

Michigan State University



ERA Hot Topics 11/6/14

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Contract and Grant Administration

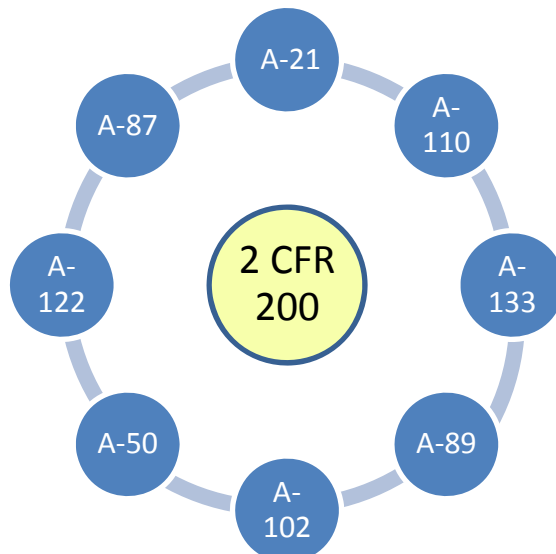
UG, NSF Audit, Procurement





Uniform Guidance 2 CFR Part 200 Effective 12/26/2014

- Grants Reform



A-21 Cost Principles for IHE (MSU)
A-110 Financial Mgt Standards for IHE
A-133 Single Audit Requirements
A-89 Catalog of Federal Domestic Assistance (CFDA's) now FAIN
A-102 Grants with State & Local Gov.
A-50 Audit Follow-up & Resolution
A-122 Cost Principles for Non-Profits
A-87 Cost Principles for State, Local ...



**Uniform Guidance
2 CFR Part 200
Effective 12/26/2014**

What does it mean to MSU and PI's

- The basic rules regarding **Allowability, Allocability** and **Reasonable** haven't changed
- There is an enhanced expectation for good internal controls
 - Mentioned 75 times in the UG
 - Cost transfers
- New rules are more flexible for computers and clerical costs
 - no significant change for MSU
- There is greater expectations for the monitoring of our sub recipients



Uniform Guidance Continued

What does it mean to MSU and PI's

- There will be/is an automatic approval to grant sub-receipients a de minimis F&A rate of 10% MTDC
- More flexibility to comply with salary documentation
 - Effort Reporting – could it become something different
- Limits an the amount of fixed-price sub-awards (\$150k cap)
- NSF's participant support exclusion from F&A has been adopted into the definition of MTDC – applies to all agencies
- Cost sharing is not expected for research proposals and may not be used as a factor in reviewing proposals
 - Adopted the National Science Board philosophy – science trumps cost sharing
- The budget restriction on transfers from direct to F&A and vice versa has been removed



Uniform Guidance Continued

What does it mean to MSU and PI's

- The procurement section has been delayed for 20 months
 - required source documentation for items > \$3,000
- Old requirement to close an account in 90 days being strictly enforced by NSF and NIH
 - Research Terms and Conditions might move to 120 days
- Conferences – need to focus beyond the recipient
- Some VISA costs are now specifically allowable
- Terminal leave costs (vacation/leave payout)
 - move to the fringe rate?
- Revise and update policies!
- Timing – each federal agency (other than NSF) needs to issue regulations by 12/26/14! Tick-tick-tick!



Uniform Guidance - Summary Document

ADMIN & CLERICAL SALARIES

[2 CFR 200.413](#)
[2 CFR 200.430](#)

Administrative and clerical salaries may be allowable as direct costs.

How is the UG different than Circulars A-21/A-110/A-133? The previous circulars allowed administrative/clerical costs for “major projects”. In comparison, the UG recognizes the necessity of administrative/clerical work in project management and provides more flexibility, as administrative/clerical salaries may be direct charged when all the following criteria are met:

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



Uniform Guidance - Summary Document

ADMIN & CLERICAL SALARIES

[2 CFR 200.413](#)
[2 CFR 200.430](#)

Administrative and clerical salaries may be allowable as direct costs.

