

**THE UNIVERSITY OF TENNESSEE**  
**PRESENTATION TO UTIA MONTHLY COMPLIANCE WORKSHOP**  
**BRIEFING – UNIFORM GUIDANCE**  
**January 13, 2015**

**WHERE WERE WE?**

OMB issued Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, known as Uniform Guidance or 2 CFR, Part 200. This circular consolidated eight previous circulars into one. Three of these previous circulars applied to colleges and universities; A-21, Cost Principles, A- 110, Administrative requirements, and A- 133, Audit Requirements. The final rule was issued December 26, 2013.

This new uniform guidance and the previous guidance are the rules concerning how we administer, account for and audit federal grant and contract funds (sponsored projects). Grant and contract funds represent the university's largest source of revenue. These funds are highly regulated and audited. This area is one of the biggest compliance risks for the university.

The university is a member of an organization, Council on Governmental Relations, (COGR) that watches and tries to influence federal regulations that impact research. COGR is the national leader in analyzing and reporting about this new guidance.

The University has a long history of compliance with federal regulations. In 2003, then President Johnson created a working group to address federal compliance issues. That effort resulted in the creation of several new university policies. These policies were conflict of interest, cost sharing, cost transfers, effort certification, program income, sponsored grants and contracts, and subcontract monitoring.

When this new, revised guidance was issued, Mr. Peccolo asked that we create a similar working group to address any challenges presented by the revised guidance. To that end, we contacted each campus/ unit and they nominated persons to help work on this project. We have had over 30 volunteers help from each campus and institute. From the Institute of Agriculture, we had Debbie Hampstead, Cyndie Nichols, Sherri Burnette, Amy Stover, Michelle Vineyard, Dave Stone, Missy Kitts and Emily Dyke.

Our charge was to review the new uniform guidance and to revise or develop University fiscal policies as appropriate. We read and attempted to understand the new uniform guidance and we reviewed and recommended policies to help get the university in compliance with the new regulations. This process was inclusive and transparent.

The guidance is applicable for new awards and incremental funding awarded on or after December 26, 2014.

**WHAT ARE SOME OF THE BIG CHANGES?**

- New concept of micro purchases of \$3,000 or less without competition. We are currently at \$5,000 and the state has moved to \$10,000. We allow P Card purchases of up to \$5,000. *Purchasing requirement has been delayed for one year*
- More subrecipient monitoring is required, including a risk assessment. *We are revising the policy and creating tools to identify risk.*

- The single audit threshold has been increased from \$500,000 to \$750,000.
- Some previously unallowed direct charging is now allowed - some clerical and administrative costs, some computers. *We are creating a new policy to address this.*
- Required certifications – reports contain extremely strong language. We are developing signature delegation to address this requirement.
- Termination pay may not be allowable as a direct charge any longer for those of us that use a cash basis of accounting for leave. *We have some work to do in this area.* This is supposed to be removed.
- Internal controls – recipients are required to have internal controls in compliance with guidance in “Standards for the Internal Control in the Federal Government” issued by COSO. *This could cause issues between universities and auditors.*
- F & A – new 10% de minimis rate for entities that do not have a rate and a one-time extension of negotiated rates for up to four years will be allowed. This is a positive change.

#### **WHAT IS THE PLAN and WHERE ARE WE NOW?**

The committee has been meeting on a monthly basis since March 2014. We divided into 17 work groups mostly according to current policy. ( see attached list) The individual groups have been meeting weekly or biweekly.

Before the initial meeting, the following information was provided to the group:

- The link for the uniform guidance and several other helpful items <https://cfo.gov/cofar/>
- The PowerPoint presentation from the Feb 27, Thursday morning COGR costing session
- The COGR document, “*An Implementation Plan for a Major Research University*”
- A COGR matrix of areas of interest to pursue.
- A HURON client update: OMB Uniform Guidance
- A listing and links to the current UT policies that might be affected by this guidance.
- COFAR FAQs for the New uniform guidance.

COGR has since issued a 42 page 2<sup>nd</sup> look document that suggests what action to take and if we need to wait on further clarification.

COGR had issued a Readiness Guide as of December 12, 2014.

We have issued two policies. Three are being considered by the CBOs. 3 more are in final draft status. Purchasing may still be a big deal.

