



Uniform Guidance Above Ground and Below the Surface: An Examination of Hot Topics

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September 23, 2014



Agenda

Item No.	Description
1	Introduction and Objectives: Presenters and Session Topics
2	Examination of Hot Topics: Issues and Opportunities
3	Impact on Institutional Policies and Procedures
4	Utility Cost Allocation
5	Concluding Discussion



Introductions

Background on Presenters

- **John McGuire** is a Senior Consultant for Facilities and Energy Management in Attain's National Higher Education and Academic Medical Center practice. He is based in New England where he has national responsibility for market development and service delivery for issues such as Operations and Maintenance Cost Recovery, Energy Conservation, Sustainability, Organization and Strategic Energy
- **Martin Smith** is a Manager in the Attain Higher Education & Academic Medical Centers practice, located in Philadelphia, PA. He has a diverse background in financial compliance, federal costing, pre-award and post-award grants and contracts administration, research patient care billing, resource planning and analysis, change management, business requirements, software testing, and system implementation.

Presenters and Session Topic

Uniform Guidance: An Examination of Hot Topics

- Post-Award Hot Topics
- Impact on your Policies and Procedures

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- Utility Cost Allocation
- Strategies for your Institution

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McGuire



OMB Uniform Guidance (2 CFR 200)

What We Know:

- ✓ The single biggest regulatory change in the last 50 years of research administration
- ✓ Replacement for 8 OMB Circulars
- ✓ Effective Date
 1. For new and incremental funding awarded after 12/26/14
 2. Audits, Subpart F, first FY beginning after 12/26/14
 3. F&A cost proposals – beginning with FY 2014
- ✓ Major changes in regulations
- ✓ Included input from stakeholders

What's Next?

- What are the areas that need clarification or explanation?
- What should we be doing at my institution?
- What can I expect going forward?

COFAR

Council on Financial Assistance Reform:

- An interagency group of Executive Branch officials to coordinate financial assistance.
- Includes representatives from:
 - Office of Management and Budget (OMB)
 - Senior Policy Officials from eight Federal agencies that provide the largest amounts of financial grants assistance
 - One additional agency that serves a two-year term to represent the perspective of other agencies that administer grants and cooperative agreements.
- Council activities include:
 - Providing recommendations to the OMB on policies and actions necessary to effectively deliver, oversee, and report on grants and cooperative agreements
 - Sharing with executive departments and agencies best practices and innovative ideas for transforming the delivery of this assistance

<https://cfo.gov/cofar/>

Uniform Guidance Major Changes

1. **Subawards** – F&A; vendor –v- subaward; fixed price.
2. **Closeouts** – Strict enforcement of 90 days
3. **Fringe Benefits** – Method for charging terminal leave
4. **Effort Reporting** – New methods for certifying S&W charges
5. **Procurement** – Implementation timeline
6. **F&A Base Year** – FY 2014
7. **O & M / Utility Cost Allocation** – REUI
8. **CAS and DS-2** – Update and approval process
9. **Computing Devices** – Essential and allocable
10. **Administrative and Clerical Salaries** – Normally treated and an F&A cost
11. **Internal Controls** – Audit risks

