

2 C.F.R. 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards

On December 26, 2013, the Office of Management and Budget released the “[Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards](#)“, commonly known as the Uniform Guidance, or 2 CFR 200, or UG. The Uniform Guidance consolidates and makes consistent the administrative requirements, cost principles and audit requirements formerly included in eight separate circulars. For universities and other institutions of higher education, the Uniform Guidance replaces OMB Circulars A-21, A-110, and A-133.

Timeline for Implementation The Uniform Guidance became effective December 26, 2014, and applies to all new awards and additional funding increments issued after that date. JSU’s first audit under the Uniform Guidance will be for FY 16 (i.e. costs incurred in July 1, 2015 – June 30, 2016).

The good news, which may be contrary to what you have been hearing through the grapevine, is that things won't change all that much. *The definition of what constitutes an allowable cost remains essentially the same* (i.e., necessary, reasonable, allocable, allowable, and consistently treated). Most costs that were unallowable before remain unallowable now. What *has* changed is that certain costs must now be included in your proposal budgets in order to be allowable or they will require agency prior approval after the award has been issued.

More information Additional information about the Uniform Guidance is available from the Council on Financial Assistance Reform (COFAR). In addition to the guidance itself, the [COFAR website](#) includes background information, FAQs, webcasts and other supplemental materials.

The federal grant making agencies published their implementation plans on December 19, 2014.

JSU has delayed implementation of the Uniform Guidance Procurement Standards until October 1, 2017 as allowed by the grace period provided in the September 10, 2015 Federal Register notice, 80 FR 54407. In the interim, the OMB Circulars will apply to grants and cooperative agreements.

Pre-award/Proposal Preparation Information

Proposals submitted to federal sponsors for projects with start dates beginning on or after December 26, 2014 should follow the guidelines provided below.

Cost Sharing or Matching (Section 200.306 and Appendix I 2.C.) The Uniform Guidance clarifies cost share requirements as follows:

- Funding announcements must state whether there is required cost sharing, matching, or cost participation without which an application would be ineligible
- If cost sharing is not required, the announcement must explicitly say so
- Voluntary committed cost sharing (institutional cost share proposed but not required) is not expected and cannot be used as a factor during the merit review of applications or proposals, but may be considered if it is in accordance with Federal awarding agency regulations and specified in a notice of funding opportunity. Criteria for considering voluntary committed cost sharing and any other program policy factors that may be used to determine who may receive a Federal award must be explicitly described in the notice of funding opportunity.

Note: University policy II:05:01 Approval of Proposals for Externally Funded Sponsored Projects states it is the University's policy to review proposals for projects that require cost sharing with the view that the direct benefit will outweigh the anticipated cash investment.

Charging Administrative/Clerical and Programmatic Salary Costs (Sections 200.413 and 200.430) The UG states administrative salaries are allowable and can be direct charges if all of the following requirements are met:

- Administrative and clerical salaries are integral to a project or activity, and
- Individuals involved can be specifically identified with the project or activity, and
- Such costs are explicitly included in the budget or have prior written approval of the federal awarding agency, and
- The costs are not also recovered as indirect costs

The 'major project' requirement in A-21 is eliminated, but the allowable, allocable and reasonable standards still apply. Administrative salaries may be considered integral to a project when the level of service needed is identifiably above and beyond that which is provided on a routine basis by the department.

- *Administrative and clerical salaries should still not be direct charged in most cases.* While the rules governing "major project or activity" exceptions have been dropped (see Section F.6 and Exhibit C of A-21), they have been replaced by the following criteria in § 200.413, all of which must be met:
 - (1) Administrative or clerical services are integral to a project or activity; (2) Individuals involved can be specifically identified with the project or activity; (3) Such costs are explicitly included in the budget or have the prior written approval of the Federal awarding agency; and (4) The costs are not also recovered as indirect costs.
 - So the language is different, but the effect is the same. Administrative and clerical staff must be essential to the scientific/programmatic conduct of the funded project. And in keeping with the requirement of consistent treatment, the services provided by the administrative and clerical staff charged to a Federal award must be *unlike* the routine services that are provided by administrative and clerical staff charged to institutional funds.
 - The Office of Sponsored Programs (OSP) recommends documenting these *unlike* circumstances in your budget justification, as well as explicitly requesting agency approval of the cost, e.g., "We are requesting agency approval for a [list appointment and position title here] as an administrative cost allowed under 2 CFR 200.413."