# EXAMPLES

**Requires Proposal**

**Budget Detail  
 or documented**

**sponsor prior approval**

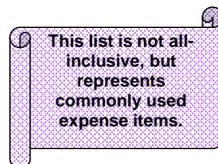
**Normally  
 Direct Costs**

**Normally  
 F&A Costs**

<b>SALARIES, WAGES,          &amp; RELATED          STAFF BENEFITS</b> <i>Appendix III B6</i> \$200.413 \$200.430 \$200.431	<b>Technical work performed by:</b> Principal investigator Post docs Graduate students College work study students Clinical lab technicians Undergraduate student	<b>Technical work integral to and directly          allocable to Statement of Work performed by:</b> Business Manager/Budget Director Administrative Assistant Accountant Department administrator Staff assistant	<b>Clerical or administrative work performed by:</b> Business Manager/Budget Director Administrative Assistant Accountant Department administrator Staff assistant
<b>TRAVEL</b> \$200.474 \$200.456 \$200.463	Directly applicable to project requirements Meetings required by sponsor (e.g. kickoff meeting) Travel within the grant period to disseminate project results	Short-term travel visas	Travel not directly applicable to project requirements Longer term immigration visas Marketing/development
<b>SERVICE CENTER          CHARGES</b> \$200.468	Animal care Lab testing services	Printing / copying / graphic arts Materials integral and directly allocable to the Statement of Work (SOW)	Printing / copying / graphic arts Computer maintenance Computer file storage Port / line charges
<b>FACILITIES &amp;          UTILITIES</b> <i>Appendix III B4</i>		Utilities required by unusual circumstances such as rental of non-UT or foreign facility Facilities upgrades if required by the statement of work, identified in the budget, budget justification and approved by the sponsor	Utilities General facilities maintenance
<b>COMMUNICATIONS</b> <i>Appendix III B6(b)</i>	<b>Freight / express deliveries:</b> Transport technical project material <b>Telephone charges:</b> Long distance		<b>Postage:</b> Express delivery of routine reports U.S. non-priority mail <b>Telephone charges:</b> Basic line charge Local calls Cellular phones Pagers Voice mail
<b>EQUIPMENT          MAINTENANCE</b> \$200.452	Scientific equipment maintenance research, medical and technical equipment and related maintenance contracts)	Essential and allocable maintenance on essential equipment required for use on the project	General equipment maintenance General computer hardware maintenance (and related maintenance contracts)
<b>PUBLICATIONS &amp;          SUBSCRIPTIONS</b> \$200.454 / \$200.461	Project-specific	Identifiable cost with specific cost objective and report work supported by project	General
<b>DUES AND          MEMBERSHIPS</b> <i>Appendix III B6(b)</i> \$200.454		Business, technical, and professional organization memberships if directly identified with work supported by the project	Dues & memberships
<b>CONSULTING</b> \$200.459	Project-specific consulting services		General consulting services

<b>ADVERTISING</b> \$200.421 / \$200.463	Recruit project participants Recruit project specific employees, such as postdocs	Public Notices specifically required by the Federal award	Employment Public notices
<b>SUPPLIES &amp; MATERIAL</b> \$200.453 Appendix III B6(b)	<b>Medical, scientific, &amp; laboratory supplies:</b> Lab notebooks Zip disks used to store specific project data Glass and plastic ware, culture dishes, beakers, syringes Chemicals Radioactive substances Scientific software Educational supplies Pharmaceutical supplies	Materials and supplies directly necessary to carry out specific statement of work activities of Federal award Participant instructional materials required for educational sessions	<b>Office supplies:</b> Pens, pencils, paper, tablets, files, folders, binders, transparencies, staples, post-it-notes  <b>General purpose computer supplies:</b> Diskettes, printer paper, toner cartridges Word processing software Spreadsheet software
<b>STUDENT COSTS</b> \$200.466 \$200.469	Stipend Tuition & fees Other related expenses		
<b>MEALS &amp; REFRESHMENTS</b> \$200.432 / \$200.438		Project conference or seminar specifically required on project	
<b>PARTICIPANT SUPPORT COSTS</b> \$200.456		Participant Support Costs such as stipends, subsistence allowances, travel allowances, and registration fees and approved educational and cultural activities	
<b>CONTRACTUAL SERVICES</b> \$200.459 \$200.432 \$200.330	<b>Other contractual services:</b> Speaker Fees Expert trainer or advisor for project External evaluator for project Photographic development Airport pickup of specimens		
<b>EQUIPMENT</b> \$200.439 \$200.453	<b>Special Purpose equipment:</b> Scientific, medical, research, and technical  <b>Project-specific computer hardware:</b> Specially required due to technical nature of the project and not already available	<b>Essential and Allocable computer hardware</b> Desktop & laptop PC's and related supplies such as servers, scanners, and printers that are essential and allocable but not necessarily solely dedicated. Only allocable costs may be charged.	<b>General purpose computer hardware:</b> Servers, scanners, printers, desktop and laptop PC's  <b>General purpose equipment:</b> Copier Office furniture
<b>SUBCONTRACT</b> \$200.330	<b>Subcontract costs</b>		

