Uniform Guidance for Federal Awards

Wed., July 29, 2015, 12 noon
310 RP
1. Overview (Terri Waggett)
2. Proposal preparation and allowable costs (Larry Barnett, John Counts)
3. Subrecipient Monitoring & F&A (Dan Gilbert)
4. Travel (Doris Schultz)
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6. Equipment (Carrie Main)
7. Procurement (Doris Schultz)
8. Administrative and Clerical Salary (Fred Cromp)
9. Internal Controls (Lin Qin)
10. Questions?

Uniform Guidance
Proposal Preparation and Allowable Costs

- Equipment Threshold is now $5,000. Items <$5,000 should be categorized as supplies.
- Computing devices, if needed for the project, now no longer need to be used exclusively for the project.
  a. Items costing $2,000 or more must be identified in the approved budget or approved in writing by sponsor. Items >$2,000 should be explained in budget justification of proposal.
  b. Items costing >$5,000 are considered General Purpose Equipment and therefore not generally allowable.
- Clerical salaries are allowable if work is necessary for the project and sponsor specifically approves the cost
- 10% OH allowed for entities without an established rate/foreign entities (NIH – 8%).
- Human subject participation costs: Allowable, needs a justification. (Subject to institutional IRB rules)
Subrecipient Monitoring

More emphasis needed on high risk subs, especially foreign subrecipients:

1. Invoices; Reimbursable costs are allowable, allocable, reasonable, and in alignment with original approved budget and sub project progress to date;

2. Northeastern is responsible for making sure that Subrecipient invoices are paid within 30 days of receipt unless the PI has significant concerns about the appropriateness of the invoice.
§200.303 **Internal controls.** The non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

200.328 **Monitoring and reporting program performance.** (a) **Monitoring by the non-Federal entity.** The non-Federal entity is responsible for oversight of the operations of the Federal award supported activities. The non-Federal entity must monitor its activities under Federal awards to assure compliance with applicable Federal requirements and performance expectations are being achieved.
F&A Rates for Subrecipients (200.414)

- The Guidance allows NU to provide a de minimis F&A rate of 10% modified total direct costs (MTDC) to subawardees who do not have a federally negotiated rate. Subaward budgets to NU should clearly state whether the de minimis indirect costs are being utilized.

- NIH Deviation from 10% de minimis: For subawards to foreign organizations, NIH limits the reimbursable F&A costs to 8% of the modified total direct costs (MTDC) less only capital equipment.
F&A Rates for Subrecipients (200.414)

- “An approved federally recognized indirect cost rate negotiated between the subrecipient and the Federal Government or, if no such rate exists, either a rate negotiated between the pass-through entity and the subrecipient (in compliance with this part), or a de minimis indirect cost rate as defined in §200.414 Indirect (F&A) costs, paragraph (f) of this part.” (§200.331 Requirements for pass-through entities)
Subrecipient:
(1) Determines who is eligible to receive what Federal assistance;(2) Has its performance measured in relation to whether objectives of a Federal program were met;(3) Has responsibility for programmatic decision making;(4) Is responsible for adherence to applicable Federal program requirements specified in the Federal award; and (5) In accordance with its agreement, uses the Federal funds to carry out a program for a public purpose specified in authorizing statute, as opposed to providing goods or services for the benefit of the pass-through entity.
**Contractor:**
(1) Provides the goods and services within normal business operations;(2) **Provides similar goods or services to many different purchasers**(3) Normally operates in a competitive environment;(4) **Provides goods or services that are ancillary to the operation of the Federal program**; and (5) Is **not** subject to compliance requirements of the Federal program as a result of the agreement, though similar requirements may apply for other reasons.
**Fixed Price Subawards** *(200.201, 200.332)*

“This type of Federal award reduces some of the administrative burden and record-keeping requirements for both the non-Federal entity and Federal awarding agency or pass-through entity. Accountability is based primarily on performance and results.” (200.45)

- Invoices paid at agreed upon Performance Milestones;
- Total cost limit per fixed-amount Subaward of $150,000;
- Cannot be used in programs that require a mandatory cost-share;
- Appropriate when the work that is to be performed can be priced with a reasonable degree of certainty;
- Prior written Sponsor approval needed;
- Usually used for high risk Subrecipients on a limited basis.

