Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards

AT 2 CFR 200

November 11, 2014
Grants Reform
- Office of Management and Budget Circulars combined into Uniform Requirements
  - Effective December 26, 2014 & after
You may also hear it called:

- 2 CFR 200
- Uniform Guidance or “UG”
- Omni-circular
- Super-circular
- A-81
- Grant reform
- and by several unprintable names
MAJOR CHANGES

“SHOULD”

“MUST”
MAJOR CHANGES

Program performance must reflect financial performance

Subawards
- Pre-award documentation required
- Limits on fixed price
- Payment requirements
- Greater financial and programmatic performance monitoring

Emphasis is on internal controls and documentation
- Timely appointments and cost transfers
- PI Certification

Planning is Important!
- Proposing fixed price
- Subawards
- Purchasing will require more quotes and bids
WHAT CHANGES ARE MOST IMPORTANT TO FACULTY AND RESEARCH PERFORMERS?

**Proposals**
- Solicitation
- Cost-sharing cannot be considered in review and requires agency head approval
- Agencies are expected to pay the full negotiated F&A

**Purchasing**
- Documentation standards have changed
- Micro-purchasing threshold reduced from $10,000 to $3,000

**Materials & Supplies**
- Accounting for residual supplies and documentation for late-term charges
- New cost-transfer limitations

**Equipment**
- Equipment purchased with federal funds must be made available to other federally-funded projects
- Additional closeout / disposition requirements

© GTRC 2014
WHAT’S NOT CHANGING?

- Dual role of graduate students and post-doctoral trainees affirmed.
- Dependent care for travel NOT permitted under State of Georgia travel regulations.
- Expectation to financially & programmatically close awards within 90 days of term.
- Time and Effort Reporting continues to be the basis of documentation of personnel charges.
- "Computing devices that are essential and allocable, but not solely dedicated, to the performance of a Federal award may be allowable as direct charges if appropriate and meet the above requirements."
NEXT STEPS

Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards at 2 CFR 200 becomes effective December 26, 2014 for new awards.

Agency Specific Requirements
• NSF published
• Others expected by 12/26/14

Procurement Requirements delayed until July 1, 2016 for GT
F&A changes effective July 1, 2015
GT Team will be issuing policy revisions between now and 12/26
Training for Financial Managers began in October
FEDERAL REGULATIONS

- Subpart A – Acronyms and Definitions
- Subpart B – General Provisions
- Subpart C – Pre-Federal Award Requirements and Contents of Federal Awards
- Subpart D – Post Federal Awards Requirements
- Subpart E – Cost Principles
- Subpart F - Audit Requirements
- Appendices
Subpart A–Acronyms and Definitions

Subpart B–General Provisions

AT 2 CFR 200.0 – 200.113
“These definitions are for terms used in 2 CFR 200. Different definitions may be found in Federal statues or regulations that apply more specifically to particular programs or activities. These definitions could be supplemented…”
SUBPART A – ACRONYMS & DEFINITIONS

200.1 Definitions

• 200.19 Cognizant agency for indirect costs
• 200.23 Contractor (vs. Vendor)
• 200.55 Institution of Higher Ed (IHE)
• 200.67 Micro-purchase
• 200.69 Non-Federal entity
Program Income (200.80)

- Definition includes license fees and royalties on patents and copyrights
- COFAR FAQs published in August recognize the Bayh-Dole Act, stating that “income from license fees and royalties on research funded by a Federal award should be excluded from the definition of Program Income”
- U.S. law or statute takes precedence over the Uniform Requirements
SUBPART B – GENERAL PROVISIONS

Purpose (200.100)

Establishes uniform administrative requirements, cost principles and audit requirements for Federal awards to non-Federal entities.
### 200.110 - Effective Date

<table>
<thead>
<tr>
<th>Uniform Requirements (UR) implementation date</th>
<th>Applications submitted before 12/26/2014 should be developed in accordance with the UR (see FAQ)</th>
<th>Incremental Funding – Non-Federal entities are not obligated to segregate or separately track old funds and new funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 26, 2014</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### 200.112 - Conflict of Interest

| Refers to conflicts that might arise out of how a non-Federal entity expends funds (i.e., sub-recipient, procurement) | Challenge #1: Potentially no consistency in policies and requirements by Agency | Challenge #2: “Disclose any potential conflicts” |

