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COGR Assessment of OMB Circular A-81

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Published Date: 03/08/2013

**COGR Preliminary Assessment of Selected Items – Proposed OMB Uniform Guidance:
Cost Principles, Audit, and Administrative Requirements for Federal Awards**

March 7, 2013

We are generally pleased with the proposed OMB guidance. We would like to see OMB further address reforms related to F&A rate deviations and negotiations, effort reporting, and certain administrative practices that affect research administration and principal investigators. As we recommended in our response to the ANPG last year, a formal and transparent appeal process, led and enforced by OMB, is necessary when agencies deviate from established policy.

Subchapters B thru E – Administrative Requirements (revises Circular A-110)

___ .204(b)(B) – Funding announcements that include **Limits on the Negotiated F&A rate** require approval by the Agency head and OMB (also see .616(c)(1)). **COMMENT:** More transparency still needed, role of OMB/enforcement needs clarified, and .616(c)(1) consistency.

___ .501(b)(3) – **Clarifies Subrecipient vs. Contractor** definitions/relationship and confirms the institution is the best to make the judgment in classifying the relationship. **COMMENT:** Positive.

___ .501(c)(1)(D) – **Negotiated F&A rate should be passed through** from the Pass-through to the Sub, or a de-minimis rate of 10%. **COMMENT:** Positive, but 20% may be more appropriate.

___ .501(c)(5) – **Monitor the activities of Subrecipients.** While we support effective oversight practices for Subs, the new guidance is overly prescriptive. Also, the guidance needs to address relief when the Sub is covered by the Single Audit. **COMMENT:** Significant revision is needed to reduce new burdens – also, consistency with Single Audit guidance is needed.

___ .502(a) – Require recipients to relate **Financial data to Performance accomplishments** whenever practicable. **COMMENT:** This will lead to new and unrealistic reporting burdens.

___ .502(f)(1) – **Voluntary Committed Cost Sharing is not expected** and is not to be used as a factor in the review of applications. **COMMENT:** Positive.

Subchapter F and H (Appendices) – Costing Principles (revises Circulars A-21 and A-122)

___ .601 – Policy Guide: Elimination of **Dual Role of Students** and resulting benefit to Federal research (per A-21, A.2.c). **COMMENT:** Key principle of the partnership; add-back language.

___ .602(b) – **CAS and DS-2 Requirements are eliminated,** though if Federal contracts awarded exceed \$25 million in a year, DS-2 still is applicable. **COMMENT:** Positive for most.

___ .607(d) – Allocable costs: Elimination of language; the **Cost of Equipment is allocable** regardless of the subsequent use of the equipment (per A-21, C.4). **COMMENT:** Add-back.

___ .615(d) – **Salaries of Administrative or Clerical staff allowable as a Direct Charge** when integral to the project. **COMMENT:** Positive, though review “explicitly budgeted” requirement.

___ .616(e) – **De-minimis F&A rate of 10%** is available to any entity that does not have a negotiated F&A rate. **COMMENT:** Positive, but 20% may be more appropriate.

__ .616(e) – A cost item may be excluded from **MTDC (and application of F&A rate)** when cognizant or awarding agency determines it is necessary to avoid serious inequity. COMMENT: Needs to be addressed; if not, keeps open the door to more “Genomic Array” situations.

__ .616(e) – Entities may apply for **One-time, 4-year Extension of Negotiated F&A rate.** COMMENT: Positive.

__ .621(C-10 and C-11) – Compensation-Personal Services (**aka, Effort Reporting**) and Fringe Benefits; significantly updates Circular A-21, J.10. COMMENT: 1) Elimination of “examples”, allowable compliance activities, and flexibilities (e.g., 1-year certification cycle, responsible person can certify, reports may be integrated with payroll system) are positive; 2) more prescriptive language (e.g., definition of full-time workload, review budget estimate quarterly) is of concern; 3) fringe benefit language (pensions, worker’s comp, leave) has been updated.

__ .621(C-15(3)(A)(iii, iv) – **Acquisition Cost/Depreciation** on a matching requirement or for a non-Federal award is not allowed. COMMENT: May adversely impact some F&A rates.

__ .621(C-18(B)) – Equipment definition now includes **Software.** COMMENT: Overly prescriptive definition of equipment/software.

__ .621(C-31(4)) – **Computing Devices less than \$5,000 allowable** as a direct charge when essential and allocable (and even if not solely dedicated) to the project. COMMENT: Positive.

__ .621(C-31(6)) – **Residual Inventory of less than \$5,000** may be retained upon completion of the Federal project, with no obligation. COMMENT: More analysis required.

__ .621(C-53) – Costs incurred for **Temporary Dependent Care** directly resulting from such travel are allowable. COMMENT: Positive; though policy must extend to all sources of funds.

__ Appendix IV.(B.4.c) – **Sub-building Metering or an “Effective Square Footage”** factor (i.e., weighted research space via an energy use index) replaces the 1.3% UCA (per A-21, F.4.c). COMMENT: F&A rate may be more fair, assuming methods are not overly complex.

__ Appendix IV.(C.8) – Eliminates the restriction on moving a charge from **F&A to Direct** (per A-21, G.8.d). COMMENT: Positive; permits more rational internal costing practices.

__ Appendix IV.(C.10.g) – The cognizant agency shall **formalize F&A Rate adjustments**, the actual amount, both dollar and percentage adjusted, and the reason for making adjustments. COMMENT: Transparency is needed prior to negotiating the F&A rate, not after.

Subchapter G – Audit Requirements (revises Circular A-133)

__ .700 thru __ .721, and Compliance Supplement (CS). Single Audit threshold increased to \$750k may mean we cannot rely on a Single Audit for certain Subrecipients. Uncertain on how new thresholds/rules for Type A and B programs will affect grant recipients. Reduction of “compliance requirements” from 14 to 6 per the CS may require grant recipients to more actively review annual updates to the CS. Audit-burden still a concern, though agency consideration of “duplicate audits” is acknowledged in __ .713(a)(6).