

Uniform Guidance (UG)

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Why the Changes? (Federal Perspective)

- Streamline guidance on federal awards
- Reduce administrative burden
- Strengthen oversight over Federal funds to reduce risks of waste, fraud & abuse
- Increase the efficiency and effectiveness of Federal awards and best use of funds
- Set standard requirements for financial management of awards across entire Federal government

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Reform of Federal Policies Relating to Sponsored Programs – *Uniform Guidance*

OMB released the final guidance **December 26, 2013**  
<http://www.gpo.gov/fdsys/pkg/FR-2013-12-26/pdf/2013-30465.pdf>

Agencies released implementation plans **December 19, 2014**  
<http://www.gpo.gov/fdsys/pkg/FR-2014-12-19/pdf/2014-28697.pdf>

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How do I know if the UG applies????

Uniform Guidance administrative requirements and cost principles **will apply to new funds** awarded on or after December 26, 2014.

- Some Federal agencies **may also apply it to incremental funding** awarded after December 26, 2014.

Existing Federal awards:

- Continue to be governed by the terms and conditions under which they were awarded.

Carryover funds:

- May or may not be subject to the Uniform Guidance, depending on the Federal awarding agency.

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Cost Principles – What has changed....

The definition of what constitutes an allowable cost remains essentially the same:

- Necessary, reasonable, allocable, allowable, and consistently treated.

Most costs that were unallowable before, remain unallowable now.

**What has changed?**

- certain costs **must now be included** in your proposal budgets in order to be allowable or they will require agency prior approval after the award has been issued.

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Cost Principles -Allocable

The cost is allocable to a sponsored agreement if:

- It is incurred **solely** to advance the work under the sponsored agreement

A cost is allocable to an award... if the goods or service involved are chargeable or assignable to that Federal award or cost in accordance with relative benefits received...

- Is incurred **specifically** for the federal award

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**Allocable costs**

A cost is allocable to a particular Federal award or other cost objective if:

- the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received.

If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost must be allocated to the projects based on the proportional benefit.

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**Reasonable costs**

A cost is reasonable if, in its nature and amount:

- it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost.

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**Entertainment Costs**

**Unallowable unless:**

- Those costs have a **programmatic** purpose **and** are authorized in the approved budget for the federal award or with prior written approval from the federal awarding agency.

**Budget justification must explain  
the programmatic purpose.**

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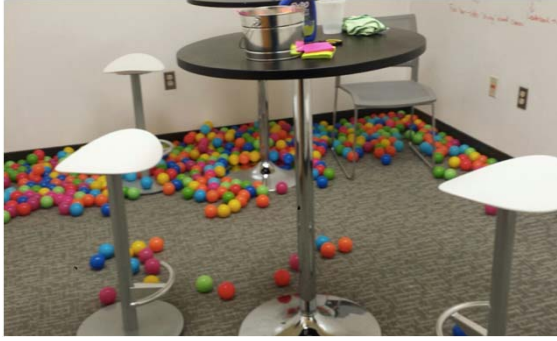
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Entertainment or Research Purpose?



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Cost Principles- Administrative Costs as Direct Costs

**IMPORTANT**

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 the 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

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What does **INTEGRAL** mean???

\***Integral** is defined as:

- Essential to the completion of the project's goals and objectives, rather than necessary for the overall operation of the institution.
- Services are essential when they are vital or fundamental to the project or activity.
- In general, minimal effort contributions are not likely to be considered essential.

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Cost Principles- Administrative Costs

Items to consider when determining if direct charging of administrative personnel costs may be appropriate:

- How is this project an exception as opposed to other similar projects?
- What is required that makes this direct charge necessary and how is it above and beyond the normal level of support?
- What specific circumstances is this project experiencing that makes this different?

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Cost Principles- Administrative Costs

**What does this mean to the Researcher?**

If all of these requirements are met, PIs/departments should add a new justification statement to proposals to facilitate the required agency approval.

Budget justification must include a narrative that explains how the services are integral to the project.

- If it was not included at the time of the proposal, the costs must still meet the four requirements listed above and you must work with your campus central office to obtain prior written approval from the federal awarding agency or pass-through entity before the costs are incurred.

