OMB Uniform Guidance on Cost Principles

Spring FOCUS Meeting - April 30, 2014

Caroline Beeman, Senior Manager
Mira Levine, Manager
Agenda

– History

– 200.110 Effective/applicability date

– New Structure (“Roadmap”)
  • Highlighting relevant F&A and Cost Principle sections

– Individual Issues and Items
  • Including eliminations of 2 CFR Part 220 (prior A-21) sections
  • MAXIMUS Impact Assessment

– Resources
History

- Nov 2009 & Feb ‘11 Presidential directives to ease administrative burden and strengthen oversight

- June 2011 RFI, creation of A-21 Task Force and COFAR

- Feb & April 2012 – ANPG, Yielded 350+ responses

- Feb & June 2013 – NPG, 241 pages, 300+ Responses

- December 26, 2013 – OMB issues “Final Guidance”
§ 200.110 Effective/applicability date

• This guidance is effective 12/26/2013

• Federal agencies submit drafts implementing regulations to OMB by June 2014

• Uniform implementation 12/26/2014 - applicable to new awards and to incremental funding awarded on or after 12/26/14

• Except Subpart F (Audit), which is effective the first FY beginning after 12/26/2014 (and F&A Rate Proposals??)
Structure & Predominate Sources

– Subpart A – Acronyms & Definitions (New)

– Subpart B – General Provisions (All Circulars)

– Subpart C – Pre-Federal Award (2 CFR Part 215, prior A-110)

### Structure & Predominate Sources (cont.)


<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
<th>Pages</th>
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<tbody>
<tr>
<td>‧ General Provisions</td>
<td>§ 200.400 to 401</td>
<td></td>
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<tr>
<td>‧ Basic Considerations (Cost Allowability, Applicable credits)</td>
<td>§ 200.402 to 411</td>
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<tr>
<td>‧ Direct and F&amp;A Costs (including required Certifications)</td>
<td>§ 200.412 to 415</td>
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<tr>
<td>‧ State, Local &amp; Indian Govt</td>
<td>§ 200.416 to 417</td>
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<tr>
<td>‧ Special Considerations for Institutions of Higher Education</td>
<td>§ 200.418 to 419</td>
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Structure (cont.)

– Subpart F – Audit Requirements (A-133)

– **Appendices** (*combination of all 8 Circulars*)
  
  • I – Notices of Funding
  • II – Contract Provisions
  • **III -- F&A for Educational Institutions (A-21, 2 CFR Part 220)**
  
  • IV – Indirect for Non-Profits (A-122, 2 CFR Part 230)
  • V – State/Local Cost Allocation Plans (A-87, 2 CFR Part 225)
  • VI – Public Assistance (A-87, 2 CFR Part 225)
  • VII – State/Local Indirect Cost Plans (A-87, 2 CFR Part 225)
  • VIII – Non-Profit Exemption from Cost Principles
  • IX – Hospitals (prior guidance still in effect)
  • X – Audit Data Collection (url for SF-SAC form)
  • XI – Single Audit Compliance Supplement (url for A-133 Audit Supplement)
OMB Changes – Combine Circulars

- Consolidate 2 CFR Parts 215, 220, 225, 230, previously:
  - A-21
  - A-50
  - A-87
  - A-89
  - A-102
  - A-110
  - A-122
  - A-133
- Create common accounting standards for all grant recipients

IMPACT

-- Maybe added more confusion than clarity

-- Universities are much different than Non-profits and State/Local Govt’s

-- Document littered with “exceptions” (e.g., Higher Ed 26% Admin cap)
OMB Changes – Eliminate Required Study

- **Eliminate** requirement for institutions to conduct studies for **cost reasonableness for Large Research Facilities**

- 2 CFR Part 220, prior A-21, Section F2

**IMPACT**

--GREAT!

--Reduce administrative burden
# OMB Changes – Eliminate Required Analysis

<table>
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<tr>
<th>IMPACT</th>
<th>--GREAT!</th>
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<tr>
<td>Reduce administrative burden</td>
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<tr>
<td>But, Retained “25% Equity Contribution” rule</td>
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| • Eliminate requirement that schools perform a Lease Purchase Analysis to justify External Bond Interest |
| 2 CFR Part 220, prior A-21, Section J26 |
| now Subpart E, 200.449 |
OMB Changes – Simplified Method (App. III D.2)

- Did **not** increase threshold for using the “Simplified Method” (Short Form) from the current $10 to $25 million of federal research awards

**IMPACT**

--Missed opportunity to reduce administrative burden
OMB Changes – UCA (App. III B.4.c)

• Maximum 1.3 Utility Cost Adjustment with “Utilities” allocations based on “Effective square footage”

• ESF is actual SF times “Relative Energy Utilization Index (REUI)"
  • REUI is currently 2X
  • OMB will adjust factor “no more often than annually nor less often than every 5 years”

• Allows metering at a Sub-Building level????

IMPACT

--GREAT (for some)!

--Increase burden (for others)!

--Perhaps a Double-Edged Sword?

--Schools will now have to develop data for their Utilities pools

--“Separate Proposal”
OMB Changes – Rate Extension

• All Non-Federal entities may apply for a one-time extension of current F&A rates for up to four years, subject to cognizant agency approval

• Subpart E, 200.414

IMPACT

--May be appropriate for some universities

--For others, may reduce F&A rates and/or $ Recoveries, for example:
  – major new research buildings
  – now eligible for UCA
  – substantial decrease in base re: end of ARRA grants
200.303 Internal controls

- Requires Internal controls in compliance with guidance in:
  - “Standards for Internal Control in the Federal Government”
  - “Internal Control Integrated Framework” issued by COSO.