How does this affect your project? Although routine administrative and clerical salaries should typically be treated as indirect costs (i.e. paid by the General Fund), administrative and clerical salaries that meet the above criteria may now be included in proposal budgets as direct costs. Questions regarding special cases or justifications should be directed to departmental or college administrators and/or the Office of Sponsored Programs.

Administrative/clerical salaries must be in the award budget in order to be charged directly to RC accounts for new federal awards received after Dec. 26, 2014. Current awards, as well as new federal awards received prior to Dec. 26, 2014, will not be impacted until a modification is received. After that point, agency approval of administrative/clerical salaries must be obtained.



Uniform Guidance - Summary Document

<p>COMPUTERS (UNDER \$5,000 PER UNIT)</p> <p>2 CFR 200.20 2 CFR 200.453</p>	<p>Computing devices may be allowable as direct costs when essential and allocable to the federal project.</p> <p><i>How is the UG different than Circulars A-21/A-110/A-133?</i></p> <p>Computing devices are only mentioned once in A-21 and as an indirect cost, whereas the UG mentions their allowability as direct costs when they are essential and allocable, even if they are not solely dedicated, to the federal project. Some auditors interpreted the old language as a tight restriction on when computing devices can be charged to federal projects.</p>
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Uniform Guidance - Summary Document

**COMPUTERS
(UNDER \$5,000
PER UNIT)**

[2 CFR 200.20](#)
[2 CFR 200.453](#)

Computing devices may be allowable as direct costs when essential and allocable to the federal project.

How does this affect your project? The UG recognizes the advancement of technology and benefit of computing devices to federal projects, providing grantees more flexibility in the direct charging of computers. Although computing devices do not need to be used exclusively for project purposes, the device cost must be allocated based on anticipated use and provide a direct benefit to the project, both of which should be documented with the purchase. This clarification does not result in a significant change to MSU's Federal Cost Policy.



Uniform Guidance - Summary Document

INTERNAL CONTROLS	<p>Internal Controls are an essential part of spending federal funds.</p> <p><i>How is the UG different than Circulars A-21/A-110/A-133?</i> The Uniform Guidance stresses internal controls much more than previous circulars. In fact, “internal controls” is mentioned 75 times throughout the UG, compared to only 1 time in Circular A-21. It is clear that the federal government expects recipients of federal funding, such as MSU, to regularly review their project expenditures to ensure compliance.</p>
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Uniform Guidance - Summary Document

INTERNAL CONTROLS	<p>Internal Controls are an essential part of spending federal funds.</p> <p><i>How does this affect your project?</i> Internal controls can be demonstrated by ensuring that expenses are charged to the proper account, accounts are not used to temporarily hold non-project expenses, and minimizing cost transfers. Therefore, it is critical that PI's and FO's review spending regularly to make sure expenses are being charged appropriately, support documentation is attached, and business purposes are included. Please utilize advance/hardship accounts when appropriate.</p>
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Uniform Guidance - Summary Document

<p>PARTICIPANT SUPPORT COSTS</p> <p>2 CFR 200.75 2 CFR 200.456</p>	<p>Participant support costs are allowable with agency approval and should be excluded from indirect costs (F&A). <i>How is the UG different than A-21/A-110/A-133?</i> Previously, participant support costs (PSC) were charged indirect costs, with the exception of those incurred on NSF awards. The UG specifies that PSC expenses on all federal projects are excluded from indirect costs (under the modified total direct cost base calculation) and require agency approval.</p> <p><i>How does this affect your project?</i> Departments should exclude PSC costs from MTDC when calculating F&A Costs in proposal budgets. CGA will setup PSC portions of projects in separate accounts in order to comply with the tighter restrictions on charges to the PSC budget category.</p>
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Uniform Guidance - Summary Document

**BUDGET
FLEXIBILITY:
DIRECT V.
INDIRECT
(F&A)**

Prior agency approval is no longer required when rebudgeting between direct and indirect cost categories.

How is the UG different than Circulars A-21/A-110/A-133? Budget changes that reallocated funds between direct and indirect costs required agency approval in the previous circulars; the UG has eliminated this requirement.

