

Michigan State University



RAN Presentation 11/6/14

Dan Evon, Director

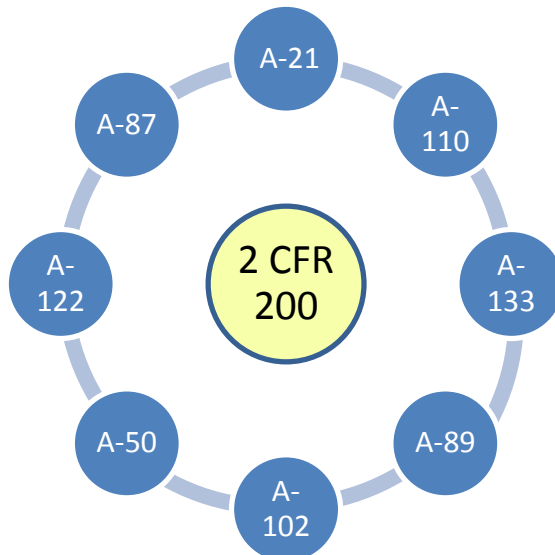
Contract and Grant Administration

UG, NSF Audit & Effort Reporting

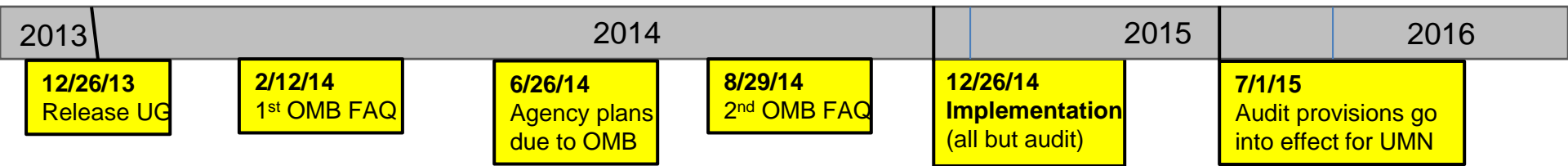


Uniform Guidance 2 CFR Part 200 Effective 12/26/2014

- 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 ...



Understand (Uniform Guidance)

Influence

Plan (Uniform Guidance)

Understand (Agency)

Plan (Agency)

Implement

Evaluate





**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

Administrative/ 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” (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:

- 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.

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), they may be included in proposal budgets as direct costs. Departments should work with the Office of Sponsored Programs and consider the above four criteria, including listing in the budget and/or narrative to determine if this is an option for their proposal. 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. The direct charging of such salaries on current federal RC accounts, as well as new federal awards received prior to Dec. 26, 2014, will not be impacted until a modification or extension is received. After that point, agency approval of administrative/clerical salaries must be obtained.





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 is the UG different than Circulars A-21/A-110/A-133? Computing devices are only mentioned once in A-21 and as an indirect cost, whereas the UG mentions their allowability as a 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.

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

<p>Internal Controls</p>	<p>Internal Controls are an essential part of spending federal funds.</p> <p>How is the UG different than Circulars A-21/A-110/A-133? 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>How does this affect your project? Internal controls can be demonstrated by ensuring that expenses are charged to the proper account (utilize advance/hardship accounts!), accounts are not used to temporarily hold 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.</p>
<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 may be excluded from indirect costs (F&A).</p> <p>How is the UG different than A-21/A-110/A-133? 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>How does this affect your project? Departments should work with the Office of Sponsored Programs to determine how to appropriately include PSC costs in proposal budgets. MSU will be modifying the F&A assessment program to exclude participant support costs. MSU will continue to setup PSC portions of NSF projects in separate accounts to help comply with their tight restrictions on changes to the to the PSC budget category.</p>



Uniform Guidance - Summary Document

<p>Budget Flexibility: Direct v. Indirect (F&A)</p>	<p>Prior agency approval is no longer required when rebudgeting between direct and indirect cost categories.</p> <p>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.</p> <p>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.</p>
<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>How is the UG different than Circulars A-21/A-110/A-133? Previously, subcontractors without a negotiated F&A rate were expected to charge F&A like expenses as a direct cost, or forego them. The UG now allows subcontractors to charge a de minimis rate of 10% modified total direct costs (MTDC). If this rate is chosen, it must be used for all federal agreements.</p> <p>How does this affect your project? When preparing proposal budgets, departments will need to be aware of which method their sub-awardee is using and plan accordingly. Subawardees without established F&A rates will want to include the 10% as soon as possible even though their award will not be increased.</p>





Uniform Guidance - Summary Document

<p>Subawards: Fixed Price</p> <p>2 CFR 200.332</p>	<p>Fixed price subawards are an option up to \$150,000.</p> <p>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 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>How does this affect your project? It is important to know the threshold as you work with partners on the type of subaward that will be issued and communicate what documentation and financial reporting will be necessary.</p>
<p>Terminal Leave Payout</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>How is the UG different than Circulars A-21/A-110/A-133? Terminal leave (the payout of banked sick/vacation time upon retirement or termination) was not specifically mentioned in the previous circulars but was initially switched to an unallowable cost in the UG if an institution used the cash basis (MSU's method) of accounting. It is expected that the final UG language will allow as a direct cost, but encourage as inclusion in the fringe rate for those using the cash method</p> <p>How does this affect your project? 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 will 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>



Uniform Guidance Continued

All of our Policies will need to be reviewed

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

Volunteers??

Send e-mail to Evon@msu.edu



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

NSF Data Analytics Audit – Continued

- Draft audit report issued September 2014
- One Finding related to salaries in excess of 2 month
- CGA has logged in excess of 1,000 hours of staff time

Lessons Learned:

- Access to PI and dept admin's critical to build justifications
- Auditors focused on unbudgeted expenses – the why
- Focused on expenses split between projects and those close to the project end date
- Lower dollar items selected at same rate as higher items

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?

Dan Evon, Director 884-4234 evon@cga.msu.edu

Evonne Pedawi, Assistant Director 884-4272

pedawi@cga.msu.edu



Input/Questions?

Feedback from CORD

- Move terminal leave into the fringe rate

Questions – Concerns – Suggestions – Volunteers

Dan Evon, Director 884-4234 evon@cga.msu.edu

Evonne Pedawi, Assistant Director 884-4272 pedawi@cga.msu.edu

Kristy Smith, Manager 884-4247 smith@cga.msu.edu