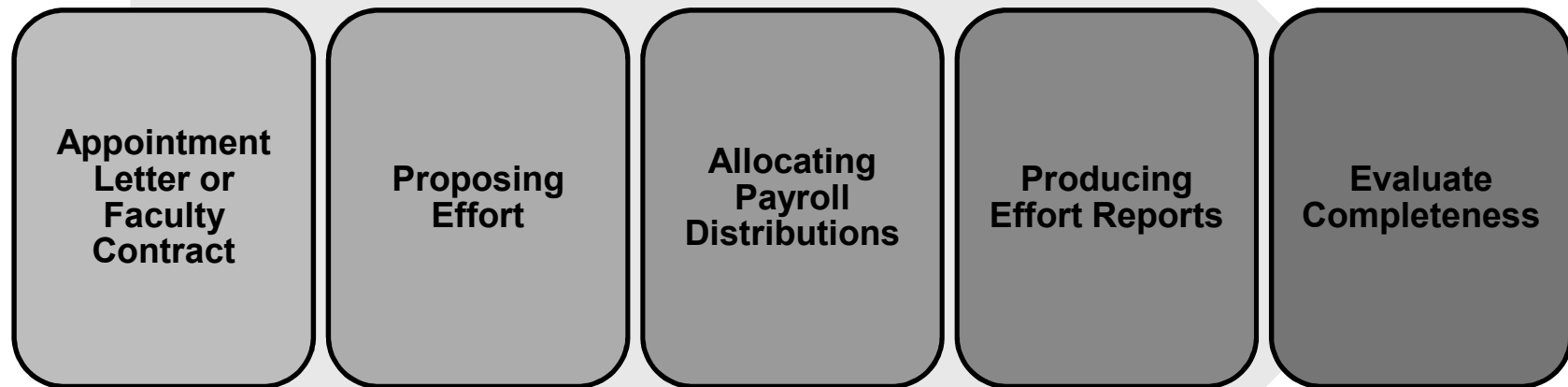


Examination of Hot Topics

Effort Reporting

- **200.430 Compensation for personal services**
 - Prescriptive methods removed; meaning method, frequency, definitions of appropriate certifiers have all been eliminated
- New Uniform Guidance focuses on:
 - Consistency in compensation standards
 - Timely allocations and reallocations of payroll
 - Proper Documentation of Cost Sharing
 - "...final amount charged to the Federal award is accurate, allowable, and properly allocated"
- Initial Reaction
 - "We're not changing our systems"
- Opportunities
 - Ability to define new approaches based on latitude in Uniform Guidance
 - Eliminate Weaknesses in Current Processes
 - E.g. inappropriate certifiers, certification frequency, back-end solution vs. front-end solution
 - Universities can define IBS across Schools, Colleges and Departments that may have inconsistent practices.

Effort Reporting Lifecycle



Evaluating Completeness

Reconcile Payroll Charged to Sponsored Committed Effort



Cost Sharing Met and Documented



Appropriate Certifiers*

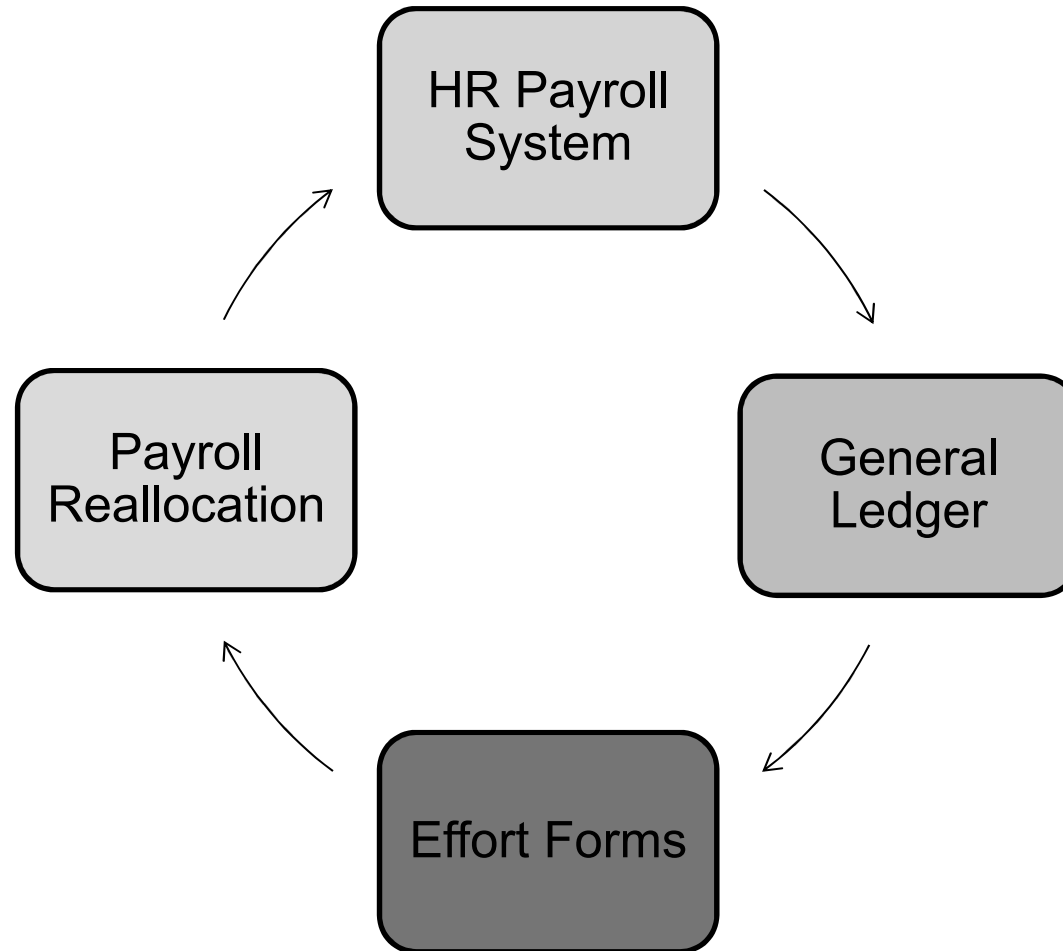


Timely Certification*



Aligning Payroll Charged with Certified Effort

Payroll Reallocation Method 1



Payroll Reallocation Method 2



Closeouts

- **200.343 Closeout**

- “The non-Federal entity must submit, no later than 90 calendar days after the end date of the period of performance, all financial, performance, and other reports as required by or the terms and conditions of the Federal award. ”
- “must liquidate all obligations”
- “must promptly refund any balances of unobligated cash”
- “make a settlement for any upward or downward adjustments to the Federal share of costs after closeout reports are received”

