MEMO

To: Sponsored Research Administrators

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Re: Change in Subcontract Object Codes

We write to inform you of a change in the accounting for subcontract expenses and to request your cooperation in implementing the new procedure. The new method will reduce the number of object codes for 2009 transactions for subcontract expenses to two: one for the first $25,000 of expenses and one for expenses over $25,000. Object codes 8180 through 8189 will continue to be available for historical reporting only. The change will:

- Minimize coding errors which occur when subcontractor expenses are coded to non-subcontractor object codes
- Simplify indirect cost budgeting and management for awards with significant multiple subcontract activity
- Eliminate the need to adjust the indirect cost rate on subactivities in GMAS during the life of the subcontract
- Improve MTDC analysis and reporting

In order to implement this change:

For subcontracts awarded during fiscal year 2009

Subcontract invoices should be coded to 8190 until expenses on the subcontract reach $25,000. Once the cumulative total on the subcontract invoice exceeds $25,000, payments should be coded to 8191. Payments bridging the $25,000 threshold should be split-coded between the two object codes.

Subcontracts with expense activity before 2009

1. If cumulative expenses through June 30, 2008 are less than $25,000, code all 2009 expenses up to the subcontract’s first $25,000 to 8190 and code all activity beyond $25,000 to 8191.

2. If cumulative expenses through June 30, 2008 have reached $25,000, code all 2009 expenses to 8191.

Please note that A/P accruals for fiscal year 2008 should use the old object codes – the new codes are for use in fiscal year 2009 activity and beyond. When new subcontracts are entered into GMAS at setup, the process will remain unchanged: the indirect cost rates are entered for each subcontract and the flag is set to take indirect costs on the first $25,000, if applicable. The only difference in GMAS is that the indirect cost rate will not have to be reset once the subcontract expenses reach $25,000.