Quick Guide to the New Uniform Guidance: What Project Directors Need to Know

2 CFR, Part 200: Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is a new guidance document from the Federal Office of Management and Budget that is intended to reduce the administrative burden and cost of compliance for Federal grantees. It combines previous compliance circulars and introduces new requirements.

The new Uniform Guidance went into effect on December 26, 2014. Awards made prior to this date will continue to be subject to OMB Circulars A-21, A-110, and A-133. Awards made on or after this date are subject to the new guidance, as are subawards executed from those awards.

This Quick Guide is intended to highlight the most significant changes that will have an impact on sponsored project activity at EKU. The Forms page of the Sponsored Programs website has been updated to reflect changes included here, including a new version of the Internal Review and Approval Form.

**Indirect Costs**
Indirect costs must be charged to sponsored projects according to rates prescribed in a Federally-negotiated rate agreement. If a Federal agency caps the recovery of indirect costs, the University can choose to accept the capped rate or not pursue the funding opportunity. If an award is received with a cap on indirect costs, the cap also applies to subrecipients. If indirect costs are not capped for an award, the subrecipient’s Federally-negotiated rate must be used, or if the subrecipient does not have a Federally-negotiated rate agreement, a de minimis rate of 10% may be used.

**Subaward Processes**
Because the Uniform Guidance requirements must be passed to subrecipients, subaward terms and conditions have been revised. Two options are now available for requesting subawards, depending on the start date of the prime award and which terms and conditions are specified in the award document. For awards with effective dates prior to December 26, 2014, project directors should use the older version of the Subaward Request Form.

For new awards, Sponsored Programs is implementing new subaward procedures with a goal of improving efficiency and significantly decreasing the administrative work required of project directors to initiate a subaward request. A new Subaward Request Form is now available for use with awards issued after December 26, 2014. The new process includes one template file with all attachments and a simpler online form.

**Contractor Agreements Replacing Vendor Agreements**
Vendor Agreements have been replaced with Contractor Agreements. A Contractor Agreement is required for any individual or organization that will provide professional services on a sponsored project with a total cost of $1,000 or more. As part of the revision process, Sponsored Programs is implementing new procedures with a goal of improving efficiency for project directors. A new Contractor Agreement Request Form is now available online. All new agreements, regardless of the prime award’s start date, should be submitted as Contractor Agreements.

**Procurement Changes**
The Uniform Guidance provides detailed and prescriptive methods by which organizations must procure goods and services costing $3,000 or more through sponsored projects. This includes stricter requirements for sole-source purchases. The Office of Management and Budget provides the option of a one-year (until December 26, 2015) grace period to comply with these standards, and EKU has elected to
use this option. Please look for announcements that clarify new University procurement procedures in the months ahead. These changes will address the following new requirements:

- Multiple price quotes will be required for the purchase of any goods and services at $3,000 or higher.
- Purchases exceeding the small-purchase threshold (anticipated to be at $40,000) will be subject to one of the following competitive processes:
  - If using sealed bids, the award must go to the "lowest responsive and responsible bidder."
  - If using a competitive proposal process, factors other than price may be considered, but the request for proposals must identify the technical evaluation criteria to be used. This method can only be used for professional services and not for the procurement of goods or non-professional services.
- Sole source justifications will no longer be permitted as an option outside the competitive process. However, a sole source award may be made in response to a noncompetitive proposal when the goods or services can only be provided by one source or when only one proposal is received in response to a request for proposals.

Once procurement policies have been updated later this year, the Contractor Agreement process will be revised for compliance.

**Cost Sharing**
The Uniform Guidance reinforces that voluntary committed cost share is neither expected nor considered during the merit review of proposals. Federal agencies must now either require cost share as a condition of submitting a proposal or may not consider voluntary commitments of cost share in the review process. Cost share that is not mandatory (with documentation of the requirement in writing) should not be committed. Such voluntary commitments add significant administrative burden to the sponsoring agency, the University, and the project director and have an adverse effect on the University’s Federally-negotiated indirect costs rate.

**Computing Devices**
The Uniform Guidance clarifies that computing devices are generally considered “Supplies” and can be directly charged to federally sponsored projects as long as they are essential and allocable to the performance of the award.

**Surplus supplies remaining at end of award**
The Uniform Guidance includes stricter regulations on unused supplies remaining at the end of an award. Spending a significant amount on supplies near the end of an award period should be avoided without a justification and may require prior sponsor approval.

**Administrative & Clerical Salaries**
The Uniform Guidance reinforces that salaries of administrative and clerical staff should generally be treated as indirect costs. Direct charging of these costs may be appropriate if the following conditions are satisfied:

1. The services are integral to a project or activity and a significant level of effort (~25%) is required;
2. Individuals involved can be specifically identified with the project and effort can be accurately allocated to the project; and
3. Such costs are explicitly included in the budget or have the prior written approval from the sponsoring agency.

**Program Income**
Program income typically must be used for current costs and must be included in proposal budgets. In general, earned program income must be used to reduce the sponsor and University contributions rather
than to increase the funds committed to the project. In some cases, agencies may approve the use of program income to cover additional costs, and in those cases, the terms and conditions of the award also apply to the program income. In some cases, agencies may authorize the use of program income to meet cost sharing or matching requirements.

**Use of Internal Service Facilities**
Payments to internal service facilities may be based on rate schedules, but must “not discriminate against Federally-supported activities of the entity, including usage by the institution for internal purposes.” Rate schedules must be “designed to recover only the aggregate costs of the services.” Rates must be adjusted at least biennially, taking into account any over/under applied costs from the previous period.

**Prior Approval Requirements**
In general and unless otherwise specified by the terms of an award, prior approval is required for the following:
- Change in project scope or objectives
- Change in key person
- 25% reduction in PI effort (or absence for more than three months)
- Additional funding
- Transfers between indirect and direct (both ways), unless the agency has waived prior approval requirement
- Costs that specifically require prior approval and were not included in approved budget
- Revisions to or from participant/trainee support costs
- Subawards not approved in the original budget

Most Federal awards provide a waiver of prior approval for 90 days pre-award spending and for a one-time no-cost extension for one year, unless otherwise defined in the award terms and conditions. When waived, both actions require the approval of the organization’s authorized official.

Questions related to the implementation of the new Uniform Guidance or requirements for a specific award may be addressed to Sponsored Programs.