

Uniform Guidance (2 CFR 200)  
Summary of Major Changes and Sponsored Programs Impact

In an effort to deliver on the promise of a 21st-Century government that is more efficient, effective and transparent, the Office of Management and Budget (OMB), in conjunction with the Council on Financial Assistance Reform (COFAR), has released guidance referred to as the Uniform Guidance (UG) ([Uniform Guidance, 2 CFR 200](#)) that must be implemented into each agency’s regulations. The UG will apply to new federal awards received after December 26, 2014 or existing federal awards once they receive additional funding or are amended after December 26, 2014. To provide some clarification, OMB also released two sets of FAQ’s ([UG FAQs Feb. 2014](#); [UG FAQ Aug. 2014](#)). Consequently, it is expected that technical changes will be incorporated into the UG prior to implementation. The following highlights some changes found in the Uniform Guidance and their anticipated impact on MSU’s sponsored programs.

<p><b>ADMINISTRATIVE &amp; CLERICAL SALARIES</b></p> <p><a href="#">2 CFR 200.413</a> <a href="#">2 CFR 200.430</a></p>	<p><b>Administrative and clerical salaries may be allowable as direct costs.</b></p> <p><i>How is the UG different than Circulars A-21/A-110/A-133?</i> The previous circulars allowed administrative/clerical costs for “major projects” (those that require an extensive amount of administrative/clerical support, significantly greater than the routine level provided by departments). 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:</p> <ul style="list-style-type: none"> <li>• Administrative or clerical services are <i>integral</i> to a project or activity;</li> <li>• Individuals involved can be <i>specifically identified</i> with the project or activity;</li> <li>• Such costs are explicitly <i>included in the budget or have the prior written approval</i> of the Federal awarding agency; and</li> <li>• The costs are <i>not also recovered as indirect costs</i>.</li> </ul> <p><i>How does this affect your project?</i> 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.</p> <p>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.</p>
<p><b>COMPUTERS (UNDER \$5,000 PER UNIT)</b></p> <p><a href="#">2 CFR 200.20</a> <a href="#">2 CFR 200.453</a></p>	<p><b>Computing devices may be allowable as direct costs when essential and allocable to the federal project.</b></p> <p><i>How is the UG different than Circulars A-21/A-110/A-133?</i> 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> <p><i>How does this affect your project?</i> 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.</p>
<p><b>INTERNAL CONTROLS</b></p>	<p><b>Internal Controls are an essential part of spending federal funds.</b></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> <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>

<p><b>PARTICIPANT SUPPORT COSTS</b></p> <p><a href="#">2 CFR 200.75</a> <a href="#">2 CFR 200.456</a></p>	<p><b>Participant support costs are allowable with agency approval and should be excluded from indirect costs (F&amp;A).</b></p> <p><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&amp;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>
<p><b>BUDGET FLEXIBILITY: DIRECT V. INDIRECT (F&amp;A)</b></p>	<p><b>Prior agency approval is no longer required when rebudgeting between direct and indirect cost categories.</b></p> <p><i>How is the UG different than Circulars A-21/A-110/A-133?</i> Budget changes that reallocated funds between direct and indirect costs required agency approval in the previous circulars; the UG has eliminated this requirement.</p> <p><i>How does this affect your project?</i> Minor budget fluctuations for items that impact F&amp;A like the tuition portion of grad tuition, or equipment, will no longer require agency approval.</p>
<p><b>SUBAWARDS: INDIRECT COSTS (F&amp;A)</b></p> <p><a href="#">2 CFR 200.414</a></p>	<p><b>Subcontractors without a negotiated F&amp;A rate have the option of charging a 10% F&amp;A rate.</b></p> <p><i>How is the UG different than Circulars A-21/A-110/A-133?</i> Previously, subcontractors without a negotiated F&amp;A rate were expected to charge reasonable F&amp;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&amp;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>
<p><b>SUBAWARDS: FIXED PRICE</b></p> <p><a href="#">2 CFR 200.332</a></p>	<p><b>Fixed price subawards are an option up to \$150,000.</b></p> <p><i>How is the UG different than Circulars A-21/A-110/A-133?</i> 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.</p> <p><i>How does this affect your project?</i> 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.</p>
<p><b>TERMINAL LEAVE PAYOUT</b></p>	<p><b>The Uniform Guidance language may result in terminal leave being included in the other component of MSU's specific identification fringe rate.</b></p> <p><i>How is the UG different than Circulars A-21/A-110/A-133?</i> 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> <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>
<p><b>PROCUREMENT</b></p> <p><a href="#">2 CFR 200.320</a></p>	<p><b>New procurement standards may be necessary, however immediate implementation is not required by the federal government.</b></p> <p><i>How is the UG different than Circulars A-21/A-110/A-133?</i> The UG procurement requirements include a combination of changes that can be viewed as both positive and negative for the University. Further review will be necessary.</p> <p><i>How does this affect your project?</i> Due to the potentially large impact of procurement changes, the federal government has allowed a grace period for compliance of these standards. MSU will be required to comply with the UG standards, or alternate standards approved by OMB, beginning July 1, 2016. A decision is expected within nine months regarding changes to MSU's procurement standards to comply with federal requirements.</p>