November 8, 2014



## University of Tennessee– Justification Statement Examples

### CHARGING ADMINISTRATIVE AND CLERICAL (200.413)

“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 on performing 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.**”

### FIXED PRICE/RATE SUBAWARDS (200.332)

“The subaward to [Name the subrecipient here] documented in this proposal meets the criteria described in Subpart C- 200.201(b) and the University of Tennessee is therefore requesting prior agency approval of this Fixed Price Subaward. The University will consider this subaward approved if an award is made and no contrary guidance from the agency is included in the award notice.”

## **Unallowable Costs for Federal and Federal Flow-through Funded Grants and Contracts**

These costs should never be proposed or charged to a federal or federal flow-through sponsored project. For more detailed information about these unallowable costs, see Uniform Guidance, Subpart E, Section 200.420 to 200.475. Unallowable expenses include (but are not limited to):

1. Advertising (except some job recruiting and subject recruitment for clinical trials)
2. Alcoholic beverages
3. Alumni activities
4. Bad debts
5. Commencement or convocation costs
6. Donations and contributions made to other organizations
7. Entertainment costs
8. Fines and penalties
9. Fund raising
10. Goods or services for personal use, including personal use of vehicles
11. Housing and personal living expenses of current and past officers
12. Interest expense
13. Lobbying activities
14. Losses or cost sharing on other sponsored agreements or contracts
15. Memberships in civic or community organizations, country clubs, social or dining clubs
16. Pre-agreement costs, unless specifically allowed
17. Public relations (except where directly related to the sponsored project)
18. Selling and marketing expenses (except some job recruiting and proposal expenses)
19. Severance pay in excess of UT's normal practices
20. Student activity costs, including publications, clubs, etc.
21. Airfare other than lowest available discount commercial airfare. UT's travel policy FI0705, specifically limits airfare to standard coach fare – no first-class or business fares are allowable.

**PI QUICK GUIDE TO EXCEPTIONS  
MAJOR CHANGES IN THE UNIFORM GUIDANCE AFFECTING  
PROPOSAL BUDGETS AND CHARGING OF DIRECT COSTS  
On Federal and Federal Flow-through Projects**

The Office of Management and Budget (OMB) has combined many federal circulars into a single guidance document (known as Uniform Guidance, or 2 CFR 200) that can be used by all agencies. These new regulations will become effective December 26, 2014.

<p><b>ADMINISTRATIVE/ CLERICAL SALARIES</b></p> <p><b>Applicable Uniform Guidance (UG) Sections:</b> <b>200.413</b> <b>200.430</b></p>	<p><b>Administrative and clerical salaries (in certain circumstances) can be included on competitive proposal budgets.</b></p> <p><u>Administrative and Clerical Salaries</u></p> <p>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:</p> <ol style="list-style-type: none"> <li>1. Administrative or clerical services are integral* to a project or activity;</li> <li>2. Individuals involved can be specifically identified with the project or activity;</li> <li>3. Such costs are explicitly included in the budget or have the prior written approval of the Federal awarding agency; and</li> <li>4. The costs are not also recovered as indirect costs.</li> </ol> <p>If all of these requirements are met, PIs/departments should add a new <a href="#">justification statement</a> to proposals to facilitate the required agency approval.</p> <p>* 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.</p> <p>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.</p>
<p><b>COMPUTING DEVICES (UNDER \$5,000 UNIT COST)</b></p> <p><b>Applicable UG Sections:</b> <b>200.33</b> <b>200.48</b> <b>200.89</b> <b>200.439</b> <b>200.453C</b></p>	<p><b>Computing devices can be included on competitive proposal budgets.</b></p> <p>Computing devices under \$5,000/unit may be direct charged to the project or activity under the following circumstances:</p> <ul style="list-style-type: none"> <li>• The machines are <u>essential</u>* and allocable to the project in that they are necessary to acquire, store, analyze, process, or publish data and other information electronically, including accessories (or “peripherals”) for printing, transmitting and receiving, or storing electronic information.</li> <li>• Items costing more than \$5,000 per unit are considered equipment and follow federal equipment rules for when they can be direct charged. (SEE 200.33, 200.48, 200.89, 200.439)</li> <li>• If these items will be proposed as direct costs, acceptable justification will be required to be included in the proposal submitted to the sponsor. If a computing device was not identified in the approved proposal, before it is charged to the restricted account it must be justified to and approved by the office which handles the campus’s budget revisions.</li> </ul>
<p><b>PARTICIPANT SUPPORT COSTS</b></p> <p><b>Applicable UG Sections:</b></p>	<p><b>Participant support costs can be included for agency approval on competitive proposal budgets.</b></p> <p>After UG implementation, participant support costs (see 200.75) are allowable with agency prior approval. This includes stipends or subsistence allowances, travel allowances, and registration fees paid to or on behalf of participants or trainees (but not employees) in connection with conferences or training projects. Participant support costs are not routinely allowed on research projects but can be charged if the project</p>