Direct Charging Computing Devices (Section 200.453) Computing devices are allowable as a direct cost if the devices are essential and allocable, but not solely dedicated, to the performance of a federal award:

- Computing device must be necessary and reasonable for the performance of the work, but it need no longer be used exclusively for the project
- The device must be charged to the project in some manner that reasonably relates to its use on the project
- PI/department should retain documentation as to how the purchase met these criteria

• You may have also heard that general purpose computing devices can now be direct charged as a supply cost. Technically, this is true. Indeed, § 200.94 clarifies that a computing device is a supply, provided the acquisition cost is less than \$5,000. This does *not* mean, however, that a laptop or iPad can be charged to every funded project! *No different from the old A-21 days, a computing device will only be an allowable expense if it is necessary, reasonable, consistently treated, and properly allocated* (see § 200.403 and § 200.405).

• In plain language, this means the computing device must be: (1) essential for the purposes of carrying out a specific aim of the funded project, (2) above and beyond what is normally provided by the department for academic use, and (3) charged to the grant in some reasonable proportion relative to how much it is used for the funded project. Again, OSP recommends explicitly addressing these unlike circumstances in your budget justification. In addition, PIs and departments should maintain documentation that describes how the proposed computing device meets the above requirements.

Participant Support Costs (Sections 200.75 and 200.456) Participant support costs means direct costs for items such as stipends or subsistence allowances, travel allowances, and registration fees paid to or on behalf of participants or trainees (but not employees) in connection with conferences, or training projects.

- Participant support costs are allowed on projects with an educational component, if included in the proposal budget or with subsequent sponsor approval.
- Sponsor approval is also required to rebudget funds from participant support costs into another category
- Participant support costs are excluded from the F&A base

• **Now here is something new!** Under A-110, the transfer of funds allotted for *training allowances* (direct payment to trainees) to other categories of expense required prior approval from the Federal awarding agency. While the UG retains this prior approval requirement (see § 200.308), it has changed the terminology to *participant support costs*, defined as "direct costs for items such as stipends or subsistence allowances, travel allowances, and registration fees paid to or on behalf of participants or trainees (but not employees) in connection with conferences, or training projects" (see § 200.75).

• In addition, § 200.456 of the UG now states that participant support costs are allowable with the prior approval of the Federal awarding agency. In other words, *we now have the added burden of getting prior approval to transfer funds into the participant support cost line as well as to transfer funds out of the participant support cost line!* (Note it is likely your proposal guidelines will state whether participant support costs are allowed under the program to which you are applying.) So be extra sure to explicitly include participant support costs in your budget if you need them or you will be required to get sponsor approval later.

• In addition, *participant support costs will have to be segregated in a separate sub-project grant with a 0% indirect cost rate when they are included as part of an award that is recovering indirect costs.*

F&A Rates to be used (Section 200.414) The Uniform Guidance clarifies that an entity's negotiated F&A rates must be accepted by all Federal awarding agencies:

- A Federal awarding agency may use a rate different from the negotiated rate for a class of Federal awards or a single Federal award only when required by Federal statute or regulation, or when approved by a Federal awarding agency head or delegate based on documented justification
- Notices of funding opportunities must include the policies relating to indirect cost rate reimbursement
- Pass-thru entities must honor subrecipients' approved F&A rates. If subrecipient doesn't have a federally negotiated rate, a 10% MTDC de minimus rate can be used.

• **There are two big changes to note regarding Facilities & Administrative Costs** (i.e., F&A, indirect costs, IDC etc.). The first (in § 200.331) is that *our subrecipients can either use a de minimus F&A rate of 10% of Modified Total Direct Costs or ask to negotiate a rate with U-M, if they do not have a Federally negotiated F&A rate of their own.* OSP recommends the former. As before, we will honor the Federally negotiated F&A rate of our subrecipients, if they have one.