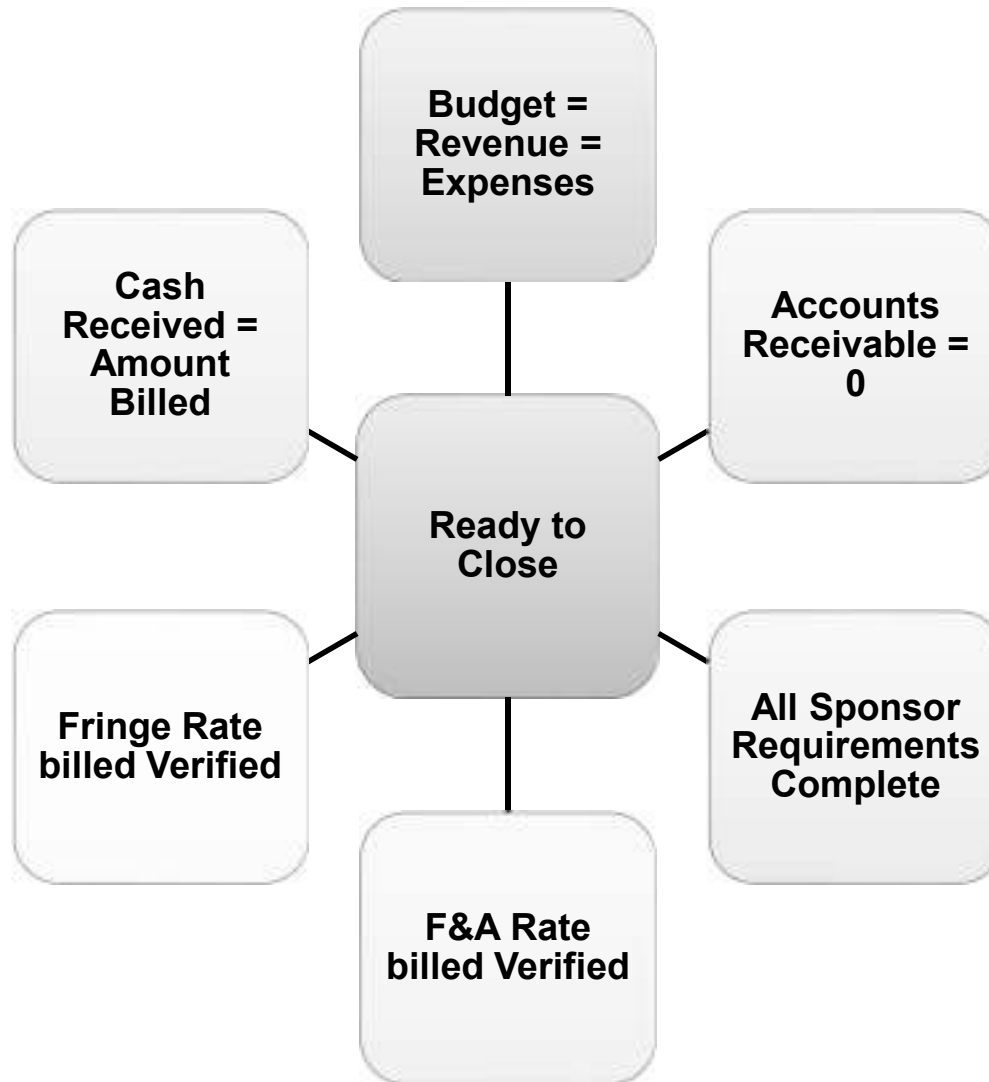
- Initial Reaction

- “Don’t we do this now?”
- “How is this new?”

- Opportunities

- New Uniform Guidance can be used to motivate faculty and staff to complete necessary closeout items within allowable timeframe
- Focus on deadlines provides incentive to “get it right the first time”
- Define what a closeout means to your institution...

Closeouts (continued)



Direct Charging Admin and Clerical Salaries

- **200.413 Direct costs**

- (c) 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 Federal awarding agency; and
 - (4) The costs are **not** also recovered as **indirect costs**.

- Initial Reaction

- “How are we going to manage this???”

- Opportunities

- Communicate new guidance to the Budget Office, which will influence position requisitions and possibly retention of departmental admin staff;
- Universities should develop new standards that align with this section of Uniform Guidance;
- The ability to direct-charge may produce an unintended “needs test” for local admin support.

Computing Devices

- **200.453 Materials and supplies cost, including computing devices**
 - Such costs are allowable
 - Shipping costs are permitted as part of the expense
 - (c) Materials and supplies used for the performance of a Federal award may be charged as direct costs. 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.
- Initial Reaction
 - Ranges from “Hooray!” to “blank stares”
- Opportunities
 - End the infinite debate with faculty over justifying like costs in like circumstances where inconsistently treated;
 - Educate the research community at your institution;
 - Eliminate “A-21 Exception” forms.
 - Remove from internal audit work plans.