<p><b>200.75</b> <b>200.456</b></p>	<p>includes an education or outreach component, or is a clinical trial agreement and the agency approves such costs.</p> <p>These costs should be explicitly listed in the proposal budget or approved by the funding agency after the award has been made. Participant Support Costs will now be a standard exemption category for modified total direct costs (MTDC). F&amp;A cost are not applied to participant support costs.</p>
<p><b>PROGRAMMATIC SALARY COSTS</b></p> <p><b>APPLICABLE UG SECTIONS:</b> <b>200.430</b></p>	<p>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.”</p> <p>These programmatic costs may be direct charged using the same underlying requirements as other types of direct costs, and are not subject to extra approval requirements.</p>
<p><b>SUBAWARDS – F&amp;A</b></p> <p><b>Applicable UG Section:</b> <b>200.331</b></p>	<p><b>The subrecipient’s negotiated F&amp;A rate or an alternative rate as described below must be used for all subawards included in competitive proposals.</b></p> <p>If a federal program has a published statutory F&amp;A cap, that rate must be used both by UT and all of its subrecipients. For all other federal programs, if a subrecipient has a federally negotiated F&amp;A rate, it must be used. If the entity does not have a negotiated F&amp;A rate, a 10% de minimus F&amp;A rate must be used instead. PIs may not negotiate or agree to lower rates with their subrecipients.</p>
<p><b>SUBAWARDS - FIXED PRICE/RATE</b></p> <p><b>Applicable UG Section:</b> <b>200.332</b></p>	<p><b>Agency prior approval is required to enter into fixed price/rate subawards, which may not exceed \$150K.</b></p> <p>Agency prior approval is required to enter into a fixed price/rate subaward rather than a cost-reimbursement subaward, and the total value of each fixed price/rate subaward may not exceed \$150K. To expedite agency approval, PIs/departments should add a new <a href="#">justification statement</a> to proposals contemplating a fixed price/rate subaward. A statement is not needed for other subawards.</p>
<p><b>SUBAWARDS – SUBRECIPIENT MONITORING</b></p> <p><b>APPLICABLE UG SECTION:</b> <b>200.331</b></p>	<p><b>Agency Subrecipient Risk assessments are required to determine appropriate monitoring.</b></p> <p>During the project period the PI is responsible for:</p> <ul style="list-style-type: none"> <li>• Documented review of financial and programmatic reports</li> <li>• Greater emphasis on detecting and addressing deficiencies (i.e. slow or no performance, financial management issues, slow or no spending, etc.)</li> </ul>
<p><b>UNUSED SUPPLIES:</b></p> <p><b>Applicable UG Section:</b> <b>200.314</b></p>	<p>The PI should be aware of the potential adverse impact of buying items in bulk or purchasing supplies toward the end of an award.</p> <p>It should be rare that a PI purchases supplies which 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.</p>
<p><b>VISA COSTS</b></p> <p><b>Applicable UG Section:</b> <b>200.463D</b></p>	<p><b>Short-term, travel visa costs can be included on competitive proposal budgets.</b></p> <p>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 to (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.</p>