Implementation of 2 CFR 200 Uniform Requirements at Georgia Tech: The Sophomore Year

April 26, 2016
Introduction – 2 CFR 200

- Federal agencies adopted 2 CFR 200 Uniform Requirements effective for all Federal awards granted on or after Dec. 26, 2014
- An extensive consolidation of decades of OMB circulars and other guidance on grants management
- Federal requirements are the basis of research related Institute policies
- Applicable for ALL types of sponsors to meet Cost Accounting Standards (CAS) consistency requirements
Uniform Requirements had an impact on Institute policies and management of sponsored projects

- Subpart A – Acronyms and Definitions (200.0 – 200.99)
- Subpart B – General Provisions (200.100 – 200.113)
- Subpart C – Pre-Federal Award Requirements and Contents of Federal Awards (200.200 – 200.211)
- Subpart D – Post Federal Awards Requirements (200.300 – 200.345)
- Subpart E – Cost Principles (200.400 – 200.475)
- Subpart F – Audit Requirements (200.501 – 200.520)
- Appendices
Introduction – Order of Precedence

1. Uniform Requirements (2 CFR 200)
2. Funding Agency Rules (found in agency general terms and conditions)
3. Program Rules (found in the solicitation)
4. Special Conditions
5. Award

State Laws & Regulations
Institute Policies
Agenda

• Review frequently asked questions during the first year of implementation (scenario-based)
  – Highlight regulatory changes and their impact on Georgia Tech
  – Review how grants are awarded, administered and audited
  – Discuss best practices moving forward
Scenario #1 – F&A

- I am assisting a faculty member with preparation of a grant proposal to the Department of Defense. The estimated budget required to complete the scope of work exceeds the solicitation total budget $ limit. The PI asks if F&A can be adjusted to budget enough direct costs for project completion.

- What are the considerations and recommendations in this scenario?
Key Points – F&A

Subpart E

• Sponsors expected to pay the full negotiated F&A rate
• F&A rate fixed for the life of the project on Federal awards
  – Current F&A rate applied when a new competitive segment is awarded
• Cognizant agency – Federal agency responsible for reviewing, negotiating, and approving cost allocation plans or indirect costs rate proposals
  – Georgia Tech: Office of Naval Research (ONR)
Scenario #2 – Subrecipient Monitoring

Pre-award Scenario:

• During preparation of a Department of Energy grant, the PI indicates that a colleague at University of Wisconsin will collaborate on the sponsored project.

• What considerations and steps should be taken to properly manage and account for the proposed collaboration?
Key Points – Subrecipient Monitoring

Subpart D

• Georgia Tech serves as an agent of the Federal agency
• Pass-through entity (Georgia Tech) must make case-by-case determinations whether each agreement it makes for the disbursement of Federal program funds casts the party receiving the funds in the role of a subrecipient, contractor, or employee
• Subrecipient must have adequate cost, historical, or unit pricing data available
• Scope of work must be clearly defined
• Evaluate risk, mitigate risk, monitor activities, and closeout timely
• Fixed Price subcontract awards limited to $150,000
Scenario #3 – Cost Share

Pre-award Scenario:

- Dr. Weaver is working on a proposal submission to NSF. During budget preparation she wants to include voluntary cost share since she feels it will increase the likelihood of the proposal being funded. She also plans to ask the Executive Vice President for Research to fund the proposed cost share to highlight the University’s commitment to the work being proposed.

- What considerations and information should be communicated with the PI to address this scenario?
Key Points – Cost Share

Subpart D

- The portion of project costs not paid by the sponsor
- Under Federal research proposals, voluntary committed cost sharing is not expected and cannot be used as a factor during the merit review of applications
- Cost sharing may be considered if it is required by agency regulations and specified in the notice of funding opportunity
Scenario #4 – Fixed Price Awards

Pre-award Scenario:

- Professor Shepherd developed a budget for a fixed price contract funded by Boeing. The estimated project costs, including contingency, total $125,000. The PI indicates that he will increase the proposal budget to $150,000 (20%) so there is a residual balance at the end of the project.

- What considerations and information should be communicated with the PI to address this scenario?
• Award amount is negotiated using the cost principles (or other pricing information) as a guide
• May use fixed amount award type if the project scope is specific and if adequate cost, historical, or unit pricing data is available to establish a fixed amount award with assurance that the non-Federal entity (Georgia Tech) will realize no increment above actual cost
• A fixed amount award cannot be used in programs which require mandatory cost sharing
Scenario #5 – Participant Support

• Professor Burke is the PI of a Federal grant. Participant support was included in the proposal budget, which was approved by the sponsor.