Subrecipient Monitoring and Management

§200.330 Subrecipient and contractor determinations.

- The non-Federal entity may concurrently receive Federal awards as a recipient, a subrecipient, and a contractor, depending on the substance of its agreements with Federal awarding agencies and pass-through entities.
- Therefore, a 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.
- The Federal awarding agency may supply and require recipients to comply with additional guidance to support these determinations provided such guidance does not conflict with this section.

§200.330 Subrecipient and contractor determinations. (Continued)

- (a) *Subrecipients*. A subaward is for the purpose of carrying out a portion of a Federal award and creates a Federal assistance relationship with the subrecipient. See §200.92 Subaward. Characteristics which support the classification of the non-Federal entity as a subrecipient include when the non-Federal entity:
 - (1) Determines who is eligible to receive what Federal assistance;
 - (2) Has its performance measured in relation to whether objectives of a Federal program were met;
 - (3) Has responsibility for programmatic decision making;
 - (4) Is responsible for adherence to applicable Federal program requirements specified in the Federal award; and
 - (5) In accordance with its agreement, uses the Federal funds to carry out a program for a public purpose specified in authorizing statute, as opposed to providing goods or services for the benefit of the pass-through entity.

§200.330 Subrecipient and contractor determinations. (Continued)

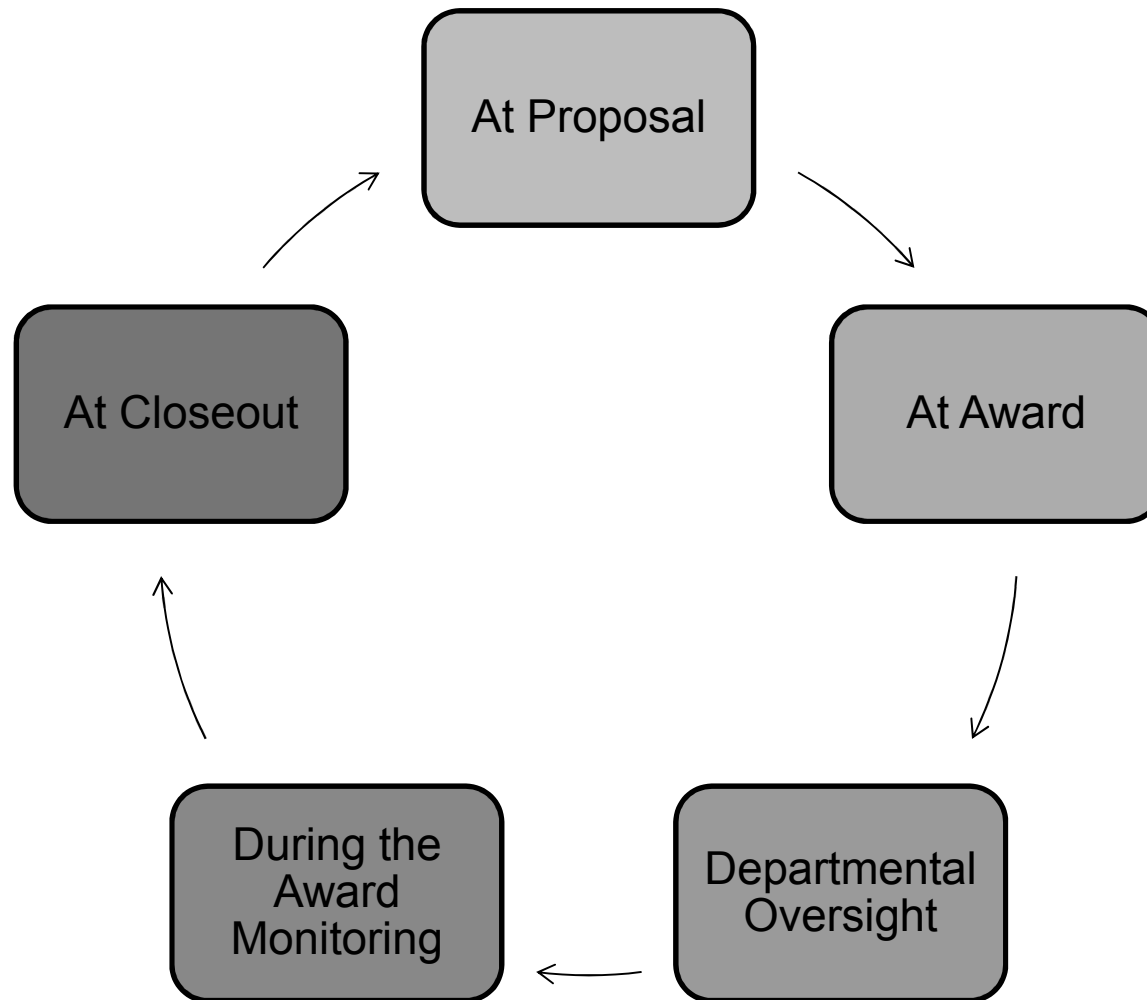
- (b) *Contractors*. A contract is for the purpose of obtaining goods and services for the non-Federal entity's own use and creates a procurement relationship with the contractor. See §200.22 Contract. Characteristics indicative of a procurement relationship between the non-Federal entity and a contractor are when the non-Federal entity receiving the Federal funds:
 - (1) Provides the goods and services within normal business operations;
 - (2) Provides similar goods or services to many different purchasers;
 - (3) Normally operates in a competitive environment;
 - (4) Provides goods or services that are ancillary to the operation of the Federal program; and
 - (5) Is not subject to compliance requirements of the Federal program as a result of the agreement, though similar requirements may apply for other reasons.