- Challenge #1: Potentially no consistency in policies and requirements by Agency
- Challenge #2: “Disclose any potential conflicts”
Subpart C – Pre-Federal Award Requirements and Contents of Federal Awards

AT 2 CFR 200.200 – 200.211
Purpose (200.200)

Prescribe instructions and other pre-award matters to be used in the announcement and application process.
200.201 Use of grant agreements, cooperative agreements & contracts (including fixed amount awards)

- Accountability based on performance & results
- Non-Federal Entity must certify in writing that the project or activity was completed or required level of activity carried out
- Changes in PI or Scope must receive prior written approval of Federal Awarding agency or pass through entity
200.203 Notice of Funding Opportunities

- Prescribes what the agency must include in the funding announcement
  - 6 Summary Fields
  - Full Text (Appendix I of Part 200)
- Prescribes where the agency must place the notice (i.e., OMB website = Grants.gov)
  - The timeline for making funding opportunities available is 60 days & not less than 30 days
SUBPART C - PREAWARD REQUIREMENTS

200.204 Federal Awarding Agency Review of Merit of proposals

- NEW - For grants & cooperative agreements - Federal Agencies must design and execute a merit review process for applications
- The process must be described or incorporated in the Funding Opportunity
200.205 Federal Agency Review of Risk

- Federal agencies must have a framework for evaluating risks by applicant

- Potential Risk areas
  - Financial Stability
  - Management Systems - ability to meet standards
  - History of Performance (reports)
  - Audit Reports
  - Effective Systems (regulatory requirements)
  - Debarment & Suspension
200.210 Information Contained in the Federal Award

- Prescribes the 15 items that each agency must include in an award notice
- Requires agencies to incorporate general terms and conditions
Subpart D – Post Federal Award Requirements Standards For Financial and Program Management

AT 2 CFR 200.300 – 200.345
SUBPART D – POST FEDERAL AWARD

Topics covered in Subpart D:

Performance Measurement (200.301)
Financial Management (200.302)
Internal Controls (200.303)
Cost Sharing or Matching** (200.306)
Program Income (200.307)
Revision of Budget and Program Plans (200.308)
Property Standards** (200.310-200.316)
SUBPART D – POST FEDERAL AWARD

Topics covered in Subpart D:

Procurement Standards** (200.317-200.326)
Performance and Financial Monitoring and Reporting (200.327-200.329)
Subrecipient Monitoring and Management** (200.330-332)
Record Retention (200.333-200.337)
Remedies for Noncompliance (200.338-200.342)
Closeout** (200.343-200.345)
SUBPART D – POST FEDERAL AWARD

The non-Federal entity 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 noncompliance are identified
- Take reasonable measures to safeguard protected personally identifiable information
SUBPART D – REVISION OF BUDGET (200.308)

Compared to A-110:

- **NEW:** “Changes in the amount of approved cost sharing or matching provided by the non-Federal entity” must have prior approvals from the Federal awarding agency.
- **NO CHANGE:** Agencies can still waive prior approval requirements for 90-day pre-award costs, 12 month NCE (not merely for the purpose of using unobligated balances), Carry Forward of unobligated balances, etc.
SUBPART D – PERFORMANCE AND FINANCIAL MONITORING AND REPORTING

- Unless otherwise approved by OMB, Federal agencies may require only standard, OMB-approved data elements for collection of financial information (FFR).
- Federal agencies must use standard, OMB-approved data elements for collection of performance information (RPPR).
- Expectation of coordination between financial reporting and performance reporting.
SUBPART D – COST SHARING

Cost Sharing or Matching (200.306)

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

• The Federal awarding agency must include cost sharing requirements in the notice of funding opportunity.

• Fixed amount awards cannot be used in programs which require mandatory cost share.
• Salaries, wages, and other costs used to meet cost sharing requirements must be supported in the same manner as the Federal award *No change*

• Changes in the amount of approved cost sharing or matching provided by the non-Federal entity must have prior approvals from the Federal awarding agency
SUBPART D – PROPERTY STANDARDS

What is Sponsored Property (200.310-313)?

• Capital equipment with a useful life of one year or more, with a purchase price of $5,000 per single item, charged to a sponsored program
• Purchase price includes shipping, special handling but does NOT include extended warranty or maintenance
• Must have prior written approval of the awarding agency
• Must be budgeted
SUBPART D – PROPERTY STANDARDS

Sponsored Property (200.310-313)

What is GT’s and the PI’s Responsibility?