**Uniform Guidance**
**Travel [200.474 (b)(1)] – travel must be necessary to the federal award**

Application of this change:
- If travel expenses are charged to a federal award, the documentation for such charges must justify that travel by the individual is necessary to the federal award.
- Proposals that anticipate travel on a federal award should include a budget justification clarifying who is traveling and why that person’s travel is necessary. Travelers and/or administrators must document, and retain the documentation, as to why the trip was necessary and how it benefited the project. A best practice is to use the Business Purpose field in Concur to document how the trip specifically benefits the project.
## Travel – cont’d

<table>
<thead>
<tr>
<th>Travel cost description</th>
<th>Best practice to support UG and/or NU policy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Description</td>
<td>Supports purpose of grant – e.g. Travel to [name] conference in [location] to present a paper entitled [name] based on research funded through [account]</td>
</tr>
<tr>
<td>Hotel</td>
<td>Attached receipts showing $0 balance; if prepaid, ask for a record from the hotel that you were a guest with $0 balance</td>
</tr>
<tr>
<td></td>
<td>Meals on a hotel bill: if details are not available, add “no alcohol was charged”; provide guest information</td>
</tr>
<tr>
<td>Air travel</td>
<td>Reimbursement for prepaid air travel against a grant or contract is not allowed; charge to a 2 or 3-ledger and then transfer the amount after the trip</td>
</tr>
<tr>
<td></td>
<td>The Fly America act applies to all federally funded travel</td>
</tr>
<tr>
<td></td>
<td>Seat upgrades are unallowable</td>
</tr>
</tbody>
</table>

### Uniform Guidance
**Travel – cont’d**

<table>
<thead>
<tr>
<th>Travel cost description</th>
<th>Best practice to support UG and/or NU policy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Meals</td>
<td>Receipts should indicate the detail of the meal; if the receipt is not included, please state “no alcohol was charged”; credit card receipt is insufficient; account code Travel-Meals (73028) vs Food (74320)</td>
</tr>
<tr>
<td>Conference registration</td>
<td>Include the details of the conference (name, date, location, purpose)</td>
</tr>
<tr>
<td>Conference costs</td>
<td>Include a copy of the program, the badge with your name and, if presenting, the portion of the program listing the paper and the individual presenting.</td>
</tr>
<tr>
<td>Preferred vendors</td>
<td>Use the NU preferred vendors listed on the website</td>
</tr>
<tr>
<td>Travel Agency</td>
<td>Use the NU travel agency listed on the website</td>
</tr>
<tr>
<td>Car Rental</td>
<td>Insurance is not allowed; NU employees are covered</td>
</tr>
</tbody>
</table>
Travel cont’d

- In general, additional documentation is needed
- Advance booking must be within the POP
- Sales tax must be excluded
- Receipts > $75 required
- Check for duplicate charges and calculation errors
- Flight itinerary should be accompanied by boarding pass
- Hotel folio should reflect payment
- Foreign travel approval form needs to be completed
- Use NU provided resources: Amex card for payment; Agency for booking; preferred suppliers
- Mileage charge needs to include explanation
- Use correct account codes
  - Travel – Miscellaneous needs to be identified
- Flight change fee is unallowable unless there is sponsor approval for the change
- Visa fees – travel visas are allowable; F1 visas are generally not allowable

Uniform Guidance
Participant support costs (200.75 and 200.456)

Definition: Direct costs for items such as stipends or subsistence allowances, and registration fees paid to or on behalf of participants or trainees (but not employees) in connection with conferences or training projects.

- Must have prior sponsor approval
- If it is not included in the original budget, approval must be obtained

Uniform Guidance

Rollout
Capital expenditures for special purpose equipment are allowable as direct costs, provided that items with a unit cost of $5,000 or more have the prior written approval of the Federal awarding agency or pass-through entity.
Capital Equipment:

- The Federal definition of **equipment** is: tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the non-Federal entity for financial statement purposes, or $5,000.

- The Northeastern NICRA threshold is grandfathered at $1,500 for indirect cost exclusion until new rate agreement has been approved.