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Cost Principles- Administrative Costs –  
*Budget Justification Example*

“This award includes management of 15 subawards. This volume and the tight timeline of the project mandate more extensive monitoring than the services routinely provided by the department. A XX% time program assistant is needed to oversee the subrecipients’ activities, including working with Sponsored Funds Accounting to perform risk assessment and subrecipient monitoring, ensuring timely delivery and review of invoices, acquiring progress reports and ensuring their review, resolving mid-project issues, monitoring compliance approvals, ensuring timely payments, and handling subaward modifications. We are therefore requesting agency approval for a [List % time appointment here] [List position title here] as an administrative cost allowed under 2 CFR 200.413.”

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Cost Principles- Special Consideration

Programmatic Salary Costs

Costs related to protocol development and maintenance, managing substances/chemicals, managing and securing project-specific data, and coordination of research subjects are allowable direct costs when they are "contributing and directly related to work under an agreement."

- May be direct charged using the same underlying requirements as other types of direct costs and are not subject to the extra approval requirements required of administrative and clerical costs.
- They are still subject to all regular costing requirements (e.g., allocability, reasonableness, allowable by terms of the award, incurred within award period).

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Cost Principles- Administrative Costs

You may not include the salaries of administrative personnel conducting activities such as:

- Financial reconciliations
- General clerical work
- Proposal preparation

These costs support overall institutional operations and must be treated as indirect (F&A) costs.

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Cost Principles - Indirect (F&A) Costs

Federal awarding agencies **must** accept approved negotiated indirect cost rates unless a different rate is required by Federal statute or regulation, or when approved by a Federal awarding agency head or delegate based on documented justification.

Examples:

- State Agency Funding Announcement may limit F&A to 15%
- NIH T32s – 8% F&A per NIH Terms & Conditions

PI (or Institute) cannot say "Ok, you can reduce your F&A rate to meet the \$100k total costs for your sub".

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Facilities and Administrative Costs Rate

Any non-Federal entity that has never received a negotiated indirect cost rate, may elect to charge a de minimis rate of 10% of modified total direct costs (MTDC) which may be used indefinitely.

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Use of Fixed Amount Awards - NEW

Use of Grant Agreements (Including **Fixed Amount Awards**), Cooperative Agreements, and Contracts:

- The non-federal entity **must certify in writing** to the Federal awarding agency or pass through entity at the end of the Federal award that the project or activity was completed or the level of effort was expended.
- If the required level of activity or effort was not carried out, the amount of the Federal award must be adjusted.

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Equipment

Tangible personal property (including information technology systems) has:

- A useful life of more than one year
- and**
- Cost is  $\geq$  \$5,000.
    - which equals or exceeds the capitalization level established by the non-Federal entity.

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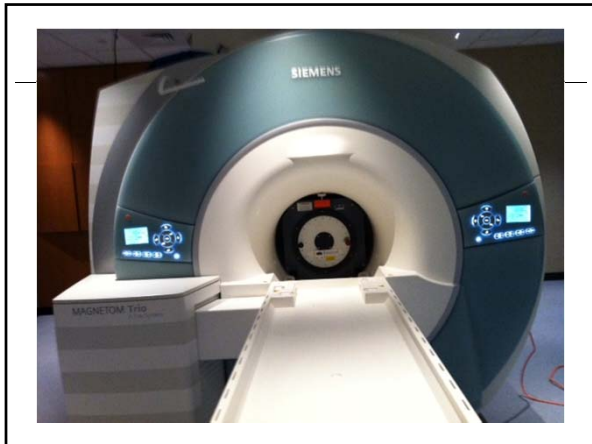
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### Procurement: Equipment

The non-Federal entity's procedures **must** avoid acquisition of unnecessary or duplicative items, so encouraged to:

- Enter into state and local intergovernmental agreements or inter-entity agreements where appropriate for procurement or use of common or shared goods and services.
- Use Federal excess and surplus property in lieu of purchasing new equipment and property when this is feasible and reduces project costs.