Subrecipient or Contractor?

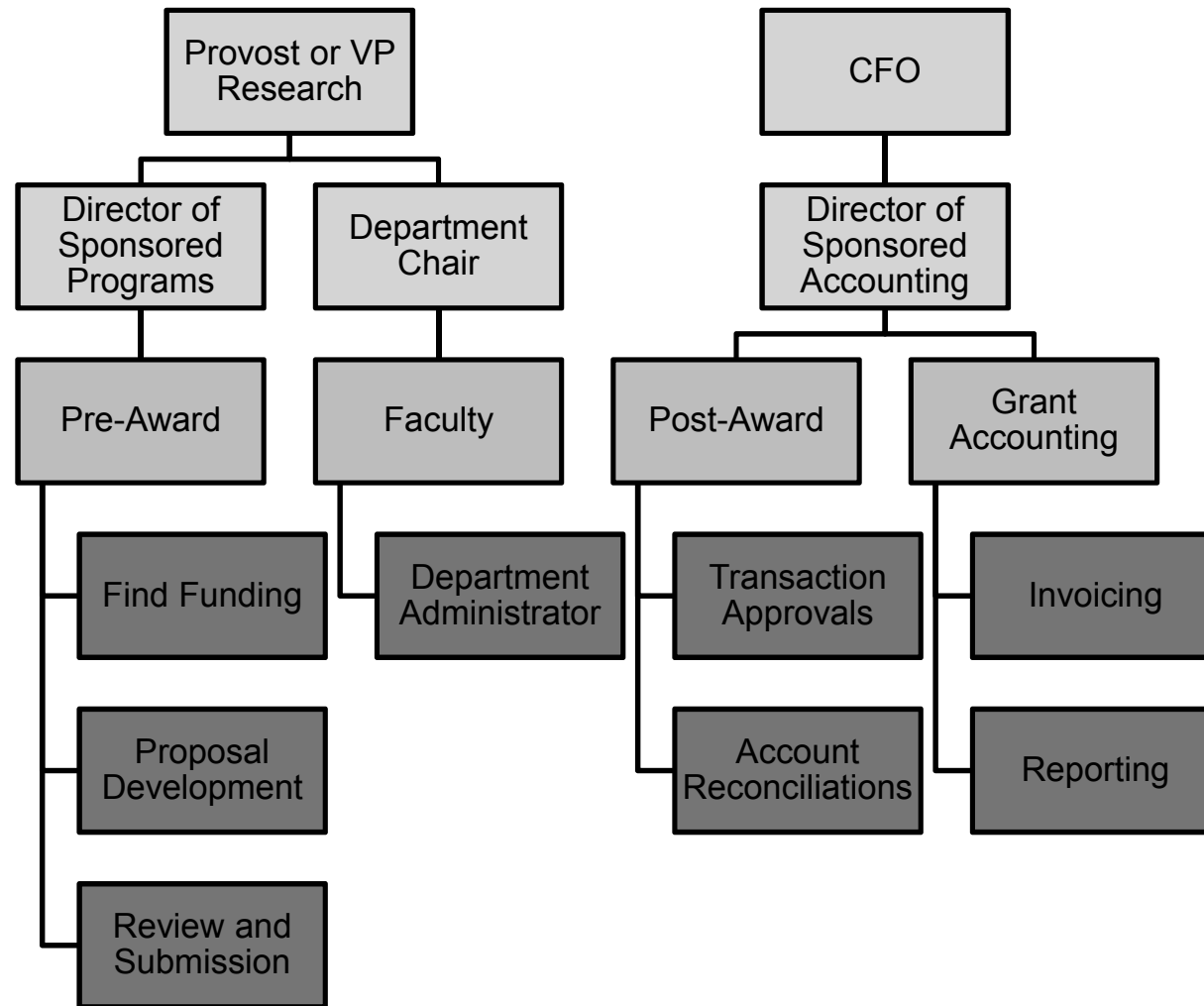
August 29, 2014 FAQs - Clarification

- “If a pass-through entity makes an award that it calls a “contract”, but which meets the criteria under section 200.330 to be a subaward to a subrecipient, the non-Federal entity must comply with the provisions of the Uniform Guidance relevant to subawards, regardless of the name used by the pass-through entity to refer to the award agreement.
- Likewise, any Federal awards that meet the criteria under section 200.330 for the non-Federal entity to be considered a contractor, whether the non-Federal entity providing the funds calls it a “vendor agreement” or a “subcontract”, the non-Federal entity must comply with the provisions of the Uniform Guidance relevant to a contractor.

