

2 CFR 200
UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES,
AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS (UNIFORM
GUIDANCE)

- Effective Dec 26, 2014
- Supersedes 8 OMB circulars, including A-21, A-110, and A-133
 - A-21: Cost Principles for Institutions in Higher Education
 - A-110: Administrative Requirements
 - A-133: Audit Requirements
 - Applied to Audit: period starting Dec 26, 2014
- Download:
https://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr200_main_02.tpl

Cost Studies

It supersedes 8 circulars: A-102 & A-89 (Catalog of Federal Domestic Assistance), A-87, A-133 & A-50, A-110, A-21, and A-122

Single audits start in FY16 (for fiscal years starting after December 26, 2014)

Procurement – delay for two fiscal years (so FY17) based on the correcting amendments published

on 9/10/2015 in the Federal Register

(<https://www.federalregister.gov/articles/2015/09/10/2015-22074/universal-identifier-and-system-of-award-management-corrections>)

Organization of Uniform Guidance

	Title and Emphasis	Section No.	Predominate Sources
Subpart A	Acronyms & Definitions	200.0 to 200.99	New
Subpart B	General Provisions	200.1xx	
Subpart C	Pre-Federal Award	200.2xx	
Subpart D	Post-Federal Award - including Procurement, Standards for Financial and Program Management, and Subrecipients Monitoring	200.3xx	A-110, A-102
Subpart E	Cost Principles – including Direct & Indirect (F&A) Costs, and Compensation-Personal Services	200.4xx	A-21, A-87, A-122
Subpart F	Audit Requirements	200.5xx	A-133
Appendices	Combination of all 8 circulars; III – F&A for Educational Institutions	I to XI	

Risks of Non-compliance

Institution	Date Settled/Agency	Issues	Settlement
Northwestern University	2003/ NIH	Institutional base salary, K award, Certifier Assignment	\$5.5 million
Johns Hopkins University	2004/ NIH	Faculty time & effort overstated	\$2.6 million
Harvard University	2004/ NIH	Government billed for salaries & expenses unrelated to federal grants, self reported	\$3.3 million
Florida International U	2005/ Dept of Energy	Effort reporting, cost transfers, payroll dist.	\$11.5 million
U of Alabama at Birmingham	2005/ NIH	Research work overstated, Medicare billed for research	\$3.9 million
The Mayo Clinic	2005/ NIH, others	Cost allocation, cost transfers, inadequate accounting system	\$6.5 million
University of Pennsylvania	2006/NSF	Timeliness, cost transfers	\$3.3 million
U Massachusetts Medical School	2006/NIH	Cost transfers, unsupported labor charges	\$24K; triggered Yale & Roger Williams Hospital audits
St. Louis University	2008/ NIH, CDC, HUD	Supplemental compensation, effort reporting	\$1 million
Yale University	2008/ Multiple agencies	Cost transfers, summer salary charges, effort reporting	\$7.6 million
Duke University	2009/ NIH	Direct charging of administrative and clerical costs	\$1.7 million (reduced from original recommendation of \$2.4 million)
Scripps Research Institute	2020/NIH	Non-grant related activities (proposal preparation, teaching, committee work, and other administrative tasks) charged to NIH grants (100% faculty salary on grants)	\$10 million

Roles and Responsibilities

- Are you involved in managing these funds?
Fund 610 to 650 (Sponsored) & 191 to 193 (Cost Share)
 - Research administration includes providing stewardship to appropriately manage grants and contracts *at All Levels*
- Internal Controls (Section 200.303)
 - **Must** maintain effective internal control over the federal award that provides reasonable assurance...
 - **Must** comply, evaluate and monitor compliance with federal statutes, regulations and the terms and conditions of the federal awards
 - **Must** take prompt action when non-compliance is identified

Sponsored Project Costs

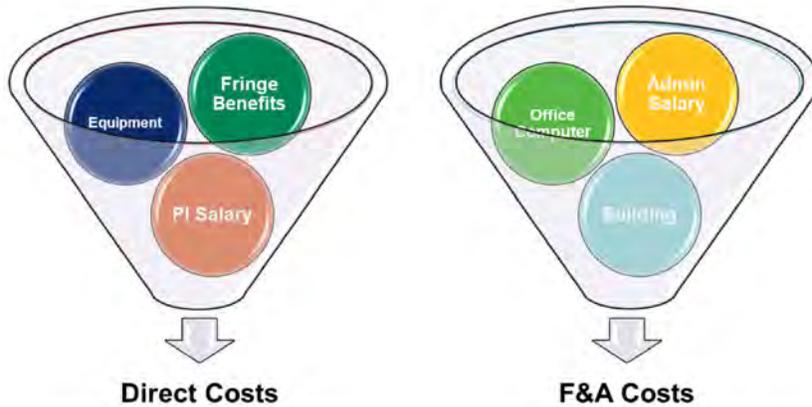


Sponsored project costs are comprised of allowable direct costs plus the allocable portion of allowable indirect costs

