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Date: May 14, 2015
To: Raaj Kurapati, Sandi Culver, Michael Ciri
From: Myron Dosch *Myron J. Dosch*
Re: MTDC Subaward exclusions

The new Uniform Guidance (2 CFR §200.68) states that only the portion of each subaward in excess of \$25,000 is excluded from Modified Total Direct Cost (MTDC). It also adds language to expressly state that other items (other than those listed) may only be excluded from MTDC when necessary to avoid a serious inequity in the distribution of indirect costs, but only with approval of the cognizant agency.

Previously in OMB Circular A-21, the MTDC exclusion was for sub-grants and subcontracts and cognizant agency approval was not expressly needed. Thus, our current practice vests each university with the authority to exclude from MTDC costs in excess of \$25,000 on a case-by-case basis for vendor contracts and sub-agreements. This practice is no longer allowable.

Going forward, for new grants awarded after December 26, 2014, only the portion of subawards in excess of \$25,000 may be excluded from MTDC and F&A recovery by capturing the costs in account codes 3021- Subaward Under \$25,000 and 3022 - Subaward Over \$25,000.

Subawards are defined as an award provided by a pass-through entity to a subrecipient for the subrecipient to carry out part of a Federal award received by the pass-through entity. It does not include payments to a contractor or payments to an individual that is a beneficiary of a Federal program. Subrecipients are defined as a non-Federal entity that receives a subaward from a pass-through entity to carry out part of a Federal program; but does not include an individual that is a beneficiary of such program.

Grants awarded prior to December 26, 2014 that had an authorized MTDC exclusion using any of the following account codes may continue to utilize such until the transactions expire. Eventually, these account codes will be removed from use.

3025 - Sub-agreement (Other) Under \$25,000
3026 - Sub-agreement (Other) Over \$25,000
3027 - EVOS Sub-agreement Over \$250,000
3028 - CFO Approved Vendor Service Contact Under \$25,000

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3029 – CFO Approved Vendor Service Contract Over \$25,000
4028 – CFO Approved Vendor Commodity Contract Under \$25,000
4029 – CFO Approved Vendor Commodity Contract Over \$25,000

Please contact me with any questions.

cc:

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Roxy Felkl
Tana Myrstol
Tanya Hollis
Andrew Gray
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