

## Key Points Relating to Publication of OMB's New Uniform Guidance Spring 2014

### UNIFORM GUIDANCE DEFINED:

- The Omni-Circular is the informal name that refers to the [Uniform Guidance: Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards](#). OMB asks that agencies refer to the new guidance by its proper name.
- It is a culmination of long-standing (since late 1990's) efforts to streamline federal grants policy, incorporating the language from eight OMB circulars into one consolidated set of guidance in the Code of Federal Regulations.
- OMB states that by streamlining eight existing OMB circulars into one comprehensive policy guide, the government can better administer the \$600 billion awarded annually for grants and other types of financial assistance by decreasing administrative burden for recipients and reducing the risk of waste, fraud and abuse.
- OMB posted the Uniform Guidance for public inspection on December 19, 2013 and formally published it December 26, 2013.

### COFAR ROLE:

- Publication and implementation of the Uniform Guidance has been a key priority of the Council on Financial Assistance Reform (COFAR). COFAR is composed of the OMB Controller and senior policy officials from nine Federal departments and agencies (agencies). Eight of the agencies are those that provide the largest amounts of financial grants assistance: USDA, DoEd, DOE, DHHS, DHS, HUD, DOL, and DOT. In addition, to represent the perspective of other agencies that administer grants and cooperative agreements, COFAR includes a senior policy official from one other agency, selected by OMB to serve a two-year term. For the initial term, NSF was selected to serve in this capacity. NSF's CFO has served as the senior policy official.
- NSF's two-year term on COFAR has come to an end and they are transitioning off of COFAR gradually as OMB on-boards the Department of State, as the successor agency.

### UNIFORM GUIDANCE KEY POLICY AREAS OF INTEREST TO NSF:

Major policy issues included in the final guidance of particular importance to the research community can be categorized into three areas. Examples in the Uniform Guidance include:

- **Increased Clarity in Language**
  - ✓ *Contingency Budgeting & Expenses:* Incorporating positive and helpful clarifications, which enable a better understanding of how contingency funds may be budgeted and expended.
  - Performance Management:* Including language that permits performance management requirements to be met through use of government-wide standard information collections, such as the Research Performance Progress Report.
- ✓ *Participant Support:* Aligning government-wide policy in this area
- **Fewer Administrative Requirements**
  - ✓ *Family-Friendly policies:* Supporting non-federal entities' family friendly efforts in terms of explicit allowability of costs for certain expenses, provided they are allowed for in the recipient agency's organizational policies.
  - ✓ *De minimus rate:* In order to provide some level of flexibility to smaller organizations least likely to have the capacity to negotiate and most likely to be under-reimbursed, the Uniform Guidance establishes a *de minimus* rate of either 10% of modified total direct costs or an alternative rate of 10% of total direct salaries and wages.
  - ✓ *Increase in the single audit threshold from \$500,000 to \$750,000:* Eliminates the requirement for approximately 5,000 entities.

- ✓ *Extension of use of the federally negotiated rate for 4 years:* The language provides an option for entities with an approved federally negotiated indirect cost rate to apply for a one-time extension of 4 years without further negotiation.
- **Increased Stewardship and Oversight**
  - ✓ *Agency assessment of risk posed by applicants:* Mandating that Federal awarding agencies have in place a framework for evaluating the risks posed by applicants prior to receipt of Federal awards.
  - ✓ *Merit Review:* Requiring Federal awarding agencies to design and execute a merit review process for applications for competitive awards, but deliberately leaves the design of the process to agencies. *Stronger remedies for awardee non-compliance:* Allowing Federal agencies to terminate for reasonable cause, because situations often arise beyond the Federal agency's or non-Federal entity's control which may require awards to be terminated.

### **EXAMPLES OF POTENTIAL IMPACT ON THE RESEARCH COMMUNITY**

There are a number of provisions that afford the research community, including both Principal Investigators and University Administrators, more administrative flexibility, than is allowed under the current suite of circulars. Several also are notable for their potential impact for NSF program officials. Included below are some examples of interest.

- *Aligns Government-wide policies related to merit review, cost sharing, and participant support costs.* This should streamline protocol at awardee institutions, reducing risk and burden.
- *Clarifies the Definition of Contingency* – Provides clarification as to the circumstances under which contingency costs may be included and charged in federal awards.
- *Categorizing computing devices as supplies.* Awardees now have greater flexibilities to include computing devices as direct costs in the materials and supplies category of the budget. This could impact the levels of funding directed toward research.
- *Indirect (F&A) Costs.* Provides for the consistent application of negotiated indirect cost rates, and articulates the conditions under which a Federal awarding agency may use a different rate.
- *Direct charging of Administrative Costs.* Due to new flexibilities, awardees can now charge costs historically treated as indirect costs, as direct charges under certain circumstances. For example, be an individual performing specific project management type functions such as coordinating protocols and other compliance activities necessary on a particular project, may be allowable as a direct charge.
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- *Time and Effort Reporting.* Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. Further clarifications describe the required controls in more detail. Awardees have clear high standards for maintaining a strong system of internal controls over their records to justify costs of salaries and wages, and also additional flexibility in the processes they use to meet these standards. This should allow them to be more accountable for these costs at less expense.
- *Encourages Performance-based Management.* While the impact of this is yet to be seen, this could result in an increase in fixed-price awards. In this type of arrangement, payments are based on performance and not actual costs.
- *Utility Cost Adjustment.* A utility cost adjustment of up to 1.3% may be included in the negotiated indirect cost rate of the institution of higher education for organized research, whereas previously this was limited to a specific subset of institutions.
- *Conflicts of Interest.* Requires institutions to maintain written standards of conduct covering organizational conflicts of interest.

- *Performance Management.* Clarifications were incorporated that permit this requirement to be met through use of government wide standard information collections, such as the Research Performance Progress Report.
- *Cap on Administrative Costs.* The 26% cap on administrative costs instituted in 1991 remains unchanged by the Guidance.
- *Subrecipient Monitoring.* Revised for clarity, however requirements were substantively unchanged from previous guidance.

**UNIFORM GUIDANCE IMPLEMENTATION:**

- Federal Agencies and Departments must submit implementing plans (regulations or policies) to OMB by June 26, 2014.
- Awardees will have to comply with the new guidance once the agencies' implementing regulations/policies are in effect by December 26, 2014.
- The Uniform Guidance will apply to awards made after December 26, 2014.

**UNIFORM GUIDANCE PUBLICATION & OUTREACH:**

- On December 20, 2013, NSF hosted an OMB webcast featuring a roundtable discussion of the final guidance in preparation for its official publication with OMB leadership and COFAR members.
- OMB hosted a training webcast, "Part 200 Uniform Guidance Training to highlight the changes to Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards" on January 27, 2014.
- Interested stakeholders should visit <https://cfo.gov/cofar/> for the latest information.