Cost Studies

- **Direct Costs**: Costs that can be identified specifically with a particular sponsored activity and with a high degree of accuracy
- **Indirect Costs**: Costs incurred for common or joint objectives that cannot be identified readily and specifically with a particular sponsored project

Direct vs. Indirect (F&A) Costs



Cost Studies

- Direct and indirect costs allocable to sponsored agreements are comprised of many different kinds of costs from many different areas of the University
- **Direct costs examples:**
 - Subcontracts (both F&A and direct)
 - PI Salary, Lab Supplies
 - Specialized Equipment
 - Fringe Benefits
 - Animals
 - Post-Doc Salaries
 - Travel
- **Indirect costs examples:**
 - Admin Salary: Cost Studies, OSR, ASRSP, Dept. Chair time
 - Scientific Journals
 - Office phone
 - Office computer
 - Library
 - Building and equipment depreciation
 - Custodial Services

Guiding Principles for Charging Costs



Cost Studies

- These key principles help determine whether direct and indirect costs can be charged to a sponsored agreement

Guiding Principles: Allowability (200.403)

- Be necessary and reasonable for the performance of the award and be allocable thereto under these principles.
- Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities.
- Ensuring consistent treatment. A cost is either direct or indirect cost when for the same purpose in like circumstances.
- Not included as a cost or cost sharing on another award
- Be adequately documented

- Certain types of costs are deemed unallowable, as either direct or indirect costs of sponsored projects.

Unallowable Costs: Examples

- Uniform Guidance:
 - 200.423 Alcoholic beverages
 - 200.424 Alumni/ae activities
 - 200.429 Commencement costs
 - 200.438 Entertainment costs
 - 200.441 Fines, penalties and settlements
 - 200.442 Fund raising
 - 200.445 Goods or services for personal use
 - 200.450 Lobbying
 - 200.469 Student Activity Costs (including athletics)
- Agency-specific policy (e.g., NIH salary limitation)
- University policy (e.g., Employee morale costs)
- Award-specific terms & conditions (e.g., Some grants prohibit foreign travel)

Guiding Principles: Reasonable Costs (200.404)

- is determined by the prudent person test. i.e., are the nature and charge amount not excessive and within the bounds of common sense?
- Generally recognized as ordinary and necessary.

- A cost maybe considered reasonable if the nature of the goods or services acquired or applied, and the amount involved therefore, reflect the action that a prudent person would have taken under the circumstances prevailing at the time the decision to incur the cost was made.

Can the charge pass the “Test of Reasonableness”?

- Common sense – will another prudent person make the same decision?
- How would it look if published in the Chicago Tribune?
- Is it consistent with ethical business practices and applicable laws?

Guiding Principles: Allocable Costs (200.405)

A cost is allocable to a sponsored agreement if:

- It is incurred solely to advance the work under the sponsored agreement;
- The cost is charged in accordance with relative benefits received or other equitable relationship.

- A cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received or other equitable relationship.

Allocability

An appropriate method should be used to allocate the costs of bulk purchases to individual project (see below)



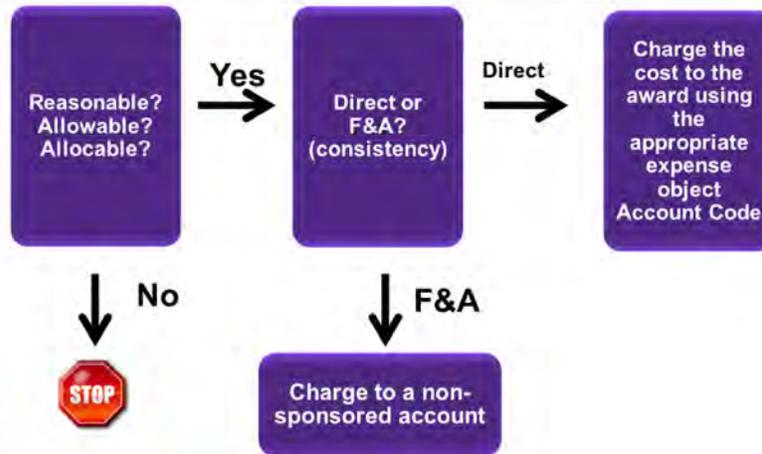
Allocate based on a reasonable estimate of **actual consumption**

