receives a federal grant (400 and 500 Finance Code Series) and has expenditures in that grant for a sub award or sub contract; the cost of the grant may have to be expensed in two different object codes. The first \$25,000 of contract expenditures must use Object Code 303- Federal Subawards and Subcontracts-under \$25,000. Any excess amount over \$25,000 must use this code. This combination of codes should be used in lieu of the 390 object series when expenditures for a sub award or contract are from a federal grant. The reason for this coding is that only the first \$25,000 in expenditures of any federal grant may be allowed in the calculation and application of indirect cost rates. Please refer to Chapter 13 of the UFARS Manual for a description of Indirect Cost Rate Calculation and the OMB Circular A-133 for references to federal Subawards or Contracts.

The following explains the distinctions between terms:

- A **subaward is an agreement** made between the LEA and a subgrantee to perform a portion of the federal program objectives.
- A **subcontract for services is a purchase** from a vendor, obtained through procurement action by the LEA, to perform a portion of the federal program objectives.

- The pass-through entity (the LEA) is defined as a non-federal entity that provides an award to a subgrantee to carry out a program.

In order to comply with the reporting requirements, the following changes have been made to the Special Education Electronic Data Reporting System (EDRS) for FY 2009. LEAs that have applied for indirect cost rate to be generated for eligible expenditures reported on EDRS will no longer see the indirect calculated on applicable expenditure lines. Indirect will now be entered as an EDRS line number by the LEA.

Determining Indirect Using the Attached Spreadsheets

There are three example spreadsheets attached:

Spreadsheet one: Example One Coop

1. Open the attached spreadsheet and save it to the desktop.
2. Make copies of the spreadsheet for each FEDERAL funding source code reported on EDRS in order to track expenditures for each sub award/sub grant.
3. Make a copy of the spreadsheet for each member district by funding source code.
4. Download FY 2009 EDRS data lines.
5. Delete STATE EDRS funding source code lines.
6. Move the federal expenditures to the appropriate spreadsheet for each member district.
7. Only federal lines that are cooperative expenditures should remain on the spreadsheet.
8. Sort remaining federal lines by funding source code and service code.
9. At the bottom of the spreadsheet, enter subaward amount to each member district but do not exceed \$25,000 per district.
10. Total service codes by funding source code, then enter the total of each service code on the spreadsheet for the appropriate funding source code.
11. Once these are entered, the spreadsheet will calculate the eligible indirect
12. Enter that amount on EDRS under the appropriate federal funding source code and service code "i." Put the cooperative name and number on the line.
13. The amount can be changed at any time during the year.
14. Repeat for each federal funding source code.
15. Member Districts
 - Expenditures by funding source should be entered for each member district
 - Enter up to \$25,000 for each member district
 - Use a different spreadsheet for each member district
 - Again, download federal data lines and sort by funding source code and service code for each member district
 - Enter the service code totals by funding source on the spreadsheet.

Member districts of cooperatives and single districts, including charter schools

Spreadsheet Two and Three:

Example Two Member District
Example Three Single District

1. Open the attached spreadsheet and save it to the desktop.
2. Make copies of the spreadsheet for each FEDERAL funding source code reported on EDRS. This is because subawards/subgrants must be tracked by each federal award.
3. Download FY 2009 EDRS data lines.
4. Delete STATE EDRS funding source code lines.
5. Only federal lines should remain on the spreadsheet.
6. Sort remaining federal lines by funding source code and service code.
7. If you have any subawards/subgrants, enter the amount up to \$25,000 at the bottom of the spreadsheet.
8. Total service codes by funding source code, then enter the total of each service code on the spreadsheet for the appropriate funding source code.
9. Once these are entered, the spreadsheet will calculate the eligible indirect.
10. Enter that amount on EDRS under the appropriate federal funding source code and service code "i".
11. The amount can be changed at any time during the year.
12. Repeat for each federal funding source code.