How does this affect your project? Minor budget fluctuations for items that impact F&A like the tuition portion of grad tuition, or equipment, will no longer require agency approval.



Uniform Guidance - Summary Document

<p>SUBAWARDS INDIRECT COSTS (F&A)</p> <p>2 CFR 200.414</p>	<p>Subcontractors without a negotiated F&A rate have the option of charging a 10% F&A rate.</p> <p><i>How is the UG different than Circulars A-21/A-110/A-133?</i></p> <p>Previously, subcontractors without a negotiated F&A rate were expected to charge reasonable F&A-type expenses as direct costs, or forego them. The UG now allows subcontractors to charge a de minimis rate of 10% of modified total direct costs (MTDC). If this rate is chosen, it must be used for all federal agreements.</p> <p><i>How does this affect your project?</i> When preparing proposal budgets, departments will need to be aware of which method their subawardee is using and plan accordingly. Subawardees without established F&A rates may want to include the 10% as soon as possible even though awards will not be increased to cover the additional costs.</p>
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Uniform Guidance - Summary Document

**SUBAWARDS:
FIXED PRICE**

Fixed price subawards are an option up to \$150,000.

[2 CFR 200.332](#)

How is the UG different than Circulars A-21/A-110/A-133? Fixed price subawards are a type of contracting instrument that structures payments based on deliverables instead of actual costs/best efforts incurred. The previous circulars did not set a threshold for when fixed prices subawards could be issued by pass-through entities, while the Uniform Guidance sets a maximum subaward amount of \$150,000 for fixed price subawards and requires agency approval.



Uniform Guidance - Summary Document

**SUBAWARDS:
FIXED PRICE**

Fixed price subawards are an option up to \$150,000.

[2 CFR 200.332](#)

How does this affect your project? It is important to know the threshold and appropriateness of particular contracting instruments as you work with partners on proposing the type of subaward that will be issued and communicating what deliverables, documentation and financial reporting will be necessary. Questions should be directed to the Office of Sponsored Programs or Contract and Grant Administration.



Uniform Guidance - Summary Document

<p>TERMINAL LEAVE PAYOUT</p> <p>200.431 (B)(3)</p>	<p>The Uniform Guidance language may result in terminal leave being included in the other component of MSU's specific identification fringe rate.</p> <p><i>How is the UG different than Circulars A-21/A-110/A-133?</i></p> <p>Terminal leave (the payout of banked sick/vacation time upon retirement or termination) was not specifically mentioned in the previous circulars. The final UG language will allow this as a direct cost, but encourages these costs to be included in the fringe rate.</p>
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Uniform Guidance - Summary Document

<p>TERMINAL LEAVE PAYOUT</p> <p>200.431 (B)(3)</p>	<p>The Uniform Guidance language may result in terminal leave being included in the other component of MSU’s specific identification fringe rate.</p> <p><i>How does this affect your project?</i> Currently, MSU charges banked vacation time to the accounts for which faculty/staff are paid at the time of retirement or termination. The university will consider adjusting the fringe benefit rate to include this cost, which is expected to increase the “other” category of the rate by approximately .2%, i.e. the Other SI fringe component would go from 1.5% to 1.7%. If this system is adopted, all terminal leave would be paid out of a central account and charged to RC accounts as part of the fringe rate each pay period. An announcement regarding this change is anticipated within the next six months.</p>
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Uniform Guidance Continued

All of our Policies will need to be reviewed

- Federal Cost Policy
- Cost Sharing Policy
- Travel Policies
- Purchasing

NSF Data Analytics Audit

- Began June 2013 MSU
- Audit sample included all financial data for all NSF projects (direct only not subs) for three years: 2010, 2011 and 2012
 - Two Financial Systems
- Detailed records ranging from equipment purchases, personnel charges, detailed P-card transaction, vendor files, etc.
- Expenditures on selected grants approximated \$235M on 622 separate projects and more than 232,000 transactions
- Two site visits by NSF Auditors
- 2,400 transactions reviewed
- CGA has logged in excess of 1,000 hours of staff time

