

CONTENTS

- **National Institutes of Health (NIH) Fiscal Policy Notices**
- **Subrecipient or Vendor?**
- **Tax Clearances and Cost or Price Justifications for Subawards**
- **Kuali-Coeus (KC) Informational Sessions**
- **RTRF Budget Transfer Cut-Off for Year End Closing**
- **ORS Helpline Frequently Asked Questions**



From the Director's Office

Aloha Kākou,

Thanks to everyone who has provided feedback and assistance on the new subaward process. The Office of Research Services' subaward web page is now updated. This new process will bring the University of Hawaii (UH) in line with best practices of research institutions around the nation and in compliance with federal rules and regulations. We have also received advice from the Office of General Counsel regarding whether tax clearances are required for subawards. Please see the article below for more details.

I would like to congratulate the ORS Kuali-Coeus (KC) team for their tireless efforts on testing and bringing KC to work in our UH environment. We understand the complexity in bringing an electronic research administration system live at UH. With their dedication, we continue to progress without major delays. To prepare the research community for the upcoming release of this new system, we will hold KC informational sessions to introduce the new system and provide training information and status updates.

Included in this newsletter are National Institutes of Health (NIH) fiscal notices, and Office of Management and Budget A-133 guidelines on distinguishing between subrecipients and vendors. Please see the articles below.

Thank you to the principal investigators who continue to provide ORS with advance notices of upcoming proposal submissions. It provides valuable information in forecasting staffing requirements, especially during the year-end peak time.

Mahalo,

Yaa-Yin Fong
Director

National Institutes of Health Fiscal Policy Notices

National Institutes of Health (NIH) Notices were released on April 25, 2011, and pertain to the NIH Fiscal Policy to be implemented for the remainder of 2011. The policies reflect final budget determinations as specified in the recently enacted Department of Defense and Full-Year Continuing

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Appropriations Act of 2011 (P.L. 112-10). The Act provided NIH with \$30.9 billion or nearly one percent (1%) less than the total FY 2010 budget authority level of \$31.2 billion.

The First Notice

NIH Fiscal Policy for Grant Awards – FY 2011, describes NIH policies for:

1. Non-Competing Research Awards [all Institutes and Centers (ICs) except the National Cancer Institute (NCI)]: Modular and non-modular research grants from all ICs, with the single exception of NCI, will be reduced to one percent (1%) below the FY 2010 award level. Inflationary adjustments for recurring costs on non-competing research grants in FY 2012 and beyond will be set at the two percent (2%) level, calculated based on the adjusted FY 2011 level. This policy does not apply to projects supported by Career Awards, SBIR/STTRs, and Ruth L. Kirschstein-National Research Service Award (NRSA) Individual Fellowships & Institutional Training Grants. Awards that have already been made in FY 2011 which are impacted by this policy may be revised.

2. Non-Competing Research Awards (NCI): For NCI, modular and non-modular research grants will be reduced to three percent (3%) below the FY 2010 award level. Inflationary adjustments for recurring costs on non-competing research grants in FY 2012 and beyond will be set at the two percent (2%) level, calculated based on the adjusted FY 2011 level. This policy does not apply to projects supported by Career Awards, SBIR/STTRs, and Ruth L. Kirschstein-National Research Service Award (NRSA) Individual Fellowships & Institutional Training Grants. Awards that have already been made in FY 2011 which are impacted by this policy may be revised.

3. Competing Research Awards: Each NIH IC will manage its competing portfolio using funds that have not been committed for non-competing awards. It is estimated this will allow ICs to support the NIH investigator pool with approximately 9,050 new and competing Research Project Grants (RPGs). Each IC will establish fiscal policies consistent with these NIH-wide policies according to its specific scientific and programmatic imperatives. Consistent with the policy for non-competing awards, future inflationary adjustments for recurring costs on competing research grants will be provided at two percent (2%). Awards that have already been made in FY 2011 which are affected by this policy may be revised in accordance with the guidelines in this Notice.

4. New Investigators (reiterates NOT-OD-09-013 policy notice from Oct. 2008): NIH will continue to support new investigators on R01 equivalent awards at success rates equivalent to that of established investigators submitting NEW R01 equivalent applications.

