

**WHAT THE PI NEEDS TO KNOW**

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<p><b>Allowable/Unallowable Direct Costs</b></p> <p>Uniform Guidance (UG) defines direct costs as those costs that can be identified specifically with a particular final cost objective or sponsored agreement. For costs to be directly charged to federal awards they must be allowable, reasonable and allocable to the award.</p> <p>Uniform Guidance has changed the treatment of certain costs as allowable direct charges to federal awards. The changes in the UG have provided more flexibility for charging a number of costs items than previous federal guidance, but certain items of cost are now more restrictive than current federal rules.</p>	
<p><b>WHAT THE PI NEEDS TO KNOW</b></p>	
<p><b>Participant Support Costs</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 includes an education or outreach component 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 is made. These costs were previously subject to Indirect Cost but are now an excluded category and therefore should NO LONGER be included in the Base when calculating the indirect cost for proposal budgets.</p>
<p><b>Computing Devices</b></p>	<p>Computing devices costing less than \$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 devices are essential* and allocable to the performance of a federal award in that they are necessary to acquire, store, analyze, process, and publish data and other information electronically, “devices” include accessories (or “peripherals”) for printing, transmitting and receiving, or storing electronic information.</li> <li>• The project does not have reasonable access to other devices or equipment that can achieve the same purpose; devices may not be purchased for reasons of convenience or preference.</li> </ul>

	<ul style="list-style-type: none"> <li>PIs are responsible for determining whether or not the device is “essential” and to what extent the cost of the device is allocable to the sponsored project. PIs and departments should maintain documentation that describes how the proposed computing device meets the above requirements.</li> </ul> <p>The cost of computing devices that meet the above requirements may be charged 100% to an award or may be allocated to several awards. The devices should be itemized in the proposal budget (or in the case of NIH modular grant applications, itemized in the detailed budget provided to your sponsored projects officer).</p>
<p><b>Administrative &amp; Clerical Salaries</b></p>	<p>Administrative and clerical costs may now be charged as direct costs to federal proposal budgets under certain (new) circumstances. When added, these costs should be fully justified in the proposal budget justification.</p> <p>These costs were previously “normally treated as indirect cost” but could be included as direct costs under certain circumstances when a “major project or activity” was contemplated. Going forward, administrative and clerical salaries should still (generally) 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> <ul style="list-style-type: none"> <li>Administrative or clerical services are integral to a project or activity;</li> <li>Individuals involved can be specifically identified with the project or activity;</li> <li>Such costs are explicitly included in the budget or have the prior written approval of the federal awarding agency; and</li> <li>The costs are not also recovered as indirect costs.</li> </ul> <p>If all of these requirements are met, PIs/departments should add a new statement to the budget justification section of proposals to facilitate the required agency approval.</p>
<p><b>Compensation — Personal Services</b></p>	<p>Formal Effort Reporting is replaced with this new terminology, placing greater emphasis on internal controls.</p>
<p><b>Programmatic Salary Costs</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.” Thus, these programmatic costs may be direct charged using the same underlying requirements as other types of direct costs, and are not subject to the prior approval requirements necessary for administrative and clerical costs.</p>

