

## **RAIN-2018-G03-R2**

### **Revisions to EPA's Conflict of Interest and Subaward Policy**

**Second Revision Notification/Effective Date:** October 1, 2024

**Notification Date:** August 22, 2018

**Revised Notification Date:** September 28, 2021

**Purpose of Second Revision:** This Recipient/Applicant Information Notice (RAIN) informs recipients and applicants of revisions from the Office of Management and Budget which revised [2 CFR Part 200](#) effective October 1, 2024 that updated Modified Total Direct Costs (MTDC) definition in [2 CFR 200.1](#), which includes up to the first \$50,000 of each subaward.

**Purpose of Revision:** This Recipient/Applicant information Notice informs recipients and applicants that EPA has revised the Agency's Subaward Frequent Questions to describe an EPA approved practice providing relatively small amounts of financial assistance (generally \$10,000 or less) through micro-purchases with eligible subrecipients.

**Revision Background:** In order to promote efficiencies in managing EPA financial assistance, the Agency has revised the guidance in EPA's Subaward Frequent Questions to describe an acceptable practice of using micro-purchases authorized in [2 CFR 200.320\(a\)\(1\)](#) to provide small amounts of financial assistance to eligible subrecipients. The Frequent Questions include examples of transactions that EPA will approve. Micro-purchase procedures may not be used to simply transfer funds from the recipient to another organization. Rather, the Non-federal entity receiving the micro-purchase contract must be compensated for carrying out activities necessary for the execution of the recipient's work plan as required by [2 CFR 200.403](#). The cost for compensating the Non-federal entity receiving the micro-purchase order must meet the reasonableness requirement of [2 CFR 200.404](#). Invoices or other contractual documents describing the activities that will be carried out under the micro-purchase arrangement are necessary to meet the documentation requirements of [2 CFR 200.318\(i\)](#). Additionally, recipients with micro-purchase thresholds in excess of \$50,000 will not be allowed to use this flexibility to avoid the \$50,000 limit on distributing indirect costs to subawards established by the definition of Modified total direct costs in [2 CFR 200.1](#).

The policy of allowing recipients to use micro-purchase procedures in lieu of subawards does not apply when a statute or regulation requires a pass-through entity to use subawards. For example, under section 6 of the Environmental Education Act recipients of pass-through funding must use 25% of the amount of the EPA grant for subawards of \$5,000 or less. Micro-purchase procedures may not be used in these circumstances.

#### **Previous Revisions:**

On November 12, 2020, EPA revised the COI Policy and Subaward Policy to update citations to 2 CFR Part 200. Additionally, EPA revised the Subaward Policy to conform to OMB's revisions to the definition of *Subrecipient* in 2 CFR 200.1 and the regulatory coverage in 2 CFR 200.101, *Applicability*, which now provides that Federal agencies may receive subawards from pass-through entities when authorized by Federal statutes.

On August 22, 2018, EPA revised sections 2.0 and 3.0 (Applicability and Definitions) of both policies to clarify that subawards may include loans, loan guarantees, interest subsidies and principal forgiveness, purchases of insurance or similar transactions entered into with borrowers by recipients of EPA Revolving Loan Fund (RLF) capitalization grants. However, neither policy applies to these transactions and any conflict of interest or subaward monitoring and management requirements for subawards with borrowers will be provided in the terms and conditions of RLF capitalization grants or program guidance.

**Related Resources:**

- [EPA Financial Assistance Conflict of Interest Policy](#)
- [EPA Subaward Policy](#)
- [EPA Subaward Frequent Questions](#)