• Second, the UG has changed the definition of Modified Total Direct Costs to also exclude participant support costs. That means from now on, *do not apply U-M's indirect cost rate against participant support costs.* They should be treated just like equipment, tuition and the portion of each subaward or subcontract in excess of \$25,000.

Post-award/Award Management Information

Prior Approvals (Section 200.407) Until agencies publish their implementation guidelines, there may have to be more requests for sponsor approvals for costs not included in the proposal budget.

Section 200.407 collects all of the references to prior approval. Of importance is the need for sponsor approval (if not included in the approved proposal) to:

- Issue an unbudgeted subawards (Section 200.201)
- Use unrecovered indirect costs, including indirect costs on cost sharing or matching as part of cost sharing or matching only with the prior approval of the Federal awarding agency. (Section 200.306)
- Use Program Income (Section 200.307)
- Revise budget and program plans, including changes in key personnel or their level of effort (by more than 25%); disengagement of the PI (the new term for absence of PI, to acknowledge that a PI can be absent from campus but still engaged in the project) (200.308)
- Transfer of funds budgeted for participant support costs to other categories of expense. (Section 200.456)
- Incur unbudgeted participant support costs (Section 200.456)
- Pay of supplemental compensation (Section 200.430 (h)(ii))
- Purchase capital equipment (cost >\$5,000) (Section 200.439)

Subaward Management The Uniform Guidance includes a number of changes pertaining to subawards with other entities. As a result, a pass-through entity:

- Must make and document a case-by-case determination as to whether the funding recipient should be a subrecipient or a contractor (formerly known as vendor). Post-award staff can help with these determinations (Section 200.330)
- Must use an approved federally recognized indirect cost rate negotiated between the subrecipient and the Federal government or, if no such rate exists, either a rate negotiated between the pass-through entity and the subrecipient (in compliance with this part), or a de minimus indirect cost rate of 10% MTDC (Section 200.331)
- Must monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, and that subaward performance goals are achieved. Pass-through entity monitoring of the subrecipient must include reviewing financial and **programmatic reports** required by the pass-through entity (Section 200.331)
- Must pay subrecipient's invoice within 30 calendar days after receipt of the billing, unless the pass through entity reasonably believes the request to be improper (Section 200.305).
- Subaward agreements will be modified to incorporate these changes

Project Closeout and The 90 Day Requirement (Section 200.343) This is not a new requirement. NSF has always had a strict 90 day close-out policy, but other agencies have been more lenient. However, with the implementation of the Uniform Guidance the requirement will be more stringently enforced. Specifics include:

- The non-Federal entity must submit, no later than 90 calendar days after the end date of the period of performance, all financial, performance, and other reports as required by or the terms and conditions of the Federal award. The Federal awarding agency or pass-through entity may approve extensions when requested by the non-Federal entity (this would be an award end date extension, or no-cost extension, not an extension of the 90 day reporting requirement).
- A non-Federal entity must liquidate all obligations incurred under the Federal award not later than 90 calendar days after the end date of the period of performance as specified in the terms and conditions of the Federal award.
- PIs, department and OSP staff will have to work together to that all project costs are recorded in time to be billed during the 90 day close-out period.

Procurement (Sections 200.318 – 326) Some of the most significant changes resulting from the Uniform Guidance are related to procurement. Top of the list is the requirement that, for all purchases above the ‘micropurchase threshold’ (\$3,000), price or rate quotations must be obtained from ‘an adequate number of qualified sources.’ However, no cost analysis is required. Because of the changes required to meet this new requirement, OMB is delaying its implementation until July 1, 2016.

NOTE: Some of the biggest and most far-reaching changes brought about by the UG are related to procurement. High on the list is the requirement that all procurements above the micropurchase threshold of \$3,000 must be competitively bid. Compliance with this new requirement will be burdensome and will involve changes to policies, business processes, and computer systems, so the Office of Management and Budget has granted a grace period to allow extra time for a systematic implementation.

Rather than full compliance by December 26, 2014, *JSU must have a transition plan in place that ensures compliance with the Uniform Guidance procurement requirements no later than July 1, 2016.*