<b>Publication &amp; Printing</b>	Costs related to publication or sharing of research results can be charged to a federal award after the period of performance but before the end of the 90-day closeout period.
<b>Visas</b>	The UG provides for consistent treatment of visa costs across federal funding agencies as a recruiting cost. This is consistent with current NIH regulations, which allow for visas to be an allowable direct charge as part of the recruiting costs of individuals paid on the federal award. The UG allows short-term, non-immigration visa costs for a specific period and purpose as direct costs on federal awards if these costs are critical and necessary and clearly identified as directly connected to the work performed on the federal award. Because this is being classified as a recruiting cost, only the initial visa cost is allowable. J1 and H1B visas are for a specific period and purpose; therefore, these visa types are generally allowable if the specific conditions are met.
<p><b>Procurement</b></p> <p>Procurement standards are covered in §§ 200.317 through 200.326 in the Uniform Guidance and are generally based on the requirements in OMB Circular A-102. The Council on Financial Assistance Reform recommended OMB utilize the A-102 to better mitigate the risk of waste, fraud and abuse. While states follow § 200.317, other non-federal entities must conform to the guidance in §§ 200.318 – 200.326. COFAR FAQ provides institutions a one-year grace period for complying with the UG procurement standards beginning with the first full fiscal year that starts after the effective date of December 26, 2014 (i.e., July 1, 2015); therefore, implementation of the procurement standards is not required until July 1, 2016.</p> <p>Procurement standards are significantly different from A-110 and potentially create new administrative burden. See § 200.318 (related UG policy: § 200.112 Conflict of Interest).</p>	
<b>WHAT THE PI NEEDS TO KNOW</b>	
<b>Procurement Standards</b>	<p>The PIs need to understand the importance of standard thresholds that trigger additional purchase documentation and requirements:</p> <ul style="list-style-type: none"> <li>• &lt;\$2,999.99 (inclusive of tax and shipping) – No additional documentation</li> <li>• \$3,000.00 - \$149,999.99 (inclusive of tax and shipping) – Price reasonableness and the history of the purchase must be documented.</li> <li>• &gt;\$149,999.99 (inclusive of tax and shipping) – This threshold requires a competitive environment, which will take care of the documentation for purchase history, cost analysis and price reasonableness.</li> </ul>

	<p>PIs should get Procurement involved early on in the transaction. The PI will also need to understand they will be asked to clearly and completely document price analysis/reasonableness, if the transaction was not awarded via competitive bid.</p> <p>In addition, if competitive a bidding process is necessary, PIs should also involve Procurement early on to effectively navigate the process.</p> <p>If the PI does not solicit more than one company for a purchase under \$150,000 (or \$100,000 if we determine that state law prevails), Procurement will be asking the PI and/or department buyer to justify the purchase with more quotes. Obtaining two (three?) or more quotes will speed up their ordering process.</p>
<p><b>Pre-Procurement Review</b></p>	<p>(Purchasing) A non-federal entity is exempt from the pre-procurement review if the federal agency determines that its procurement system complies with the standards or if the non-federal entity self certifies its system.</p> <p>UCOP recommends UC campuses either go through the Contractor Purchasing System Review (CPSR) audit to certify their procurement systems, or follow OP guidance for self-certification.</p>
<p><b>Conflict of Interest</b></p>	<p>The PI needs to understand what “conflict of interest” means, and that they must report any potential business relationship with a contracting party.</p>
<p><b>Equipment</b></p> <p>The Uniform Guidance introduces differing standards for the allowability of computing equipment as direct costs, depending on whether the equipment is a capital or non-capital expenditure. There is also ambiguity among various sections concerning whether equipment disposal costs are allowable direct charges.</p>	
<p><b>WHAT THE PI NEEDS TO KNOW</b></p>	
<p><b>Equipment and Capital Expenditures</b></p>	<p>There is no change from the current policy. General-purpose equipment is unallowable as a direct cost, except with the prior written approval of the federal awarding agency or pass-through entity.</p> <p>If the possibility exists that equipment needs to be shipped back to the government or another agency, funds should be reserved in the award for such costs, prior to closeout, or be allowable additional costs (since awards typically close before final resolution of equipment issues is made).</p>

