SPONSORED PROJECTS ACCOUNTING

UNIFORM GUIDANCE

The Office of Sponsored Projects Accounting is committed to ensuring the highest levels of integrity are met in all areas of regulatory compliance in managing UTHSC transactions. We are governed by federal and state policies, laws regulations and UT policies and procedures. We strive to uphold each governing regulation with a strong commitment to both the university and the researchers we assist. Our efforts also include promoting an understanding among the faculty and staff of the requirements that control their research.

The federal Office of Management and Budget (OMB) has made a major change in the underlying guidance by which university recipients of federal awards have operated for decades. OMB combined eight separate circulars, applicable to different types of grantee organization, into a single document, “Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,” commonly referred to as the Uniform Guidance (UG).

The University of Tennessee must be compliant with the UG in order to remain eligible to receive federal awards. While much of the UG is similar to the previous guidance, there is the potential for both major and minor changes for university recipients of federal awards. Three emphases emerge from the new guidance:

1. Increased requirements for prior approval
2. A focus on performance evaluation
3. The need for robust internal controls

The Uniform Guidance will change the way we prepare proposals and manage awards. Of particular interest, and possible concern, for UT are procurement standards, closeout
requirements, subcontracting, personal compensation and effort reporting and the application of the Cost Accounting Standards.

1. What are some concepts that changed due to the UG?
   a. Cost Sharing
   b. Unused Supplies
   c. Procurement Standards
   d. Subrecipient Monitoring and Oversight
   e. Closeouts
   f. Administrative/Clerical Salaries
   g. F&A Cost
   h. Recruiting Costs (Visa)
   i. Computing Devices

**Cost Sharing (200.306)**
Cost sharing is the portion of the total project costs of a sponsored agreement borne by the University or third party, rather than by the sponsor. Two important types of cost sharing are:

   a. mandatory cost sharing required by the sponsor as a condition of the award
   b. Voluntary committed cost sharing not required by the sponsor but offered by the applicant

The UG reinforces the fact that voluntary committed cost sharing is neither expected nor considered during merit review of the proposal. Federal agencies must require mandatory cost share or not consider it at all.

Therefore, UTHSC will continue to strongly discourage cost sharing unless it is mandatory and in accordance with the sponsor’s solicitation or guidelines. This is because of its high financial and administrative burden to the University and PI’s (once included in a proposal, if awarded, it must be tracked and is auditable) and potential to adversely affect negotiated indirect cost rates.

**Unused Supplies (200.314)**
The PI should be aware of the potential adverse impact of buying items in bulk or purchasing supplies toward the end of an award. It should be rare that a PI purchases supplies that will not be completely consumed by the project under which they were purchased. Investigators should use supplies timely to avoid accumulating excess supplies at the termination of the project. According to the UG, if there is a residual inventory of unused supplies exceeding $5,000 in total aggregate value upon termination or completion of the project or program and the supplies are not needed for any other Federal award, the non-federal entity must retain the
supplies for use on other activities or sell them, but must, in either case, compensate the federal government for its share.

**Procurement Standards (200.317-326)**
There is now a one-year grace period to comply with the procurement standards, extending our implementation to July 1, 2016. More information will be provided.

The UG contains prescriptive methods to procure goods and services under federal awards costing $3,000 or more. There are stricter requirements for sole-source purchases. Increased internal written procedures required for procurements.

The departments must maintain records sufficient to document the rationale for the following, but not limited to:

1. Procurement method
2. Selection of contract type
3. Contractor selection or rejection
4. Basis for contract price.

**Micro-purchases** $3,000 or less do not require purchases, do not require competition or a cost/price analysis, but must be distributed equitability among qualified suppliers (to the extent practicable). Micro-purchases may be awarded without soliciting competitive quotations if the non-Federal entity considers the price reasonable.

**Small purchases** $3,000-$149,999, price and rate quotes must be obtained from an adequate number of qualified sources.

>$150,000- Every procurement excess of the threshold must have a cost or price analysis performed, including contract modifications. These actions will be handled through Purchasing.

**Subrecipient Monitoring and Oversight (200.331)**
The University is required to strengthen its oversight of subrecipient organizations. We are obligated under federal regulations to verify that a subrecipient has adequate internal controls to comply with agency requirements and regulations prior to entering into a subaward and during its lifetime. This includes a review of the subrecipient’s audit information, perform a risk-based assessment, include additional data elements in subaward terms, and review their programmatic and financial progress (including invoices and progress reports).

UG outlines the information and documentation that a pass-through entity must collect in order to evaluate risk and to ensure subrecipients are fully compliant with federal regulations and sponsor requirements. This includes, but not limited to, soliciting audit (A-133) reports, certification of debarment status, confirmation of appropriate indirect cost rates, and confirmation of compliance with conflict of interest requirements.
Summary of Changes:

- **Subrecipient Monitoring**
  1. Increased administrative burden
  2. Requires that pass through entities make a documented determination regarding the classification of an entity as a subrecipient or contractor (i.e. vendor)

- **Indirect Costs: Pass through entities must:**
  1. Honor the subrecipient’s federally negotiated indirect cost rate
  2. Use a de minimus indirect cost rate of 10% modified total direct costs, if the subrecipient does not have a negotiated rate.

- **Subrecipient Risk assessments are required to determine appropriate monitoring**
  1. Examples of factors used to assess risk
     a. Previous experience as a federal awardee or subawardee
     b. Audit Review A-133
     c. Review of financial systems and internal controls
  2. Management decisions to determine optional requirements to be placed on high risk subrecipients.