**What does this mean for Researchers?**

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### Supplies

The **definition** of supplies in existing guidance includes all tangible personal property that fall below the threshold for equipment (less than \$5k).

- As technology improves, **computing devices** (inclusive of accessories) increasingly fall below this threshold.

The guidance makes explicit that computing devices less than \$5k – should be treated consistently with all other items below this level.

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### Computing Devices - Supplies

- 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.

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### Computing Devices

The machines are **essential\*** and allocable to the project in that they are necessary to:

- Acquire, store, analyze, process, and publish data and other information electronically, including accessories (or "peripherals") for printing, transmitting and receiving, or storing electronic information.

The project does not have reasonable access to other devices or equipment that can achieve the same purpose; devices may not be purchased for reasons of convenience or preference.

Items costing more than \$5,000 per unit are considered equipment and follow federal equipment rules for when they can be direct charged.

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### Computing Devices

#### What does this mean for Researchers?

- PIs are responsible for determining whether or not the device is "essential" and to what extent the cost of the device is allocable to the sponsored project.
- PIs and departments should maintain documentation that describes how the proposed computing device meets the above requirements.

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### Computing Devices

This means the computing device must be:

1. Essential for the purposes of carrying out a specific objective of the sponsored project;
2. Above and beyond what is provided by the department;
3. Charged to the sponsored project in some reasonable proportion relative to how much it is used for the award.

In addition, devices may not be purchases for reasons of convenience or preference.

Computing devices must be itemized in the proposal budget and specifically addressed in the budget justification.

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**Short Term Visa Costs**

Short-term, travel visa costs (as opposed to longer-term, immigration visas) are generally allowable expenses that may be proposed as a direct cost.

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.

For these costs to be directly charged to a Federal award, they must:

- 1) Be critical and necessary for the conduct of the project;
- 2) Be allowable under the applicable cost principles;
- 3) Be consistent with the non-Federal entity's cost accounting practices and non-Federal entity policy; and
- 4) Meet the definition of "direct cost" as described in the applicable cost principles.

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**Short Term Visa Costs**

- 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.
- They must be critical and necessary (directly benefit) the project and be allowable by the agency.
- 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.
- Long-term visa costs, such as those that enable employment at the University (for example "J" and "H1B" visas) are not allowable as direct charges.

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**Conferences**

The intent is to better articulate the limits on types of gatherings for which these costs are allowable.

- Requires conference hosts/sponsors to exercise discretion and judgment in ensuring that conference costs are appropriate, necessary and managed in a manner that minimizes costs to the Federal award.

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### Proposal Costs

Proposal costs are the costs of preparing bids, proposals, or applications on potential Federal and non-Federal awards or projects, including the development of data necessary to support the non-Federal entity's bids or proposals. Proposal costs of the current accounting period of both successful and unsuccessful bids and proposals normally should be treated as indirect (F&A) costs.

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### Subrecipient versus Contractor

- A non-Federal entity provides a **subaward** to a subrecipient for the purpose of carrying out a portion of a Federal award and creates a Federal assistance relationship between the non-Federal entity and the subrecipient.
- A non-Federal entity provides a **contract** to a contractor for the purpose of obtaining goods and services for the non-Federal entity's own use and creates a procurement relationship between the non-Federal entity and the contractor

What the document is called does not matter; the relationship is the basis for determining which requirements are applicable.

Defined case-by-case basis.

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### Vendor versus Contractor

The term "vendor" was replaced with "contractor."  
The terms vendor and contractor substantially have the same meaning.

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### Subrecipient versus Contractor

Pass-through entities “must make case-by-case determinations whether each agreement it makes for disbursement of federal program funds casts the party receiving the funds in the role of a subrecipient or a contractor.”

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### Subrecipient Characteristics

**Substantive, programmatic work or an important or significant portion of the research program or project is being undertaken by the other entity.**

The research program or project is within the research objectives of the entity.