<b>Subawards</b>	
<b>WHAT THE PI NEEDS TO KNOW</b>	
<b>Fixed-amount Awards</b>	<p>PIs should be advised that if a fixed-amount subaward is desired, this needs to be articulated in the proposal budget and/or justification at the proposal stage. Another option is to seek approval from the federal awarding agency at the award stage. (Note: This may delay issuance of the subaward.) Currently, campuses usually make a decision at the award stage based on subawardees’ audit standing, financial capabilities and/or whether there is an indirect cost rate agreement.</p> <p>§ 200.201 (New) Certification of completion at end of fixed subaward: The (subawardee) non-federal entity must certify in writing to (UC) the pass-through entity at the end of the federal award that the project or activity was completed or the level of effort was expended. If the required level of activity or effort was not carried out, the amount of the federal award (subaward) must be adjusted.</p>
<b>Required Information</b>	<ul style="list-style-type: none"> <li>• PIs will only need to be informed of § 200.330’s revised language on those campuses where PIs make subrecipient/contractor determinations for disbursement from their federal awards. In that case, the campus’s SPO must communicate § 200.330’s criteria for making such determinations to the PI and must ensure that the PI documents and certifies how each determination is made.</li> <li>• PIs should be informed that they cannot terminate a subaward without first providing a notice of termination. Additionally, if the termination was due to the non-federal entity’s non-compliance, the notification must state that the termination may affect future applications.</li> <li>• PIs should also be made aware of § 200.340’s new reporting requirements, which will likely result in information about a PI’s poor performance or failure to comply with federal law or the terms and conditions of the award being disseminated to other federal agencies.</li> <li>• PIs need to know that they must now carefully monitor and accurately report performance of their subrecipients. They also need to understand that poor performance of their subawardees <b>will</b> be reported via the federal website, which is viewable by the general public. This is a mandatory federal requirement.</li> </ul>
<b>Subrecipient Monitoring</b>	<p>Department liaisons should call PIs’ attention to new certifying language on subaward invoices and make sure that PIs understand that their award could be at risk if they sign an invoice authorizing payment of funds to a subrecipient without first thoughtfully evaluating the subrecipient’s progress.</p> <p>The PI should be informed if the university issues a management decision to a subrecipient as a result of an audit conducted by the university. Monitoring by the university must include review of financial and programmatic</p>

	<p>reports required by UC.</p> <p>§ 200.305 requires payment of subawardees’ invoices, for cost reimbursable subawards, to be paid within 30 days of receipt of invoice — “When the reimbursement method is used, the Federal awarding agency or pass-through entity must make payment within 30 calendar days after receipt of the billing, unless the Federal awarding agency or pass-through entity reasonably believes the request to be improper.”</p>
<p><b>Facilities and Administrative Costs</b></p>	
<p><b>WHAT THE PI NEEDS TO KNOW</b></p>	
<ul style="list-style-type: none"> <li>• It is generally inappropriate to reduce IDC on federally funded awards.</li> <li>• Exclusion of participant support costs are now a part of all federal budgets. Ensure that PIs appreciate that these are for non-UC employee costs, generally associated with a conference or training grant.</li> </ul> <p>If the subrecipient already has a negotiated F&amp;A rate with the federal government, the negotiated rate must be used. It is not permissible to force or entice a proposed subrecipient without a negotiated F&amp;A rate to accept less than the de minimis rate.</p> <p>If a federal program has a published statutory F&amp;A cap, that rate must be used both by UC 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 may be used instead, or UC may negotiate an F&amp;A rate with the subrecipient.</p> <p>There is no change to UC’s recovery of its Federal Negotiated F&amp;A Rate and in particular, in instances where UC is a subawardee.</p> <p>*UC is still evaluating this option and will implement policies in the near future.</p>	
<p><b>Prior Approvals</b></p> <p>This section provides a list of circumstances that require prior written approval of the federal entity (awarding agency or cognizant agency) before such action can be taken by the campus. Many of these prior approval requirements outlined in § 200.407 of the UG are not new and have not changed from previous circulars. The list below focuses on those requirements that are new or have changed.</p>	
<p><b>WHAT THE PI NEEDS TO KNOW</b></p>	
<p><b>Cost Sharing or Matching</b></p>	<p>Voluntary cost sharing is NOT permitted on any federal proposal.</p> <p>Using the unrecovered indirect costs (when solicitation limits recovery of indirect costs to less than the full</p>