• Provide insurance coverage
• Use equipment as authorized
• Not pledge the equipment for loan or debt
• Protect from theft or damage
• Maintain in good condition
• Inventory and report the condition and location every two years
• Maintain good property records
• Allow others to use the equipment as needed
SUBPART D – PROPERTY STANDARDS

Sponsored Property (200.310-313)

At the End of the Award (Grant or Cooperative Agreement Only):

- If now worth less than $5,000 GT keeps the property
  - GT Property to determine value
  - GT Property to dispose if unwanted
SUBPART D – PROPERTY STANDARDS

Sponsored Property (200.310-313)

At the End of the Award (Grant or Cooperative Agreement Only)

• If **now** worth **more than** $5,000
  o Transfer the property to another award with approval
  o If no approval or no answer in 120 days
    – GT purchases the property for the value now, or
    – GT sells the property and remits the funds to the sponsor
SUBPART D – PROCUREMENT STANDARDS

Methods of procurement to be followed (200.320-329)

• New requirements: purchases > $3,000 must include rate quotations from an “adequate” number of qualified sources

• Grace period has been granted for one full fiscal year after the effective date of the Uniform Requirements

• Effective 12/26/15, so for our fiscal year 2017
SUBPART D – SUBCONTRACTS

- MUST MAKE A DETERMINATION OF TYPE OF AGREEMENT ON CASE-BY-CASE BASIS
- MAY ISSUE FIXED AMOUNT SUBAWARDS WITHIN NEW CONSTRAINTS
- NEW DATA ELEMENTS MUST BE INCLUDED IN SUBAWARDS
- SUBRECIPIENT MONITORING AND MANAGEMENT
SUBPART D – SUBCONTRACTS

Subrecipient and Contractor Determinations (200.330)

- Pass-through entity 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 or a contractor.
SUBPART D – SUBCONTRACTS

Requirements for Pass-Through Entities (MUST) (200.331)

• Include required data elements
• Include all requirements imposed by the pass-through entity to meet its own responsibility to the Federal Awarding agency i.e., financial and performance reports
• Use approved federally recognized indirect cost rate - if no such rate exists, use a negotiated rate between the two parties or a de minimis rate of 10% of MTDC
• Require subrecipient to permit the pass-through entity and auditors access to subrecipient’s records & financial statements to meet statutory & national policy requirements through the Period of Performance (POP)
• Include appropriate closeout terms & conditions
SUBPART D – SUBCONTRACTS

Evaluate Risk
Past experience & performance with similar awards
Results of Single Audit
Substantially changed systems
Existing Federal oversight on other awards

Mitigate Risk
Impose specific management oversight controls described in 200.207 until risk is reduced

Monitor Activities
Reviewing programmatic reports
Following up on identified deficiencies detected through audits, on-site reviews, and other means.
Issue management decision for audit findings

Closeout Timely
Agreements must be closed in a timely fashion to meet the 90 day financial closeout requirements
Fixed Amount Subawards require certification that the project or activity was completed or level of effort expended
Fixed Price Awards (200.332)

- Limited to $150K (current Simplified Acquisition Threshold)
- Payments based on meeting specific requirements
- Accountability based on performance and results
- Scope of work must be clearly defined
- Subrecipient must have adequate cost, historical, or unit pricing data available
SUBPART D – SUBCONTRACTS

Fixed Price Awards (200.332)

- Established “milestone” payments can be used
- Cannot be used when mandatory cost sharing applies
- Non-federal entity must certify to either the Federal awarding agency or pass-through entity that project or activity was completed or the level of effort was expended
  - If level of effort or activity not carried out then award must be adjusted
- Changes to PI or scope require prior written approval
Closeout (200.343-200.345)

• Revise timeframe for resolution of unbilled costs (e.g., 60 days) to ensure close-out actions are complete by day 90
• Consider impact where Georgia Tech is the subrecipient; expect reduced billing timelines (e.g., due 30 days after POP)
• Past-term charges unbillable despite OMB / agency reference to publications costs, etc.
• Anticipate reducing late cost transfer limit to 90 days
SUBPART D – FINANCIAL CLOSE OUT

Complete the close-out process no later than 90 days after the POP end date

Financial reporting and project performance must align

• Agency requirements may vary
• Account for any real or personal property acquired with federal funds
• Includes equipment and supplies > $5,000 value at close-out
Subpart E – Cost Principles