- **Monitoring required during the project period**
  1. Documented review of financial and programmatic reports
  2. Greater emphasis on detecting and addressing deficiencies (i.e. slow or no performance, financial management issues, slow or no spending, etc.)
  3. The University must pay subrecipients within 30 calendar days of receipt of an acceptable invoice.

- **Prior approval is required to issue fixed amount subawards up to $150,000.**

**Fixed Price Subawards (200.332 & 200.331)**
With prior written approval from the federal awarding agency, fixed price subawards of up to $150,000 are permissible under the UG. Valid justification must be presented before Research Administration will issue the fixed price subaward.

**Closeout (200.343)**
All reports are due no later than 90 calendar days after the end date of the period of performance. Additional emphasis will be placed on completing financial reporting and cash draws earlier as indicated in the UG. Principal Investigators must also submit final technical reports by the due date.

**Administrative & Clerical Salaries (200.413)**
UG allows the direct charging of certain items to federal sponsored projects that could not be directly charged under the prior regulations. As in the past, these costs should normally be treated as indirect (F&A) costs. In general, administrative and clerical salaries should still not be
direct charged, but the rules governing “major project or activity” exceptions have been dropped and replaced by the following criteria, ALL of which must be 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 prior written approval of the Federal awarding agency
4. The costs are not also recovered as indirect costs
5. The budget justification must include a narrative that explains how these services are integral to the projects.

Overtime pay is normally not allowed on federal grants and contracts.

*Integral/Essential is defined as being absolutely necessary for the completion of the statement of work. Administrative or Clerical personnel are integral/essential to a project if they are directly supporting the projects statement of work. How the Administrative or Clerical personnel are directly supporting the project must be detailed in the proposal, budget and budget justification.

Further, the Guidance clarifies that direct charged administrative or clerical services must be integral to a project or activity—as opposed to necessary to the overall operation of the institution and assignable in part to sponsored projects. For example, the clarification in the Uniform Guidance highlights that salary for an administrative assistant completing financial reconciliations should not be divided and charged directly to all sponsored awards under a PI or department. Although financial reconciliations are necessary to the overall execution of the project, this is true of all sponsored and non-sponsored activities and these types of services cannot be considered “integral” to the project’s goals and objectives.

**Facilities and Administrative (F&A) or Indirect Costs on Subawards (200.414)**

The UG states that if a subrecipient does not already possess a federally Negotiated Indirect Cost Rate Agreement (NICRA), it requires the inclusion of at least a 10% de minimis F&A rate, except where the subrecipient is able to allocate and charge 100% of its costs directly.

UT will budget for the 10% de minimis rate on all subawardees if they do not possess their own NICRA. It is not permissible for the PI/department to force or entice a proposed subrecipient without a negotiated rate to accept less than the de minimis rate. There is no change to UT recovery of its own F&A costs – this remains limited to receiving our F&A rate on the first $25,000 of each subaward.

**Recruiting Costs (200.463D) (Visa)**

Since short-term visas are issued for a specific period and purpose, they can be clearly identified as directly connected to work performed on a Federal award and can be directly charged. Costs associated with short-term travel visas may charge as a direct cost as long as:
1. Skills are critical and necessary for the project;
2. Considered direct and allowable under Cost Principles; and
3. Consistent with University cost accounting policy and procedure.

Typically, these visas allow employees and students to engage in field research or attend meetings in foreign locations, or allow foreign visitors to visit the University in support of the project. Expedited processing fees remain unallowable.

**Computing Devices (200.453)**
Computing devices are generally considered “Materials & Supplies” and can therefore be directly charged to federally sponsored projects as long as they are essential and allocable to the performance of a federal project. They do not have to be solely dedicated to the performance of a federal award. Any computing device costing more than $5,000 should be treated as “Equipment”. The devices should be itemized in the proposal budget and described in the budget justification.

**WHAT ARE THE NEXT STEPS?**

Implementation of Uniform Guidance will be an **ONGOING** process over the next year. UT has reassessed policies to ensure we are compliant. Sponsors will release final instructions on how to follow Guidance for their awards. Our office will work with the departments and the PIs on the changes.

**HOW CAN I LEARN MORE?**

Research Administration and Sponsored Projects Accounting will announce upcoming information sessions on the new OMB Uniform Guidance. The sessions will provide a basic overview of the Uniform Guidance, a summary of what has changed, and what has not. The goal of these sessions will be to address the impact of the Uniform Guidance on the research administrator, outlining existing and pending changes.

**Uniform Guidance Tools**

**Subaward Monitoring**
- [Subrecipient Monitoring Plans](#)
- [Subaward Responsibilities Matrix](#)
- [Determination Guide for Agreements with External Entities/Individuals](#)
- [Subrecipient Risk Assessment for New Subrecipients](#)

**Direct vs Indirect Charging Tools**
- [PI Quick Guide to Exceptions](#)
Direct vs F&A Charges Guide
Unallowable Costs Guide
UT Justification Samples Example Guide

Related Links
Federal Register
Uniform Guidance (2 CFR 200)
Uniform Guidance FAQ
Council on Financial Assistance Reform (COFAR)
COGR: Implementation and Readiness Guide for the OMB Uniform Guidance
FDP/COGR White Paper on the Uniform Guidance