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	<p>negotiated rate) to offset cost-share component in proposals that require mandatory cost-sharing calls for agency prior approval. If this is included in proposal budgets, it must be specifically requested via the budget justification section.</p>
<p><b>Program Income</b></p>	<p>If a project generates program income, and the PI wishes to use it (to carry out the purpose of the award), prior approval must be secured.</p>
<p><b>Revision of Budget and Program Plans</b></p>	<p>PIs can now be absent from the project (location) and be still “engaged” in research activities without getting prior approval and/or a temporary replacement PI.</p> <p>A reduction in PI’s effort of 25% or more requires prior approval.</p> <p>Rebudgeting of funds earmarked for participant support costs requires prior approval.</p> <p>Prior approval is required for re-budgeting cost share. (Specifically, cost share must be delivered for the purpose for which it was promised.)</p>
<p><b>Fixed-amount Subawards</b></p>	<p>Agency prior approval is now required to enter into a fixed-amount subaward rather than a cost-reimbursement subaward, and the total value of each fixed-amount subaward may not exceed \$150,000. To expedite agency approval and subsequent issuance of the subaward, PIs/departments should add a new justification statement to proposals contemplating a fixed-amount subaward.</p> <p>(Think about this in advance of issuing the initial fixed-amount subaward as it relates to multiyear projects. You will need to end the subaward when you reach \$150,000 cumulatively and issue a new subaward, which would require assessing the indirects on the first \$25,000 again.)</p> <p>OMB FAQ 332-1. It is acceptable to have more than one fixed-amount subaward with the same subrecipient if necessary to complete work contemplated under a federal award. It is expected, however, that each fixed amount subaward will have its own distinct statement of work and be priced for the work and deliverables that will be due under that subaward, and that prior approval of the federal awarding agency is required for each subaward issued under funding received on or after 12/26/14, as outlined in § 200.332. Non-federal entities having special circumstances, including an unanticipated need to increase a fixed-amount subaward above the threshold, should consult with their federal awarding agency for guidance on how to complete the planned scope of work with the least amount of administrative burden. <i>(Note that this is not a mechanism for using a fixed-amount</i></p>

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	<i>subaward when it is known in advance that there is a great likelihood of exceeding the \$150,000 threshold.)</i>
<b>Administrative or Clerical Costs</b>	New as an allowable charge; however, prior approval is still required. In instances where these costs are contemplated, in order to expedite matters in the event of an award, it is recommended that prior approval be sought at the proposal phase (i.e., include in the budget and fully justify and request via the budget justification).
<b>Compensation — Personal Services</b>	<p>Formal Effort Reporting is replaced with this new terminology, placing greater emphasis on Internal Controls.</p> <p>(h)(1)(ii) Incidental activities. Incidental activities for which supplemental compensation is allowable under written institutional policy (at a rate not to exceed institutional base salary) need not be included in the records described in paragraph (h)(9) of this section to directly charge payments of incidental activities, such activities must either be specifically provided for in the federal award budget or receive prior written approval by the federal awarding agency.</p> <p>Incidental activities for which supplemental compensation is allowable under written institutional policy.</p> <p>Charges of a faculty member's salary to a federal award must not exceed the proportionate share of the Institutional Base Salary (IBS) for the period during which the faculty member worked on the award and requires prior approval if not included in the award budget.</p>
<b>Entertainment Costs</b>	<p>Costs of entertainment, including amusement, diversion, and social activities and any associated costs are unallowable, except where specific costs that might otherwise be considered entertainment have a programmatic purpose and are authorized either in the approved budget for the federal award or with prior written approval of the federal awarding agency.</p> <p>Where possible and when necessary for the project, these costs will need to be included in the applications to the funding agency or be the subject of a prior approval request after the award has been made.</p>
<b>Exchange Rates</b>	PIs/departmental administrators, should notify Sponsored Projects offices ASAP if they feel their project qualifies for additional funding as a result of fluctuation in exchange rates (e.g., foreign subs, etc.).
<b>Memberships, Subscriptions and Professional Activity</b>	Costs of membership in any civic or community organization are allowable with prior approval by the federal awarding agency or pass-through entity.