The Second Notice

The second notice establishes new stipend levels [two percent (2%) increase] for the remainder of FY 2011 for the Ruth L. Kirschstein NRSA awards and further summarizes tuition and fees, training related expenses, and institutional allowances for the NRSA awards. The increased stipend levels are effective with all Kirschstein-NRSA awards made on or after October 1, 2010, and apply to all individuals receiving support through institutional research training grants or individual fellowships, including the Minority Access to Research Career (MARC) and Career Opportunities in Research (COR) programs.

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For more details, please see the links below:

1. NIH Fiscal Policy for Grant Awards – FY 2011

Notice Number: NOT-OD-11-068

<http://grants.nih.gov/grants/guide/notice-files/NOT-OD-11-068.html>

2. Ruth L. Kirschstein National Research Service Award (NRSA) Stipends, Tuition/Fees and Other Budgetary Levels Effective for FY 2011

Notice Number: NOT-OD-11-067

<http://grants1.nih.gov/grants/guide/notice-files/NOT-OD-11-067.html>

Subrecipient or Vendor?

The importance of distinguishing between a subrecipient and a vendor has been receiving greater attention from grantees. Misidentification impacts two key areas: (1) OMB Circular A-133 audit requirements; and (2) transparency reporting requirements under the American Recovery and Reinvestment Act (ARRA) and the Federal Funding Accountability and Transparency Act (FFATA).

The proper determination of subawards or vendor contracts has a significant impact on the scope of the university's A-133 audit. Subawards are subject to the same grant management requirements as the original prime award funds from the federal government. On the other hand, payments to vendors are examined only to determine if they are allowable, allocable, reasonable and properly awarded. In addition, the auditor must render an opinion on the Schedule of Federal Expenditures (SEFA). If a subaward is misclassified as a vendor payment and excluded from our SEFA, the university may be subject to a qualified audit opinion.

The proper classification between a subaward and vendor contract is critical in satisfying these transparency reporting requirements. Under ARRA, subrecipient and vendor payments greater than or equal to \$25,000 are reported separately. For FFATA, vendor payments are only reportable under prime federal contracts, while subawards are reportable on both federal grants and contracts.

OMB Circular A-133 provides the following guidance:

Subrecipient. A-133 Section __.210(b) provides the following characteristics of a federal award received by a subrecipient:

- Determines who is eligible to receive what financial assistance;
- Has its performance measured against whether the objective of the federal program are met;
- Has responsibility for programmatic decision-making;
- Has responsibility for adherence to applicable federal program compliance responsibilities; and
- Uses the federal funds to carry out a program of the organization as compared to providing goods or services for a program of the pass-through entity.

Vendor. A-133 Section __.210(c) provides the following characteristics of a payment for goods and services received by a vendor:

- Provides the goods and services within normal business operations;
- Provides similar goods or services to many different purchasers;
- Operates in a competitive environment;
- Provides goods or services that are ancillary to the operation of the federal program; and
- Is not subject to compliance requirements of the federal program.

If you have any questions or would like additional guidance, please contact Dawn Kim, ORS Compliance Manager, at dawnkim@hawaii.edu or (808) 956-0396.

Tax Clearances and Cost or Price Justifications for Subawards

This is a follow up to the subaward article in our April's newsletter. The Office of General Counsel (OGC) has advised the Office of Research Services (ORS) that except in two (2) instances (delineated below), under Hawaii Revised Statutes Section 103-53, all subrecipients under subawards issued under prime awards to the University of Hawaii are required to obtain tax clearances from the State of Hawaii Director of Taxation, and the United States Internal Revenue Service to the effect that all tax returns due have been filed, and all taxes, interest, and penalties levied against the subrecipient have been paid.

The two exceptions are:

- (1) Subawards which are less than \$25,000; or
- (2) Subawards being made to a government (state, local, federal or foreign) agency.

The tax clearance form may be found at:

<http://www6.hawaii.gov/tax/2010/a6.pdf>

Filing the Application for Tax Clearance: Applications may be submitted either in person, fax or by mail. Mailing addresses for the State Department of Taxation and the Internal Revenue Service are provided on Page 2 of the application. A “mailed-in” tax clearance application generally takes **10 - 15 business days** to process. If all required returns have been filed and all required taxes, penalties, and interest have been paid, a “walked-in” tax clearance to any district tax office will generally be processed the same business day. Form A-6 also can be filed electronically through the State of Hawaii’s Internet portal. An electronically filed tax clearance application generally takes **10 - 15 business days** to process. For more information, go to www.ehawaii.gov/efile.