NSF Data Analytics Audit – Continued

- Draft audit report issued September 2014
- One Finding related to salaries in excess of 2 month
 - Salary, Fringe and F&A ~ \$1M
 - OIG doesn't recognize NSF FAQ's
- NSF Policy Clarified 11/20/2014

Lessons Learned:

- Access to PI and dept admin's critical to build justifications
- Lower dollar items selected at same rate as higher items
- Auditors focused on:
 - cost transfers
 - unbudgeted expenses
 - allocations when expenses were split between projects
 - expenditures close to the project end date

UG Procurement - What we know *200.317-326*

- ▶ UG Procurement language came from A-102 States & Local Gov
 - ▶ However, States are exempted in 200.317!
 - ▶ No evidence of past audits and university procurement systems
- ▶ COGR identified the UG procurement language as having the potential to be the largest area of negative impact
- ▶ OMB FAQ 110-6 delayed procurement implementation for one full year after 12/26/14, e. g. 7/1/2016 for MSU
 - ▶ During the delay your policies must indicate whether you follow the old or new procurement standards

UG Procurement - What we know *200.317-326*

- ▶ There are five UG procurement types
 - 1) Micro-purchases \$1-2,999 – must be reasonable
 - 2) Simplified \$3,000 - \$149,999 – must have documentation of more than one bid
 - 3) Sealed Bids > \$150,000
 - 4) Competitive Bids
 - 5) Noncompetitive bids – No provision for scientific reasoning
 - ▶ FAQ 320-4 does recognize scientific reasons but the need for the FAQs is expected to fade with time
 - ▶ COGR recommended technical correction of 10/9/14 adds the FAQ language to the UG

UG Procurement - What we know *200.317-326*

- ▶ OMB FAQ 320-6 indicates the procurement standards apply to direct charges only, i.e. not F&A
 - ▶ Allows for separation of federal procurement policies if desired
 - ▶ Still creates issues with transfers from non-federal to federal projects
- ▶ OMB FAQ 320-6 clarified that strategic sourcing is compliant/needs no individual additional documentation
 - ▶ UG 200.318(c)(1) No employee, officer, or agent must participate in ...if he or she has a real or apparent COI.
 - ▶ How do we purchase from a vendor with an employee (faculty) interest?
 - ▶ COGR recommended technical correction of 10/9/14 adds “unmanaged”

UG Procurement - What are the benefits?

- ▶ Current A-110 language requires some form of cost or price analysis for every purchase
- ▶ Micro-purchase threshold recognized/streamlines efficiencies for small purchases
- ▶ Small purchase requires only two bids up to \$150,000
 - ▶ No sealed bids or requirement for three bids

UG Procurement - What are the major concerns?

- ▶ The micro-purchase threshold is too low
 - ▶ Many universities have P-card limits above \$3,000
 - ▶ how do they comply?
 - ▶ The under \$3,000 threshold was last updated in 2006 (from \$2,500)
 - ▶ Can it be raised?

Institution	P-Card Limit	Competitive Bidding Limit	Sealed Bidding Limit
Chicago	\$ 500	\$ 10,000	
Michigan State University	\$ 2,500	\$ 10,000	\$ 50,000
Stanford University	\$ 4,999	\$ 24,999	
Wisconsin	\$ 5,000	\$ 50,000	\$ 50,000

- ▶ Will COGR's sole source technical correction be accepted?
- ▶ Will the financial COI be modified to include unmanaged?

UG Procurement

How would UD Procurement impact you?

- More effort for those items between \$3 and \$10k
- Less effort for those between \$10 and \$150k?
- Less sole source purchases?

Affordable Care Act (ACA)

- Employees who average 30 or more hours per week are covered
- Monthly fee ~ \$417 will be charged to a departmental account
- Charge should be evenly split by the number of accounts paid
 - Keep it simple – splits between departments are not weighted
- If done within 90 days, use a Distribution of Income and Expense
- More than 90 days, use a General Error Correction document

Effort Reporting

- Columbia University agrees to pay back \$9.02 million related to effort reporting – October 14, 2014
- CGA wants the opportunity to present on effort reporting

Questions?

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