<b>Costs</b>	
<b>Participant Support Costs</b>	Inclusion of this direct cost requires prior approval. For expediency, in the approval process, include and fully justify in proposal applications when necessary to carry out the project.
<b>Pre-award Costs</b>	Now requires “written” approval. Such costs are allowable only to the extent that they would have been allowable if incurred after the date of the federal award and only with the written approval of the federal awarding agency.
<b>Travel Costs</b>	<p>Dependent care travel costs cannot be included in proposal budgets until UC establishes a policy.</p> <p>PIs need to understand that this new allowance of dependent care costs is NOT to pay for the travel expenses of their dependents accompanying them on their travel, but rather to pay for temporary expenses that are above and beyond normal care and that are a direct result of the employee’s travel. For example, an employee with a small child must travel for two days, leaving at 8 a.m. Monday and returning at 5 p.m. Tuesday. Because the project necessitates the employee being in attendance on Tuesday, the employee must stay overnight. The grant cannot pay for child care expenses incurred during the normal work day on Monday or Tuesday but can pay for expenses incurred to provide care for Monday night.</p>
<p><b>Internal Control</b></p> <p>“Internal Control” is one of the most frequently repeated phrases in the Uniform Guidance. In the previous circulars, Internal Control was mainly cited as an audit requirement in A-133, often considered by entities only after the funds had been spent. In the Uniform Guidance, OMB clearly emphasizes the importance of Internal Controls by defining them, clearly identifying source documentation for best practices and including internal controls in the post-award management standard requirements.</p> <p>NOTE: Acceptable audits in previous years should not be relied upon as an indication that internal controls are sufficient.</p>	
<b>WHAT THE PI NEEDS TO KNOW</b>	
<ul style="list-style-type: none"> <li>• Effective internal controls help mitigate risks of waste, fraud and abuse.</li> <li>• PIs should familiarize themselves with campus internal control best practices and take necessary steps to comply.</li> <li>• The consequences of noncompliance, as stated in § 200.338, may include withholding funds, cost disallowances, suspension or termination of the award, and could affect future funding to you and/or to the campus.</li> <li>• Inform PIs on the new explicit personally identifiable information (II) requirement. <b>"Personally identifiable information" (PII)</b>, as</li> </ul>	

used in U.S. privacy law and information security, is information that can be used on its own or with other information to identify, contact or locate a single person, or to identify an individual in context.

- PII is any information about an individual maintained by an agency, including (1) any information that can be used to distinguish or trace an individual's identity, such as name, social security number, date and place of birth, mother's maiden name or biometric records; and (2) any other information that is linked or linkable to an individual, such as medical, educational, financial and employment information.

## Financial Management and Reporting

### WHAT THE PI NEEDS TO KNOW

PIs should expect changes in the campus guidelines and system configuration to properly account, record and report program income activities. PIs will be responsible for the following:

- Identifying sources of actual and potential program income at the proposal stage and checking the "Program Income is anticipated" box on the Proposal-Routing and Authorization Form
- Developing the budget for using program income.
- Generating program income.
- Monitoring the receipt and recording of program income.
- Ensuring that the expenditure of program income is compliant with award restrictions.
- The PI should be made aware of the potential adverse impact of buying items in bulk or purchasing supplies toward the end of an award.
- Inform PI there is increased importance of timely progress reporting including the reporting of both significant positive and negative impacts on projects. In addition, federal guidelines are moving toward stricter rules for award closeout.
- Final financial reports (and other technical reports) must be submitted on time, which requires PI to closely monitor expenditures especially toward the end of the award performance period.
- PI must work closely with departmental administrators to review the award activities and make the necessary changes in a timely manner.
- Sponsors may (and have recently) question and/or deny expenditures (and related drawdown) submitted after the permitted closeout period.
- There will be new campus policies and guidelines that may change the way award closeouts are managed.
- PIs will need to understand the certification and how their actions could legally affect the institution or an individual at the institution.

**Related FAQ for consideration by PIs who frequently purchase computers on federal grants (note that this is uncharted waters for**

**UC):**

Q: Are computers or computing devices to be factored in to the residual inventory of unused supplies?

A: Per § 200.94, a computing device is a supply if the acquisition cost is less than the lesser of the capitalization level established by the non-federal entity for financial statement purposes or \$5,000, regardless of the length of its useful life.