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July 2, 2014

June 12 and 13, 2014 Meeting Report

COSTING POLICIES

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OMB Uniform Guidance Update

Below is the most up-to-date list of important developments and dates applicable to implementation of the OMB Uniform Guidance (UG). The first three referenced documents can be accessed under **Latest News!, July 1, 2014** on the COGR homepage at www.cogr.edu. We will provide timely and periodic updates throughout the summer and leading to the December 26th implementation date.

- 1) **NSF PAPPG: COGR Comment Letter (sent July 1, 2014).** On May 9, 2014, the National Science Foundation (NSF) published a DRAFT revision of their Proposal and Award Policies and Procedures Guide (PAPPG) for comment. This revision of the PAPPG is NSF's implementation plan for the UG. In the COGR letter, we provided comments on NSF's proposed implementation of the UG, as well as comments on other policy changes that were included in the DRAFT version of the PAPPG. We take a particularly hard swing at Grant Closeouts and Procurement and ask NSF to request UG implementation deviations from OMB. Comments can be made through July 8, 2014; COGR members are welcome to endorse the COGR letter. See the May 9, 2014 *Federal Register* notice (79FR26778) for instructions on the submission of comments. A copy of the draft revision is available on the NSF website at: <http://www.nsf.gov/bfa/dias/policy/>
- 2) **COGR-crafted FAQs (and answers) to OMB/COFAR (sent June 26, 2014).** At the request of OMB/COFAR, we have provided OMB/COFAR with FAQs (and answers) to

those items from the UG that we believe can be clarified with an FAQ. We have focused the COGR-crafted FAQs on those items that we consider the most potentially troublesome areas of the UG where an FAQ with a favorable answer can make for a positive implementation.

- 3) **Procurement and Fringe Benefits: COGR Letter to OMB/COFAR (sent June 17, 2014).** We have requested on behalf of Institutions of Higher Education (IHEs), Nonprofit Research Institutions (NRIs), and all research performers the following: a) IHEs and NRIs should be exempted from Sections 200.317 through 200.326 (Procurement Standards) and that the standards under Circular A-110 should be reinstated, and b) Sections 200.431 (b)(3)(i) and (e)(3) should be updated for technical corrections to eliminate language that suggest certain fringe benefits (e.g., terminal leave) should be treated as indirect costs.

Also note the following:

- 4) **OMB/COFAR Outreach this Summer.** While dates have not been set, OMB/COFAR has shared that we should expect the following this summer: a) Stakeholders Meeting- COFAR-led meeting with representatives from higher ed, nonprofit research institutions, state, local, and tribal governments, and other nonprofits to update all stakeholder on new developments, b) Webcast- COFAR-sponsored webcast, possibly including a panel of stakeholders, and c) Updated FAQs- an update to the currently available FAQs at: <https://cfo.gov/wp-content/uploads/2013/01/2-C.F.R.-200-FAQs-2-12-2014.pdf>
- 5) **Agency Implementation Plans and an Interim Final Rule.** Draft agency implementation plans were due to OMB/COFAR on June 26th. The NSF plan (see 1) above) may be the only one in which we have an opportunity to provide formal comments. In addition, DOD has received clearance from OMB to share parts of their implementation plan with COGR and other DOD stakeholders. Though this does not constitute a formal comment process, we appreciate DOD's outreach to address a number of key parts of the DOD implementation plan. OMB has indicated they expect one single issuance of an interim final rule to include all Federal agency implementing regulations, unless there is an exception approved by OMB. The exact date that the issuance will be published is unknown, though it could be as late as December. OMB intends to take a close look at the timeline based on issues that have been raised and they hope to be able to provide more information later this summer.

Finally, COGR Resources and Publications are available at www.cogr.edu (see the homepage, Latest News!, June 11, 2014 and the Meetings tab for PPT presentations).

- 6) **COFAR-COGR Review (June 11, 2014).** A status report on those topics COGR has raised to the COFAR as the most important issues. This document has been used as the basis for two meetings between the COFAR and COGR. The Requested Action was up-to-date on June 11th, however, the more recent documents and correspondences described above now supersede parts of this document.

- 7) **FDP/COGR Whitepapers on the Uniform Guidance (June 4, 2014).** On April 14, 2014, COGR participated in an FDP-sponsored meeting where university representatives presented "University Perspectives" to federal agency representatives on key issues from the UG. These detailed analyses on specific issues were completed after the meeting and were made available on the COGR website in June.
- 8) **PPTs from COGR Meetings (February and June, 2014).** The PPT presentations are available at the COGR website (see Meetings | February 2014 Meeting Presentations and Meetings | June 2014 Meeting Presentations, respectively).
- 9) **COGR Guide to the OMB Uniform Guidance (April 17, 2014).** A detailed assessment on key sections from the UG. This document was up-to-date on April 17th, however, the more recent documents and correspondences described above now supersede parts of this document.
- 10) **An Implementation Plan for a Major Research University (March 10, 2014).** Parts of this paper are based on an article written by Sara Bible, Associate Vice Provost for Research at Stanford University, which was published in the March/April 2014 issue of the NCURA Magazine. Sara is on the COGR Board and a member of the Costing Policies Committee. Other parts of this article are based on COGR Updates and other COGR insights to the UG. We expect to address updated implementation strategies later in the Summer / early Fall.
- 11) **COGR Preliminary Assessment of the OMB Uniform Guidance (January 14, 2014).** The COGR "first look" of selected items. The preliminary assessment was written less than a month after the UG was released and is now superseded by the more recent documents and correspondences described above.