• What considerations and steps should be taken to properly manage and account for participant support?
Subpart A

- Participant support costs – 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
  - Not the same as research subject participants
- Modified Total Direct Cost (MTDC) based used to calculate F&A excludes equipment, capital expenditures, charges for patient care, rental costs, tuition remission, scholarships and fellowships, **participant support costs**, and the portion of each subaward > $25,000
Key points – Participant Support

Subpart E

• Prior approval of sponsor typically required to re-budget from participant support budget category
Scenario #6 – Conflict of Interest

• Dr. Who is the PI of a Federal grant. He proposes a subcontract to a start-up company in which he has majority ownership.

• What considerations and steps must be addressed to mitigate financial conflicts of interest?
Key Points – Conflict of Interest

Subpart B

• The Federal awarding agency must establish conflict of interest policies for Federal awards.
• The non-Federal entity (Georgia Tech) must disclose in writing any potential conflict of interest to
  the Federal awarding agency or pass-through entity in accordance with applicable Federal awarding
  agency policy.
• Georgia Tech Conflict of Interest disclosure requirements.
Scenario #7 – Purchasing

• Professor Grey is the PI of a Department of Commerce grant. She submits a request to purchase a $3,968.12 item paid for by the sponsored project.

• What are the considerations, review process for financial approvers, and required documentation in this scenario?
Key Points – Purchasing

Subpart D

- Micro-purchase – purchase of supplies or services using simplified acquisition procedures, the aggregate amount of which does not exceed the micro-purchase threshold
- Micro-purchases may be awarded without competition if the Institute (Georgia Tech) considers the price to be reasonable
- Micro-purchasing threshold reduced from $10,000 to $3,000
  - Implementation on hold by OMB until 7/1/2017 (anticipate extension to 7/1/2018)
  - Documentation standards will change – must include rate quotations from an “adequate” number of qualified sources
Scenario #8 – Materials & Supplies

- Dr. Quinn is the PI of an American Chemical Society grant. She requests the purchase of $5,063.34 in materials and supplies 30 days before the project period ends. The amount of the M&S purchase also happens to use all remaining funding available on the award.

- What are the considerations, review process for financial approvers, and best practices in this scenario?
Subpart E

- Materials and supplies used for the performance of an award may be charged as direct costs.
- Title to supplies will vest in the non-Federal entity (Georgia Tech) upon acquisition.
- If there is a residual inventory of unused supplies exceeding $5,000 in total aggregate value upon termination or completion of the project and the supplies are not needed for any other Federal award, the non-Federal entity must retain the supplies for use on other activities or sell them, but must, in either case, compensate the Federal government for its share.
Dr. Bricker is the PI of a National Science Foundation (NSF) award. He purchased equipment in accordance with the project scope of work and sponsor-approved budget.

Dr. Mancini is a faculty member in the same unit and serves as PI of a National Institutes of Health (NIH) award. He asks Dr. Bricker to use the NSF equipment to conduct work on his active NIH project.

What are the considerations and options for each PI?
Key Points – Equipment

Subparts D & E

- Equipment purchased with federal funds must be made available to other federally-funded projects
  - See regulation for priority of use
- Purchase price includes shipping and special handling but does **not** include extended warranty or maintenance
- Equipment must be budgeted or have prior written approval of the sponsor
Scenario #10 – Computing Devices

• Professor Costa in the Computer Science department is the PI of a Department of Labor grant and has requested you order a laptop computer charged to this project.

• What are the considerations and best practices in this scenario?
Key Points – Computing Devices

Subpart E

- Charging computing devices as direct costs is allowable for devices that are essential and allocable, but not solely dedicated, to the performance of a Federal award
- Computing device costs should be budgeted
- No change to previous Georgia Tech business practices
Scenario #11 – Subrecipient Monitoring

Post-award Scenario:

• Georgia Tech receives a Department of Education grant; the PI is collaborating with Johns Hopkins University (JHU) as a subrecipient on this project. JHU submits an invoice to Georgia Tech for project costs and it is processed in error as a vendor payment.

• What considerations and steps should be taken to address this scenario and prevent the same circumstances moving forward?
Key Points – Subrecipient Monitoring

Subpart D

- Accountability based on performance and results
- Revise timeframe for resolution of unbilled costs (e.g., 60 days) to ensure close-out actions are complete before day 90
- Consider impact where Georgia Tech is the subrecipient
  - Expect reduced billing timelines (e.g., due 30 days after POP end date)
- Past-term charges unbillable despite OMB / sponsor reference to publications costs, etc.
Scenario #12 – Cost Share

Post-award scenario:

• Assume there is a mandatory 1:1 cost share obligation on an active 5 year project funded by the Army. Year 3 of the performance period has just ended and 71% of the sponsored budget has been expended while 42% of the cost share obligation has been met.

• What considerations and steps should be taken to address this scenario, what impact might this have for the Institute, and how can the same circumstances be prevented in the future?
Key Points – Cost Share

Subpart D

• Cost sharing cannot be used as a factor during the merit review of applications unless cost share is required and specified in the notice of funding opportunity.

• Changes in the amount of approved cost sharing or matching provided by the Institute must have prior approval from the Federal awarding agency.

