UPDATED 12-1-2014 based on COMMENTS

The Uniform Guidance (2 CFR 200)

The Office of Management and Budget (OMB) has combined many Federal circulars—including OMB Circulars A-110, A-21, and A-133—into a single document called the "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards," generally referred to as the Uniform Guidance or 2 CFR 200. The Uniform Guidance will be applicable to new and incremental Federal awards issued on or after December 26, 2014, with application to new increments dependent on specific agency guidance.

Recently, the Federal Council on Financial Assistance Reform (COFAR) published an FAQ encouraging applicants to start submitting proposal budgets that are compliant with the Uniform Guidance now in anticipation that the U.G. will be applicable to any resulting award. The difficulty, however, is that the actual requirements of the Uniform Guidance, like the earlier OMB Circulars, will be implemented by Federal awarding agencies through their grant management policies (e.g., the NIH Grants Policy Statement and NSF’s Proposal and Award Policies and Procedures Guide), and the Federal agencies have not provided any information about what their implementing language will contain, although OMB is indicating that their review of agency guidelines is not revealing many exceptions to the UG. However, we will not know the full impact of the agency implementation until those are released.

We believe that Penn State will be ready for the Uniform Guidance. We will be taking the opportunity provided by the issuance of the new circular to reorganize and revise all the research administration policies in GURU, which will be released in early 2015. However, you need to be aware that many of the basics of sponsored award administration will remain the same. 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.

Following are some key sections of the Uniform Guidance which may impact research administration at Penn State:

Cost Sharing

The Uniform Guidance states in 200.306 that voluntary committed cost sharing is not expected under Federal research proposals and cannot be used as a factor during the merit review of the proposal. Cost sharing may only be considered when required by regulation and transparent in the notice of funding opportunity.

The valuation of cost sharing remains largely unchanged from A-110.
Sub-Recipient Monitoring

There are significant changes in this section which will impact the administration of sub-recipient grants and awards.

- Sponsors (agency and pass-through) are obligated to honor the subrecipient’s negotiated F&A rate. Subrecipients without a negotiated rate are entitled to a 10% MTDC F&A rate.
- Fixed price subs require agency prior approval and cannot exceed $150,000.

We anticipate that continuations will stay with the old rules, while new subawards will be issued under the new rules. We plan to issue a new subrecipient monitoring guideline effective December 2014 to implement the new monitoring requirements.

Administrative/Clerical Staff

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(c), 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 focus has moved from major projects to justifying that administrative/clerical costs are specifically identified to the project, even if the project is small. 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. It is important to recognize that it is the duties of the person, not their title that is critical to making the case for inclusion as a direct cost.

We will still be requiring the Cost Justification Form on proposals where administrative and clerical salaries are being direct charged, to provide the justification and documentation required to support our decision to direct charge these costs. There should also be an explicit explanation in the budget justification of the proposal.

Close-Out

OMB is emphasizing a strict closeout requirement of 90 days in the Uniform Guidance. Because it is sometimes difficult to get subrecipients paid within 90 days of close, we may need to consider establishing earlier end dates for subrecipients.
Computing Devices

General purpose computing devices can now be direct charged as a supply cost. § 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:

- essential for the purposes of carrying out a specific aim of the funded project,
- above and beyond what is normally provided by the department for academic use, and
- charged to the grant in some reasonable proportion relative to how much it is used for the funded project.

PIs and departments should maintain documentation that describes how the proposed computing device meets the above requirements. Use of the Cost Accounting Justification for Non-Personnel Costs is recommended as a best practice.

Participant Support Costs

This is a major change from A-110, where the transfer of funds allotted for training allowances (direct payment to trainees other than compensation for services) to other categories of expense required prior approval from the Federal awarding agency. While the Uniform Guidance 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). We are working through issues related to graduate assistants and post-doctoral appointees in terms of their classification as trainees or employees under this section of the UG.

In addition, § 200.456 of the Uniform Guidance now states that participant support costs are allowable with the prior approval of the Federal awarding agency. So, we now have the added burden of getting prior approval to transfer funds both in and 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 account. The Uniform Guidance has changed the definition of Modified Total Direct Costs to also exclude participant support costs. That means from now on, we cannot apply F&A 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.
**Travel Costs**

The major significant change in this area is a requirement that “Documentation must justify that . . . participation of the individual is necessary to the Federal award.” We feel that this may essentially require that only those who have effort (salary or stipend) charged to the federal award will be able to charge travel costs to the award.

**Next Steps**

As noted above, Penn State is taking this opportunity to reorganize and revise the Research Administration policy section in GURU. The Office of Sponsored Programs and the Corporate Controller’s Office are working on this project and hope to implement the new policies in early 2015. At the same time, we will be monitoring how the Federal awarding agencies are implementing the Uniform Guidance in their grant management policies and will adjust action plans accordingly.