Subrecipient Monitoring



Common Research Administration Model



Opportunities by Roles & Responsibilities

- **Pre-Award Office**
 - Proposal Review.
 - Drafts Subaward Agreement, negotiates contract and establishes purchase order.
 - Flows down terms and conditions to subrecipient institution.
- **Post-Award / Grant Accounting Office**
 - Reviews and approves subrecipient invoices.
 - Assesses risk associated with the subrecipient carrying out the project
 - May have access to business intelligence tools to run reports to monitor spending or in some cases lack of spending.
 - Invoices sponsor, which means this office is the last opportunity to catch non-compliance before costs are billed to the sponsor.

Opportunities by Roles & Responsibilities

(Continued)

- **Principal Investigator**

- The PI is the primary point-of-contact with the subrecipient organization. He or She engages the subrecipient organization, communicates ongoing programmatic goals and aims, and should alert central offices when issues of non-compliance arise.
- At closeout, the PI must ensure the subrecipient has provided final technical reports. (input into ongoing risk assessment)

- **Department Administrator**


- Supports the PI and should be evaluating invoices for allowability of costs and not invoicing as a red flag that the subrecipient may not be performing work of the project or administering the award properly.
- At closeout, the department administrator must ensure the subrecipient has submitted a final invoice, all costs are reasonable, allocable, allowable and consistently treated. (input into ongoing risk assessment)

Opportunities by Roles & Responsibilities

(Continued)

- **Internal Audit**

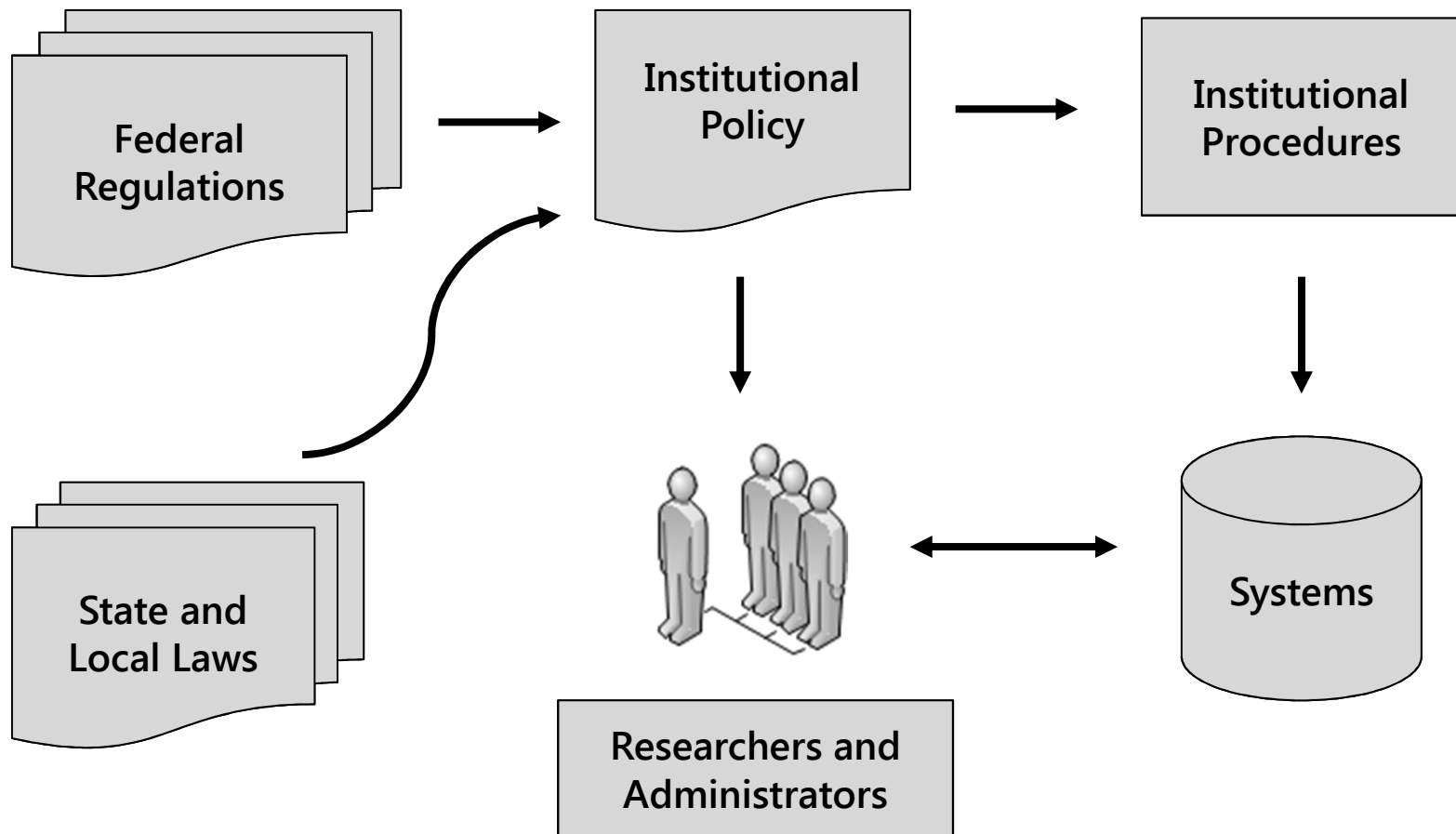
- Many institutions have set-up compliance monitoring plans where sponsored award transactions are audited. Internal Audit can assess every aspect of the subrecipient monitoring process as part of their audit work plan to test compliance.
- Testing plan may include:
 - Review of award documents for annual audit compliance;
 - Review items of cost for cost compliance;
 - Analysis of Invoice Timeliness;
 - Review institution's risk assessment conducted at pre-award phase;
 - Review completeness of closeout requirements.