Also, as further clarification regarding the “cost or price justification” requirement, please note that cost or price justifications are not required for subawards issued under federal **grants**. However, if a subaward is being made under a federal **contract**, then a Sole Source Justification / Cost Price Reasonableness form must be completed and forwarded to ORS with your subaward packet, and if the subaward issued under the federal contract is greater than \$700,000, then a FAR 15.406.2 certification of current cost pricing or pricing data must also be signed by the subrecipient.

For more information on the updated subaward process, see:

<http://www.ors.hawaii.edu/index.php/start-up-a-manage/81-start-up-a-manage/145>

Should you have any questions, please contact Darcie Yoshinaga at dsy@hawaii.edu or (808) 956-4806.

Kuali-Coeus (KC) Informational Sessions

The University of Hawaii will be implementing the Kuali-Coeus (KC) research administration system this year. This is an open-source software developed by the Kuali Foundation to assist the research community in the development of proposals and electronic submission of proposals to sponsors, including the Grants.gov. electronic submission portal used by the Federal Government. With the anticipated implementation of the Kuali Financial System (KFS) in 2012, the KC system will work with the KFS system to provide data necessary for account creation and maintenance. This will provide the connection between the proposal/award and the financial system that is not currently available with our current systems.

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One of KC's core functions includes a system to system integration with Grants.gov for paperless e-submissions. In preparation for the proposal development and submission modules to go live in fall 2011, the Office of Research Services (ORS) will be holding several informational sessions for the research community at UH. The informational sessions will provide an overview of the KC system, key features for the investigators and the upcoming trainings. The sessions are open to faculty, administrative/fiscal officers and any individuals who are involved in the proposal development and submission process. The sessions will be about one hour long, with a question and answer session at the end of the presentation.

The time and location of the first session is:

Date: Wednesday, May 11, 2011
Room: UH Manoa Kuykendall Auditorium
Time: 9:30—11:00 a.m.

Please RSVP for the first session by calling Marlene Moe at (808) 956-7800 or sending an e-mail to mmmoe@hawaii.edu by **May 9, 2011**. If you cannot make this first session, please be on the lookout for future announcements as more sessions are added. Sessions will also be scheduled for those on the neighbor islands.

Thank you for your continued support and we look forward to seeing you on May 11th.

RTRF Budget Transfer Cut-Off for Year End Closing

To properly close the fiscal year, FY 2011 RTRF revenue and budgets must be equal to each other. Cross campus or cross schools/research units RTRF budget transfers make it difficult for the Manoa Vice Chancellor for Research (VCR) and Office of Research Services (ORS) to reconcile on a timely basis to meet the year end closing deadline.

Like last fiscal year end, VCR and ORS have established June 15th as the cut-off for the following Fast Track transactions (both prior year and current fiscal year):

1. RTRF budget transfers between campuses or between different schools/research units (NOTE: transfers within your own school/research unit, or your own campus in the case of non-Manoa campuses, are okay).
2. RTRF budget transfers between the Vice President for Research or the Vice Chancellor for Research and campuses or schools/research units, which include project development funds, research relations funds, travel funds, prior year facilitating funds, etc.

We will process such transfers when FY 2012 opens.

Should you have any questions, please contact Kevin Hanaoka at hanaokak@hawaii.edu or (808) 956-9242.

ORS Helpline Frequently Asked Questions (FAQs)

Who is eligible to serve as a Principal Investigator?

According to Board of Regents (BOR) policy 12-2, only University of Hawaii Board appointees may serve as a Principal Investigator.

Are non-BOR appointees allowed to serve as a Co-Principal Investigator or Co-Investigator?

Any Co-Principal Investigator or Co-Investigator must also be a BOR appointee.

Do you have a Question or Comment for ORS?

Please feel free to contact us at the ORS Helpline:

Email: helpline@ors.hawaii.edu or Phone: (808) 956-5198