AT 2 CFR 200.400 – 200.475
SUBPART E – COST PRINCIPLES

Topics covered in Subpart E:

- Review of Cost Accounting Standards (CAS)
- Administrative and Clerical Costs (200.413)
- Compensation (200.430)
- Conferences (200.432)
- Losses on other awards or contracts (200.451)
- Materials and supplies (200.453)
- Travel costs (200.474)
• No change to the principles that direct costs must be allowable, reasonable, allocable, and within POP
RI Sponsored Programs / Institutes of Higher Education
- Subject to 4 CAS
- Must submit DS-2 (Disclosure Statement)

GTRI Sponsored Programs
- Subject to all 14 CAS
- Must submit DS-1 (Disclosure Statement)
• An institution’s practices used in estimating costs in pricing a proposal shall be consistent with the institution’s cost accounting practices used in accumulating and reporting costs.

• An institution’s cost accounting practices used in accumulating and reporting actual costs for a contract shall be consistent with the institution’s practices used in estimating costs in pricing the related proposal.

• Accumulating and reporting actual costs in greater detail than proposed costs is not a CAS inconsistency.
REVIEW OF COST ACCOUNTING STANDARDS (CAS)

• All costs incurred for the same purpose, in like circumstances, are either direct costs only or indirect costs only with respect to final cost objectives

• No final cost objective shall have allocated to it as an indirect cost any cost, if other costs incurred for the same purpose, in like circumstances, have been included as a direct cost of that or any other final cost objective

• Further, no final cost objective shall have allocated to it as a direct cost any cost, if other costs incurred for the same purpose, in like circumstances, have been included in any indirect cost pool to be allocated to that or any other final cost objective
Fundamental requirement

- Costs expressly unallowable or mutually agreed to be unallowable, including costs mutually agreed to be unallowable directly associated with costs, shall be identified and excluded from any billing, claim, or proposal applicable to a Government contract.

Cost accounting period

- An institution shall use their fiscal year as their cost accounting period.
SUBPART E – COST PRINCIPLES

Administrative and Clerical Costs (200.413)

May be charged directly only if all of the following are met:

• Are integral to the project or activity
• Can be specifically identified with the project or activity
• Are explicitly included in the budget or have prior written approval of the awarding agency
• Are not also recovered as indirect costs

Eliminated the “major project or activity” distinction
Conferences (200.432)

- Conference hosts / sponsors must exercise discretion and judgment in ensuring conference costs are appropriate, necessary, and managed in a manner that minimizes costs to the Federal award.
- As needed, the costs of identifying, but not providing, locally available dependent-care resources are allowable.
SUBPART E – COST PRINCIPLES

Losses on other awards or contracts (200.451)

• “any excess of costs over authorized funding levels transferred from any award or contract to another award or contract is unallowable”
Materials and supplies (200.453)

- “In the specific case of computing devices, charging as direct costs is allowable for devices that are essential and allocable, but not solely dedicated, to the performance of a Federal award”
  - Must meet criteria for direct costs
  - Keep in mind the $5,000 aggregate value of M&S at end of award
SUBPART E – COST PRINCIPLES

Travel costs (200.474)

• Temporary dependent care costs above and beyond regular dependent care that directly results from travel to conferences are allowable

• Travel costs for dependents are unallowable, except for travel of 6 months or more with prior approval

• The costs must be consistent with the non-Federal entity’s documented travel policy for all entity travel

• Per State Accounting Office (SAO) official travel regulations will NOT allow temporary dependent care costs incurred as a result of employee travel to conferences; nor travel costs for dependents
SUBPART E – COMPENSATION

Compensation (200.430) (GT)

The new OMB Uniform Requirements:

• Includes revised and new language applicable to Institutes of Higher Education (IHE)

• New definition - Institutional base salary (IBS) is the annual compensation paid by an IHE (i.e.; USG) for an individual’s time spent on research, instruction, administration, or other activities

• Changes the emphasis of documenting salary charges from the 3 examples in A-21 (which have been eliminated in Uniform Requirements) - instead, lists Standards of Documentation that replace “Criteria of Acceptable Methods” for apportioning salary and wages
SUBPART E – COMPENSATION

Compensation (200.430) (GT)