Impact on Institutional Policies and Procedures

Legacy Policy Issues

How Regulations Influence Policies, Procedures, Systems and Behavior



Legacy Policy Issues

Example #1 - Policies Changing the Regulatory Requirement

Regulation
<p>Effort Reporting Example:</p> <ul style="list-style-type: none">• "An appropriate certifier may be the PI or Supervisor, or another responsible institutional official with suitable means to verify the work was performed"

Institutional Policy
<p>Effort Certification Policy</p> <ul style="list-style-type: none">• "Principle Investigators must certify all effort forms"

Practice
<p>Certified Effort Report</p> <ul style="list-style-type: none">• Someone other than the PI certifies the effort form because of a reasonable circumstance <u>not</u> afforded in the policy

Legacy Policy Issues

Example #2 - Policies Changing the Regulatory Requirement

Regulation
<p>Direct Charging of Administrative Costs:</p> <ul style="list-style-type: none">• "Like costs in like circumstances must be either a direct or indirect cost (but not both)"• Exceptions for major projects

Institutional Policy
<p>Direct Charging Policy</p> <ul style="list-style-type: none">• "Administrative costs are <u>not</u> allowable as direct costs...• ...unless <i>OMB Exception Form</i> is completed"

Practice
<p>Direct Charging of Admin Costs</p> <ul style="list-style-type: none">• Post-Award says no to all cases or• Every Admin Direct Charge has a Major Program Exception

Legacy Policy Issues

Example #3 - Policies Changing the Regulatory Requirement

Regulation
<p>Travel Costs:</p> <ul style="list-style-type: none">• “Costs related to transportation, lodging, subsistence for employees in travel status... consistent with those normally allowable for non-sponsored activities”

Institutional Policy
<p>Travel Policy</p> <ul style="list-style-type: none">• “Only employees are allowed to travel”

Practice
<p>Travel Reimbursement Form</p> <ul style="list-style-type: none">• Request for Graduate Assistant or Visiting Scholar devoting effort to a sponsored award.

Legacy Policy Issues

Example #4 - Policies Changing the Regulatory Requirement

Regulation
Federally Funded Equipment: <ul style="list-style-type: none">• "A physical inventory of equipment shall be taken and the results reconciled with the equipment records at least once every two years"

Institutional Policy
Equipment Policy <ul style="list-style-type: none">• "...a physical inventory is performed at least annually"

Practice
Fixed Asset Group <ul style="list-style-type: none">• Has not performed physical inventory in 3+ years or• Follows A-11 standard and performs it once every 2 years