- The term “internal control” is used 46 times in the guidance.
- The term “written” is used 66 times.
- “Prior approval” is used 66 times.

IMPACT

--New language/reference, impact unknown.

--Provided as source documents for best practices.

--Per COFAR there is no expectation/requirement that internal controls be documented or evaluated prescriptively to these guidelines.
200.319 Competition

• **Prohibits** the use of statutorily imposed state or local **geographical preferences** in the procurement.

**IMPACT**

--**Potential conflict** for public universities who follow State procurement laws and regulations.

--In Virginia, tie bid goes to a Virginia vendor- not necessarily followed by all schools.
200.320 Procurement

- New procurement category, “micro-purchase” allow for purchases of up to $3,000 without competition.

- Procurements over $3,000 must have some form of competitive bid process:
  - Simplified Acquisition
  - Sealed Bids

**IMPACT**

--Will have significant implications for acquisitions made using procurement cards and “cash back programs”.

--Issue for schools with higher competitive bid limits or no bid limits, at all.
OMB Changes – Direct Charging of Admin.

200.413 Direct Costs

- Salaries of administrative staff may be **direct charged** to federal grants where ALL of the following are met:
  - Services are **integral** to the project
  - Individuals can be **specifically identified** to the project
  - Explicitly **included in the budget** or have prior written approval
  - AND, are **not recovered as indirect costs**

**IMPACT**

**DOUBLE-EDGED SWORD!**

--May reduce confusion

--But may **increase the Organized Research MTDC base** and, in turn, lower proposed rates

--As offset, **F&A rates would be applied to these new direct costs**, increasing F&A Dollar Recoveries
OMB Changes – 10% Rate for First-timers

200.414 Indirect (F&A) Costs

• Addition of 10% de-minimis indirect cost rate (total direct cost basis) for entities that do not currently have a negotiated rate

IMPACT

GREAT!

--May reduce the need for university staff to review indirect proposals from these type sub awardees / subcontractors
OMB Changes – DS-2 (200.419 CAS)

- **Disclosure Statements (DS-2) & Compliance** under the Cost Accounting Standards Board (CASB), retained (2 CFR Part 220, prior A-21, C14)
- **Threshold raised** from $25M to $50M
- **Added**: University proposed change must be submitted to DCA/ONR 6 mos. in advance

**IMPACT**

-- Reduce administrative burden?

-- An IHE may implement the change only if it has not been notified within the 6 month period that a longer review period will be needed or there are concerns with the potential change.
200.431 Fringe Benefits

• “When a non-Federal entity uses the cash basis of accounting, the cost of leave is recognized in the period that the leave is taken and paid for. Payments for unused leave when an employee retires or terminates employment are allowable as indirect costs in the year of payment.”

IMPACT

--May require significant changes in accounting for terminal leave

--Per COGR handling as accrual via fringe benefit — could increase 3 – 10 points

--COGR looking for further clarification re: allowable method vs. only method
OMB Changes – Computing Devices

200.453 Materials and Supplies Costs

- Addition of new language which allows “Computing devices” and associated support costs to be treated as allowable and allocable direct costs

**IMPACT**

*DOUBLE-EDGED SWORD!*

- May reduce confusion
- But may increase the Organized Research MTDC base and, in turn, lower proposed rates
- As offset, F&A rates would be applied to these new direct costs, increasing F&A Dollar Recoveries
Subrecipients and Audit

200.501 Audit Requirements

- A non-Federal entity that expends $750,000 or more during the non-Federal entity’s fiscal year in Federal awards must have a single or program-specific audit conducted.

IMPACT

-- Increases subrecipient monitoring burden.
-- Reduces audit costs for organizations with less than $750,000 in expenditures.
-- No audit impact to Virginia colleges & universities
## OMB Changes – MTDC

### App. III C.2. The Distribution Basis

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<tr>
<td>-- Perhaps increase burden to identify new exclusion</td>
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<td>-- Possibly deter agencies adding unfair base exclusions (e.g. genomic arrays)</td>
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**OMB Changes – MTDC**

**App. III C.2. The Distribution Basis**

- Reference to *section 200.68* where *participant support costs*, defined in 200.75, are listed as an *exclusion to MTDC*

- **Other items** may only be *excluded* when necessary to avoid a serious inequity in distribution of indirect costs, and *with the approval of the cognizant agency*
Unresolved Cost Principle Issues

• **UCA** as **FCPP** for **FY14** and **FY15** base year F&A rate proposals?

• **UCA** definition of “**monitored research laboratory space**” and can “**site**” mean “**entire campus**”?

• OMB verification of **FY16** as first applicable base year for **F&A Rate Proposals**

• Clarification on treatment of **terminal leave**
www.maximus.com/higher-education
highereducation.maximus.com (no www)

• Federal Register article: Web | PDF
• The OMB website includes many helpful links:
  • OMB Policy Statements: Uniform Grant Guidance
  • Crosswalk from Existing Guidance to Final Guidance
  • Crosswalk from Final Guidance to Existing Guidance
  • Cost Principles Comparison Chart
  • Audit Requirements Comparison Chart
  • Definitions Comparison Chart
  • Administrative Requirements Comparison Chart
• Recordings of MAXIMUS webinars
QUESTIONS?

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