• Salary and wages charged to Federal awards must:
  • Be based on records that accurately reflect work performed
  • Be supported by system of internal controls to provide reasonable assurance that charges are accurate, allowable, and properly allocated
  • Be incorporated into official records of non-federal entity
  • Reasonably reflect the total activity for which employee is compensated
SUBPART E – COMPENSATION

Compensation (200.430) (GT)

• Conclusion: Standards of Documentation in the Uniform Requirements basically restate Circular A-21 requirements

• What to do next for Compensation:
  • No change: Our current effort reporting system meets the new Standards of Documentation
    o Specifically, the eWAF and eASR provide documentation of our internal controls
    o The SPD system provides internal controls over allocation of salary postings and transfers
  • WAIT for new requirements to be in effect for a time period and SEE how other institutions and audits interpret the new Uniform Requirements before implementing any future changes
Compensation (200.430) (GTRI)

- Labor is the single largest cost driver for GTRI as well as almost all other government contractors.
- There is much audit scrutiny by both independent auditors and DCAA.
- Significant regulatory/procedural requirements for recording labor on DOD contracts for entities like GTRI operating under Federal commercial cost principles (FAR 31.2).
- To satisfy these requirements, GTRI utilizes a COTS timekeeping system (eTime) that was developed for government contractors that meets DCAA requirements for recording labor.
SUBPART E – COST PRINCIPLES

Compensation (200.430) (GTRI)

What are the Risks?

• Criminal proceedings against the employee, supervisor, and the company under the False Claims Act
• GTRI could be subject to debarment
• Invoice payment withholdings on contracts and/or loss of future awards

What can you do to prevent timekeeping issues and ensure GTRI remains compliant?

• Ensure you understand timekeeping policy and follow
• Update your timesheet daily
• Report any know abuses of our timekeeping policies as soon as possible to your supervisors, the GTRI Compliance, or the Institute Compliance Hot Line
• Always get a project number when work is assigned to you
SUBPART E – COST PRINCIPLES

Compensation (200.430) (GTRI)

Reportable Time:
Full-time, monthly-paid employees report an average of at least 8 hours a day across the reporting period. Hourly staff report hours actually worked and compensated absences.

Reportable time includes:
• Research
• Proposal preparation
• Committee activities
• Work at home with supervisor approval
• Work on travel status (i.e. work performed at destination)
• Compensated absences

Reportable time does not include:
• Ordinary lunch hour
• Commuting to/from work
• Professional meetings or professional development NOT specifically required by GTRI
• Travel outside of normal work period (exempt employees)
Subpart F – Audit Requirements

The audit requirements in Subpart F are effective for fiscal years beginning on or after December 26, 2014

- Therefore, effective for Georgia Tech’s FY16
Focus on Risk

- Increases audit threshold from $500,000 to $750,000 in annual expenditures on Federal Awards
- Strengthens risk-based approach to determine major programs
- Provides for greater transparency of audit results
- Strengthens agency use of the single audit process
SUBPART F - AUDIT REQUIREMENTS

Single Audit is Required (200.501)

- If > $750,000 in annual expenditures on Federal Awards
- A Cognizant Agency is required if > $50M in annual expenditures on Federal Awards

Single Audit Reports on Web

- All submissions must be electronic to Federal Audit Clearing House (FAC)
- FAC responsible to make publicly available
Audit Findings

• Increases threshold for reporting questioned costs from $10,000 to $25,000

• Requires identification as to whether finding was a repeat from the immediately prior audit
Changes to the major program determination process:

• Focuses audits on the areas with internal control deficiencies that have been identified as material weaknesses

• Programs are grouped based on dollars
  • Type A programs > $750,000
  • Type B programs < $750,000
SUBPART F - AUDIT REQUIREMENTS

• 7 of the 14 Compliance Requirements were eliminated from testing
  o Elimination of compliance requirements does not mean elimination of compliance
• Pass-Through entities are still responsible for ensuring compliance
• Greater focus on Internal Controls and Risk
• Wording Changed in the Uniform Requirements from OMB Circular A-133:
  “audit working papers” to “audit documentation”
OMB UNIFORM REQUIREMENTS

Next steps:

• Agency implementation plans and reconciliation to OMB requirements
• OMB Technical Corrections
• Specific GT policy changes…
  o Late cost transfer restrictions
  o Interim documentation and reporting requirements
  o Additional closeout steps
• Auditor interpretations of new requirements
• Enhancements and adherence to internal controls
Questions & Answers