Other Common Policy Issues

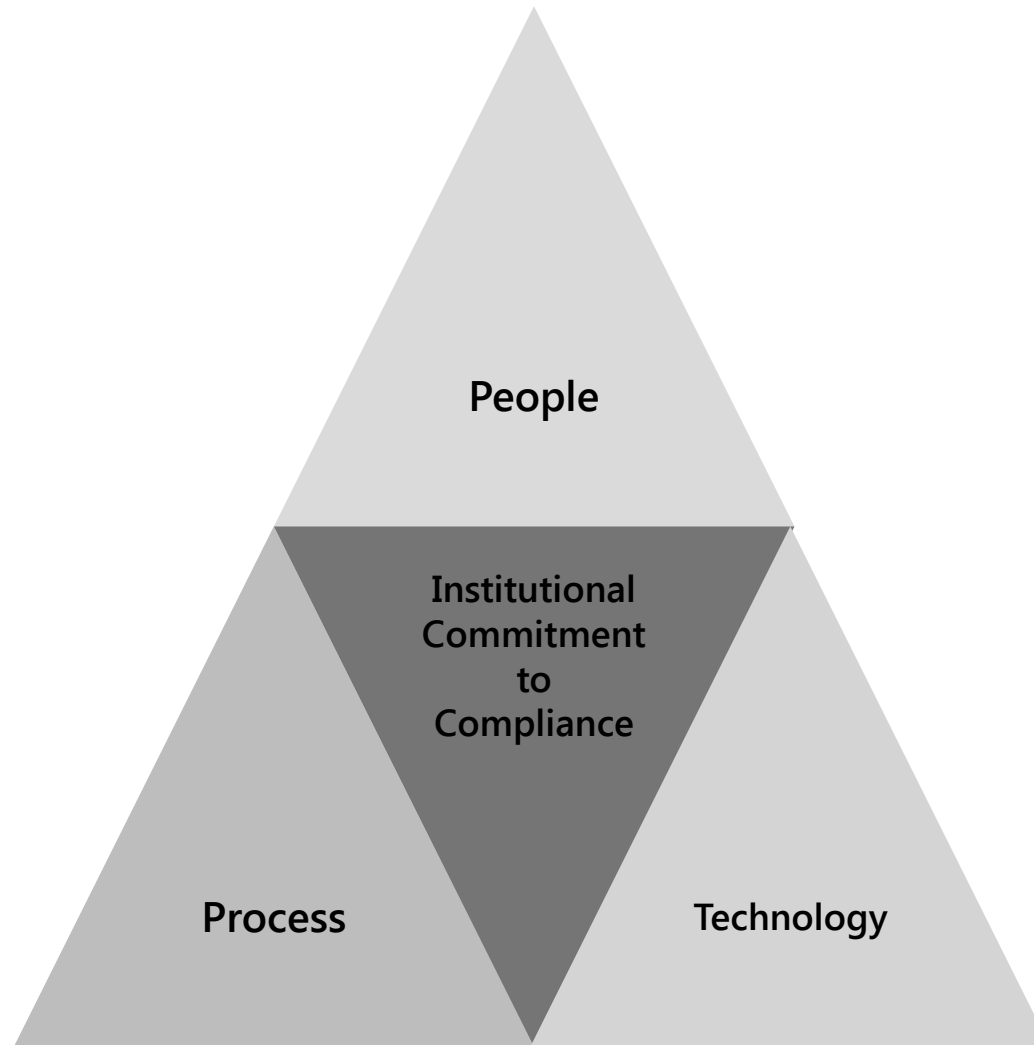
Common Issues:

- Policy ignores reality
- Updates take entirely too long to get through institutional bottlenecks for approval
- Many functional areas influence policies that final drafts do not speak in one voice
- Communication about the policy and/or training methods are ineffective or nonexistent
- Linking policy to procedures and systems is missing

Actual Impact:

- Following the policy becomes unrealistic
- Policies are obsolete and that subjects the Institution to audit risk
- Confusing language does not influence positive behavior
- Goal of the policy improvement is not met because target audience is not aware of policy
- Adapting new behavior does not happen

Importance of Institutional Commitment to Compliance



People

- Who is responsible for spearheading changes?
- Who is impacted by the updated regulations?
- Who is updating policies and procedures?
- Who is training the research community?
- Who is ensuring updates make their way into business process?
- Who is formulating and deploying an effective communication plan?

Process

- What kinds of processes are impacted?
 - Effort Reporting
 - Compensation Policies for Extra Compensation
 - Allowability of Costs
 - Procurement
 - Indirect Cost Rate
 - DHHS Disclosure Statement (DS-2)
 - Compliance Roles and Responsibilities Matrix
 - Documented New Procedures
 - Update A-133 Internal Controls Matrix
 - Annual OMB Audit (formerly A-133 Audit)

Technology

- How does technology play a role?
 - Updating Chart of Accounts for natural expense codes
 - Identifying administrative staff via job codes or title codes for F&A purposes
 - Action-oriented reporting to monitor compliance
 - E.g. object codes typically unallowable on grants
 - Payroll and/or Effort reporting systems
 - Defining IBS
 - System controls that agree with consistent institutional rules on extra compensation
 - Electronic reconciliation of payroll charged and certified actual effort

Recommended Approach

1. Treat policy and procedure calibration as a formal enterprise project with a timeline for completion;
2. Assign a project manager to oversee formal project;
3. Take inventory of policies and functional areas affected;
4. Assign tasks to functional owners;
5. Seek input from cross-section of research faculty;
6. Update existing policies and create new policies where needed and present to the project steering committee;
7. Develop a formal communication plan;
8. Update and deliver effective training;
9. Integrate changes into existing business processes; and
10. Monitor for improvement in institutional behavior.

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Utility Cost Allocation

Concluding Discussion



**Operating at the intersection of
experience and innovation.**

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