• Salaries, wages, and other costs used to meet cost sharing requirements must be supported in the same manner as the Federal award. *No change*

• Fixed amount awards cannot be used in programs which require mandatory cost share.
Scenario #13 – Fixed Price Awards

Post-award Scenario:

- Dr. Oz is working on an active industry-sponsored research project funded by Siemens. The PI indicates that his project-related effort should be charged to state funding so there will be a remaining residual balance on the industry project at the end of the performance period, which can be set aside as reserve funding that does not expire.

- What considerations and information should be communicated with the PI to address this scenario?
Subpart C

- Payments are based on meeting specific requirements of the award
- Accountability is based on performance and results
- Must certify in writing at the end of the award that the project or activity was completed or the level of effort was expended
  - PI Fixed Price Closeout Certification Form
- If the required level of activity or effort was not carried out, the amount of the Federal award must be adjusted
Scenario #14 – Internal Controls

• Dr. Phil is the PI of multiple Federal awards. He has asked you to transfer a p-card expense in the amount of $1,256.73 (direct cost) from one Federal sponsored project to another Federal sponsored project 43 days after the original expense posted.

• What considerations and steps should be taken to address this scenario, what impact might this have for the Institute, and how can the same circumstances be prevented in the future?
Key Points – Internal Controls

Subparts A-F

• Institute must establish and maintain effective internal control over the Federal award providing reasonable assurance that the award is being managed in compliance with Federal statutes, regulations, and the terms and conditions of the award.

• Take prompt action when instances of non-compliance are identified.
  – *Preferred practice: prevent instances of non-compliance*

• Online tools used for cost transfers must meet the same internal control criteria.
  – Institute policy for cost transfer requests; Late > 90 days.
Scenario #15 – Effort Reporting

• Professor Beckett is the PI of multiple federal awards. She understands that administrative and clerical salaries are an allowable direct cost under 2 CFR 200. Due to budget cuts in her department, she wants to move salary support of her faculty support coordinator and accountant to the federally-funded projects.

• What considerations and steps should be taken to properly manage and account for administrative and clerical effort on sponsored research projects?
Key points – Effort Reporting

Subpart E

• The salaries of administrative and clerical staff should normally be treated as indirect (F&A) costs
• Direct charging of these costs may be appropriate only if all of the following conditions are 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 Sponsor; and
  4) The costs are not also recovered as indirect costs
Key points – Effort Reporting

Subpart E

- Budget estimates alone do not qualify as support for personal service charges to awards.
- The non-Federal entity’s system of internal controls includes processes to review after-the-fact interim charges made to an award based on budget estimates:
  - Planned Confirmation System
  - Annual Statement of Reasonableness (ASR certification)
  - Monthly electronic workload assignment form (eWAF)
- All necessary adjustment must be made so the final amount charged to the award is accurate, allowable, and properly allocated.
- Significant changes in the corresponding work activity are identified and entered into the records in a timely manner.
Scenario #16 – Allowable Costs

- Dr. Cooper is presenting at a conference in Chicago on work supported by his NSF grant. He wants to fly first/business class and charge it to the grant.

- What considerations and information should be communicated with the PI to address this scenario?
Key Points – Allowable Costs

Subpart E

- Costs must be necessary, allocable, and reasonable for the performance of the award
- Consistent with policies and procedures that apply uniformly to both federally-funded and other activities of the non-Federal entity
- Accorded consistent treatment in like circumstances (direct vs. indirect)
- Adequately documented
- Determined in accordance with GAAP
- Not included as cost or used as cost sharing on any other Federal program
Scenario #17 – Award Closeout

• As the financial representative within the academic unit, I review the “90 days to term” report and identify multiple projects that are both underspent and overspent.

• What are the considerations and actions to resolve the circumstances and what can be done to prevent these circumstances moving forward?
Key Points – Award Closeout

**Subpart D**

- All applicable administrative actions and required work have been completed
  - No later than 90 calendar days after the POP end date (Sponsor requirements may vary)
  - Allow sufficient time for Grants & Contracts to prepare and submit final financial reports by the deadline
- Financial reporting and project performance must align
- Evaluate late-term (towards the end of the project period) and past-term expenditures for allowability and allocability
Summary – Why It Matters…

Subpart F

- Successful programmatic and financial outcomes that further research initiatives
- Good stewardship of financial resources
- Level of annual Federal funding expended by Georgia Tech requires single audit for that year
  - Audit must cover the entire operations of the auditee
- Regulatory compliance
  - “Should” is a best practice
  - “Must” or “shall” is a requirement
Resources

- Georgia Tech Policy Library
  www.policylibrary.gatech.edu
- Office of Grants & Contracts Accounting
  www.grants.gatech.edu
- Office of Industry Engagement
  www.industry.gatech.edu
- Office of Sponsored Programs
  www.osp.gatech.edu
- 2 CFR 200 (Uniform Requirements)
  www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr200_main_02.tpl
# Contact Information

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Questions