- Participates in a creative way in designing and/or conducting the research.
- Retains some element of programmatic control and discretion over how the work is carried out.
- Commits to a good faith effort to complete the design or conduct of the research.
- Makes independent decisions regarding how to implement the requested activities.
- Expectation that the entity will retain ownership rights in potentially patentable or copyrightable technology or products that it produces in the course of fulfilling its scope of work.
- Provides cost sharing or matching funds for which it is not reimbursed by Prime Entity.
- A principal investigator identified at the entity and functions as a “CoInvestigator”.
- Publications may be created or co-authored at the entity.
- The entity regards itself, and/or is regarded by Prime Entity, as “engaged in research” involving human subjects under the [Common Rule](#) and therefore requires approval for its interactions with human subjects.

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### Subrecipient Requirements

Subagreements should have:

- Detailed scope of work and a budget that specifies salary, fringe, supplies, and other direct costs, as well as appropriate F&A costs consistent with the subrecipient’s indirect cost rate.

**Terms and Conditions** from a prime award are typically imposed on the subrecipient to the same degree that they are imposed on you as the prime recipient.

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### Contractor Characteristics

The entity:

- Is providing specified services in support of the research program.
  - Has not significantly participated in the design of the research itself, but is implementing the research plan of the principal investigator.
  - Is not directly responsible to the sponsor for the research or for determining research results.
  - Markets its services to a range of customers, including those in non-academic fields.
  - Commits to deliverable goods or services, which if not satisfactorily completed will result in nonpayment or requirement to redo deliverables.
  - Does not expect to be credited as co-authors on papers.
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- Little or no independent decision-making is involved in the design and conduct of the research work being completed.
  - The agreement only specifies the type of goods/services provided and the associated costs.
  - The expectation is that the work will not result in patentable or copyrightable technology or products that would be owned by the entity.

In the case of an individual vendor of consulting services,

- the person has no employment relationship with the institution, either academic or administrative in nature.

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### Subrecipient Monitoring – Pre Qualifying

The Federal awarding agency (or Pass Through Entity) must have in place a framework for evaluating the risks posed by applicants before they receive Federal awards. In evaluating risks posed by applicants, the Federal awarding agency may use a risk-based approach and may consider any items such as the following:

- (1) Financial stability;
- (2) Quality of management systems and ability to meet the management standards of the Uniform Guidance;
- (3) History of performance;
- (4) Reports and findings from audits performed; and
- (5) The applicant's ability to effectively implement statutory, regulatory, or other requirements imposed on non-Federal entities.

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### Subrecipient Monitoring – Post Award

Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Pass-through entity monitoring of the subrecipient must include:

- (1) Reviewing financial and programmatic reports required by the pass-through entity.
- (2) Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and other means.

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**Subrecipient Monitoring – PI approval of invoices**

PI approval **is required** before paying a subrecipient invoice.

PI could expect something like this that needs to be reviewed & responded to/signed.  
**READ IT CAREFULLY!**

"Attached is a subcontractor's invoice that I have already reviewed for compliance with the financial terms and conditions of the subcontract. If, to your knowledge, the amount of payment is commensurate with technical progress and all programmatic reports have been submitted in accordance with the requirements outlined in the subaward agreement, please indicate your approval by your positive response to this Email.

If this is the final invoice from the subcontractor, your positive response authorizing payment will be an indication that all work is completed and any required technical report has been received.

If, for any reason, you feel this invoice, or any part of it, should not be paid as is, please notify me as soon as possible so that we can work together to solve any concerns with this subcontract payment."

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**Closeout**

This section should be clearer because the timeframes are based on "period of performance" which must be stated in the Federal award

- Reports are due 90 days after the "period of performance" – **unless modified by agency implementations.**
- Obligations must be liquidated in 90 days.

These are the financial reporting deadlines as well as the PI generated reports.

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**Final thought on prior approval requirements**

Include in all justifications:

"The University will consider the costs and requests in the justification approved if an award is made and no contrary guidance from the agency is included in the award notice."

**Does including this in all proposals meet the "prior approval" requirement? Does this mean you are "home free"????**

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Prior Approval - Administrative

- Unless otherwise authorized as a special award condition, any extension of the period of performance **can only be authorized by the Grants Officer in writing.**
- Verbal or written assurances of funding from anyone other than the Grants Officer **shall not constitute authority** to obligate funds for programmatic activities beyond the end of the period of performance.

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