Allocate based on the number of grants in the department

Cost Allowability Guide

- To help you determine whether a given cost is allowable on a sponsored project, review the “Charging Sponsored Projects –Allowability Guide” available on ASRSP’s website:
- <https://www.northwestern.edu/asrsp/expenses/cost-allowability-for-sponsored-charges.html>
- Guide Direct Link:
https://www.northwestern.edu/asrsp/docs/charging_sponsored_projects_allowability_guide_v2.xls

Can I Charge this Cost to an Award?



Cost Studies

- To determine whether to charge an award for a particular cost, faculty and staff can follow a simple decision process

Check Your Knowledge:
Scenarios
for Self Test / Study

Check Your Knowledge: Scenario 1 (Question)

- A final technical report for a Research Grant must be printed as well as other-general correspondence. Should the paper be a direct or indirect charge? Why?

Check Your Knowledge: Scenario 1 (Answer)

- The paper would be an indirect charge. You would charge the paper cost to a non-sponsored account. It is not okay to directly charge the paper per CAS and the University direct charge policy:
 - The paper is being used for routine administrative tasks
 - Costs are not unusual circumstance
 - Costs are not greater in amount than usual
 - Costs are recovered in the F&A rate

Check Your Knowledge: Scenario 2 (Question)

- Paper is needed for a research grant to develop and print mass numbers of surveys to evaluate clinical outcomes. Should the paper be a direct or indirect charge? Why?

Check Your Knowledge: Scenario 2 (Answer)

- The paper would be a direct charge. It is okay to directly charge because:
 - Costs are an unusual circumstance
 - Costs are substantively greater amount than usual
 - The project is unique in the amount of paper being used and the purpose for its use

Check Your Knowledge: Scenario 3 (Question)

- My on-campus laboratory needs three laptops for internet access and e-mail. I have 3 federal awards that will benefit from the computers and I intend to allocate a share of the purchase to each award. I need these machines to perform basic, everyday communication. My research would cease if I didn't have them. Is charging these computer purchases to my sponsored research going to be a problem?

Check Your Knowledge: Scenario 3 (Answer)

- The laptops are an indirect cost. You would charge the laptops to a non-sponsored account because:
 - *Reasonableness*: Laptop costs are generally indirect costs; additionally, devices may not be purchased for reasons of convenience.
 - *Allocability*: Machines are only essential and allocable to the project in that they are necessary to acquire, store, analyze, process, and publish data and other information electronically, including accessories (or "peripherals") for printing, transmitting and receiving, or storing, electronic information. Laptops primarily used for internet access and email do not fall into this category, as these are administrative functions.
 - *Allowability*: Although classified as supplies, must still be essential and allocable to be considered allowable, though they need not be solely dedicated.
 - *Consistency*: In similar circumstances, costs for purchasing laptops for daily communications are indirect costs.

Computing Devices Cost Allowability: Additional Detail

- Computing Devices (computers, monitors, printers, back-up drives under \$5,000) are **direct costs when essential and allocable** to the project in that they are necessary to acquire, store, analyze, process, and publish data and other information electronically and 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. Devices do not need to be solely dedicated.
- Computing devices **should be itemized in the proposal budget and the use of the devices must be explained in the justification**. Evidence of essentialness and allocability must be documented and maintained. The PI is required to evaluate and ensure that the project does not have reasonable access to other devices that can achieve the same purpose.
- Justification is required for computing devices and supplies if not itemized in the proposal budget.
- See also: <https://www.northwestern.edu/asrsp/expenses/cost-allowability-for-sponsored-charges.html>

Check Your Knowledge: Scenario 4 (Question)

- *Date this scenario took place: January 31st.* A department administrator received a request to purchase an instrument on January 31st. The instrument costs \$4,000. The lab manager wants to charge 2 sponsored projects equally. One project will end on February 28th and the other will end on January 31st of the following year. You, the administrator, have been asked to review and submit the request. What will you do?

Check Your Knowledge: Scenario 4 (Answer)

- The instrument is not classified as capital equipment as it costs less than \$5,000. The costs should not be charged to the two sponsored projects equally. The first project would end one month from the date the request was sent, so generally it should not be charged to the first sponsored project. If there is a special circumstance, supporting documentations must be provided for further review.