Implementation of the OMB Uniform Guidance continues to be a fast-moving and fluid process; OMB and the COFAR remain committed to the December 26, 2014 implementation date. We will keep the membership abreast on all developments.

June COGR Meeting Session Summary: OMB Uniform Guidance

The June COGR Meeting, like the February Meeting, was heavily infused with sessions related to the OMB Uniform Guidance (UG). Two sessions specific to the implementation of the UG, and a third session that addressed the "internal control" aspects of the UG, were covered in the June Meeting. The PPT presentations for all three are available at www.cogr.edu (see Meetings | June 2014 Meeting Presentations).

OMB Uniform Guidance Hot Topics & Implementation (combined Costing and RCA session). Representatives from the Costing and RCA Committees led a panel discussion to provide a status update on the hottest topics related to the UG, followed by four institutional perspectives on how these institutions are preparing for the implementation. This was a "members only" session. The four presenters, from the Costing and RCA committees, were: Sara Bible - Stanford University, Pamela Webb - University of Minnesota, Kim Moreland -

University of Wisconsin, and Dan Evon - Michigan State University. A list of action items and implementation strategies from the session is included in the next section.

Internal Controls and Mitigating Institutional Risk. Mandy Nelson, a Partner at KPMG LLP, and Andrew Rudczynski and Alice Tangredi-Hannon from Yale University, addressed internal controls from an audit/implementation of the UG perspective (Nelson) and from a research compliance/institutional risk perspective (Rudczynski and Tangredi-Hannon). Both perspectives emphasized the importance of reevaluating existing programs of internal controls, especially in the context of the soon-to-be-implemented UG.

NSF Proposed Implementation of the UG and Other Changes to the PAPPG. Jean Feldman, the NSF Policy Head, summarized the NSF proposed UG implementation plan and other proposed policy changes, both of which are included in the DRAFT version of the NSF PAPPG. Comments are due by July 8th (see previous section).

Follow-up sessions to the themes and topics addressed in these sessions will be scheduled, accordingly, for the October COGR Meeting (October 23-24, 2014).

Action Items and Implementation Strategies of the OMB Uniform Guidance: What Next?

The Thursday morning session summarized above, OMB Uniform Guidance Hot Topics & Implementation, provided action items and implementation strategies from the participants on the panel. Key points are listed below.

- **CAS Disclosure Statement (DS-2).** Review institution's DS-2 to identify intersections with new requirements in the UG. Institutions should communicate with their cognizant agency regarding when to make changes to their DS-2. Consider changes applicable to administrative and clerical salaries, computing devices, fringe benefits, and documentation of payroll charges.
- **Proposal Submissions.** Evaluate what your institution will do in regard to proposals that will be submitted in the coming weeks/months, and will be funded after implementation of the UG. For example, consider including administrative and clerical salaries, computing devices, and 10% F&A on subawards.
- **Compensation/Effort Reporting.** Continue to use current systems, for now. Consider options for replacement of traditional effort reporting system/processes including FDP Project Certification pilot, including considerations of internal controls environment, faculty input, and input/approval from cognizant agency. Also consider "minor changes" that may reduce burden, such as frequency of reporting.
- **Fringe Benefits.** Initiate planning for a new fringe component for unused terminal leave, but pay close attention to the status of COGR request to the COFAR.
- **Closeouts.** Be aware of ongoing changes at HHS, NIH, and NSF, as well as current COGR advocacy, as it relates to closeout policies. Note, this applies to financial, performance, and other reports and the liquidation date.

- **Purchasing & Property.** Analyze the UG and institutional systems. Perform a fit-gap analysis. Engage your Procurement and Property Directors. And pay close attention to the status of COGR requests to the COFAR.

- **Subawards.**
 - Wait for agency implementations to determine if documentation requirements are imposed for vendor vs. subaward classifications. Watch for a sample documentation template from FDP should agencies add this optional requirement.
 - Watch for updated subaward templates from FDP that incorporate the additional data elements required in 200.331. Review your local business processes/systems and decide whether you also need these data elements.
 - Notify campus about new requirement for agency prior approval of fixed price subawards. Determine local business process to acquire these approvals via proposal or after-award. Watch for guidance on how to handle fixed price subawards over the simplified acquisition threshold (\$150K).
 - Review your risk assessment tool and subaward monitoring processes to see if they meet the new standards in 200.331 and work with the updated Federal Audit Clearinghouse. Decide how review of subrecipient progress reports/invoices will be documented. Watch for FDP announcements on sample risk assessment tools and monitoring procedures.
 - Put business processes in place to make sure you can incorporate subrecipient's negotiated F&A rate or give them 10% MTDC de minimus rate/negotiate an F&A rate with them. Wait for guidance on how to handle ongoing subawards priced under the old rules.

- **Lead Time.** For all of the above, evaluate the lead time to make changes, the impact on internal system and IT requirements, and other business processes.

As is the case with many COGR sessions, the information gleaned from the presentations serves as a fact-finding opportunity and the identification of good institutional practices and important next steps. The action items and implementation strategies gathered from the Thursday morning session serve as a starting point for specific recommendations and approaches on how institutions may contemplate preparing for their implementation of the UG.

While we recognize that there still will be uncertainty, by late Summer and early Fall institutions should expect to be further along in their implementation plans, including their approach to faculty and staff training. Over the course of the summer and leading into the fall, COGR will consider formalizing the recommendations and approaches listed above. We have been committed to providing resources to the COGR membership, and will continue to do so as we get closer to December 26th and the official implementation of the UG.

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