- For reporting & budgeting purposes on Federal grants, equipment that doesn’t meet the criteria above is considered a supply and will not be tracked in Northeastern University’s equipment inventory.
# Equipment Purchase Accounting

<table>
<thead>
<tr>
<th>Unit Cost</th>
<th>Description</th>
<th>Account Code</th>
<th>Indirect?</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt; $5,000</td>
<td>Capital Equipment</td>
<td>73001-73012</td>
<td>N</td>
</tr>
<tr>
<td>$1,500 - $4,999</td>
<td>Equipment &gt;$1500</td>
<td>78311</td>
<td>N</td>
</tr>
<tr>
<td></td>
<td>Computer Supplies</td>
<td>73303</td>
<td>Y</td>
</tr>
<tr>
<td>&lt; $1,500</td>
<td>Equipment</td>
<td>78307</td>
<td>Y</td>
</tr>
<tr>
<td></td>
<td>Supplies</td>
<td>73XXX</td>
<td>Y</td>
</tr>
</tbody>
</table>
Costs related to equipment purchase:

- **Types of costs that may be capitalized as equipment:**
  The following costs are applied towards the $5,000 acquisition cost and should be capitalized with the equipment:
  - Any initial modifications, attachments, accessories, or auxiliary apparatus that are necessary to make an item of capital equipment useable for its acquired purpose
  - Shipping charges, protective in-transit insurance, freight, and installation costs
  - Upgrades, modifications, or enhancement parts that increase the useful life of the equipment by one year or more or add additional functionality

- **Types of costs that may not be capitalized as equipment:**
  - Equipment repair costs
  - Separate warranty costs or maintenance contracts
  - Demolishing or dismantling costs
  - Spare or replacement parts
Computing Devices \((200.453)\)

- Computing Devices are considered “supplies” if acquisition cost is < $5,000
- Computing devices costing more than $5,000 must be treated as capital equipment
- Can be directly charged to a federal project if they are essential and allocable to the project (not required to be dedicated solely to a specific award)
- Such costs must be explicitly included in the budget or have the prior written approval from the federal sponsor
The Uniform Guidance emphasizes that all procurement transactions must be conducted in a manner providing full and open competition. Use of NU Preferred vendors satisfies this requirement.

The new regulations also require that we have clearly defined roles and responsibilities, written policies, and monitoring in place to ensure compliance. We must maintain records sufficient to detail the purchase history. These records should include; Contract type, contractor selection or rejection and the basis for the contract price.

This section is still under review and will have an implementation date of July 1, 2016.
According to Uniform Guidance the salaries of administrative and clerical should normally be treated as indirect costs.

Typically Northeastern University and the ORAF does not allow the direct charging of administrative and clerical costs.

However the direct charging of these costs may be appropriate if all of the following conditions are met:

- Administrative or clerical services are integral to the project or activity;
- The costs are explicitly included in the budget and/or budget justification;
- Individuals involved can be specifically identified with the project or activity;
- The costs are not also recovered as indirect costs.
Internal Controls (200.61 and 200.303)

- The Uniform Guidance places strong emphasis on internal controls to reduce the risk of waste, fraud, and abuse in the stewardship of federal funding.
- **Internal control**, as defined in accounting and auditing, is a process for assuring achievement of an organization's objectives in:
  - operational effectiveness and efficiency
  - reliable internal and external reporting, and
  - compliance with laws, regulations and policies
Internal Controls (200.303)

View the research portfolio through the components of internal control.

- **Control Environment** – Does the board of regents/trustees understand the institution’s research portfolio and associated risk, and are they informed of how the institution is managing the numerous and at times complex reporting and compliance obligations?
Internal Controls (200.303)

• **Risk Assessment** – Has the institution and key stakeholders evaluated operations, reporting and compliance objectives and understand how research risk could impact such objectives?

• **Control Activities** – Has the institution developed control activities, including general control activities over research administration and the technology used to support those operations. Have the control activities been documented and disseminated through formalized policies and procedures?
**Internal Controls** (200.303)

- **Information and Communication** – Has the institution identified information requirements to properly manage internal control over the research risks? How will the institution respond to, manage, and communicate research risk event?

- **Monitoring Activities** – What is the institution doing to monitor their research risk profile? When deficiencies are identified how are these communicated and prioritized for corrective action?
Internal Controls (200.303)

- Management is responsible, in both the central and decentralized operating units, for establishing, maintaining and promoting sound business practices and effective internal controls.

- A properly functioning system of controls improves the efficiency and effectiveness, identifies and discourages irregularities, such as questionable or illegal payments and practices, conflict of interest activities and other diversions of assets.
Highlights

Training

- September
- October
- November

Uniform Guidance