

COUNCIL ON GOVERNMENTAL RELATIONS

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COGR

an organization of research universities

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July 31, 2013

Mr. Norman Dong
Acting Controller, Office of Federal Financial Management
Office of Management and Budget
725 17th Street NW
Washington, DC 20025

Ms. Ellen Murray
Assistant Secretary for Financial Resources and Chief Financial Officer
Department of Health and Human Services
Room 514-G, Hubert H. Humphrey Building
200 Independence Avenue, SW
Washington, DC 20201

Subject: COGR Addendum to OMB-2013-0001, Proposed Uniform
Guidance, Federal Register, Vol. 78, No. 22 - February 1, 2013

Dear Mr. Dong and Ms. Murray:

On behalf of the Council on Governmental Relations (COGR) and its members, we again want to share our appreciation for the hard work that you and many others have contributed to the Grants Reform initiative.

As you progress through your internal reviews and analysis, we would like to share the COGR perspective on next steps. We are impressed with the thoughtful and passionate tone of many of the comment letters – the sentiment of the broad federal awardee community is that the President's call for grants reform has the potential to provide meaningful regulatory relief. Especially at a time when discretionary funding is under attack, grants reform provides one glimmer of federal support that can help get the most out of shrinking federal resources. If grants reform is implemented in the true spirit in which the President intended, the resulting increases in productivity and efficiency will allow us to be better equipped to deliver effective outcomes on federal programs, while at the same time, maximizing the value of the federal taxpayer dollar.

However, we are apprehensive as to what the final version of grant reform will look like. As we read through other comment letters, there appears to be a perspective that could jeopardize those grant reform opportunities that could provide real regulatory relief – in fact, if certain counter recommendations are

implemented, we could see a new wave of burden and regulation. We are absolutely committed to the equally important goals of minimizing improper payments, fraud, waste, and abuse – however, our understanding is that the method of achieving these goals, as stated in the February 1, 2013 Federal Register Notice, is as follows: *“This proposed guidance is aimed at achieving these goals {minimizing improper payments, waste, fraud, and abuse} by focusing our Single Audit tool on the programs and practices that pose the greatest risk of improper payments, waste, fraud, and abuse.”*

The Single Audit tool is addressed in Subchapter G of the Proposed Guidance and this should be the vehicle to address improper payments, fraud, waste, and abuse. Subchapters B through F contain the administrative and costing principles – we believe these subchapters have to be the mechanism to achieve the goals of reducing regulatory burden. If not, the President’s aims will not be realized and grants reform will be remembered as a noble, but unfulfilled initiative.

We have shared with you our priorities in the COGR comment letter, dated May 31, 2013. Others in the federal awardee community have done the same. And while members of these diverse communities may share different priorities, there is a consensus that meaningful grants reform is within our grasp if implemented in a manner consistent with the President’s mandate. Below we have reiterated several of our priorities and the contribution that each one can make to providing regulatory relief and enhancing productivity and efficiency at research universities and similar institutions.

- **Effort Reporting.** Almost every stakeholder, including leaders from Federal agencies, OMB, and Members of Congress, supports rules that would allow federal award recipients to implement payroll confirmation methodologies that are aligned with institutional accounting practices, systems, and existing technologies. We are aware of a counter perspective that suggests a more prescriptive and expensive approach that creates unnecessary cost and burden for administrative staff and faculty. That perspective seems to maintain that any reform automatically construes a relaxation of accountability. On the contrary, the COGR solution is premised on accountability principles that will continue to ensure that appropriate salaries are charged to federal awards, while at the same time, mitigating the faculty and administrative burden associated with effort reporting. We urge the COFAR to implement the COGR solution.
- **Subrecipient Monitoring.** This is one of our most administratively burdensome activities. We recognize the importance of providing appropriate oversight of our subrecipients, especially in cases with complex agreements or when the subrecipient is a high-risk entity. However, in those instances when the pass-through and subrecipient both are subject to Single Audit requirements, the pass-through could be provided a “safe harbor” from certain subrecipient monitoring responsibilities. For example, the “safe harbor” would be designed to eliminate any expectation of conducting site visits and other expensive, time consuming activities associated with monitoring those subrecipients that already are subject to the Single Audit and that are low-risk entities. Implementation of this reform, as well as other recommendations made in our original comment letter, can have an important impact on reducing administrative burden.
- **Staff Salaries for Project Management and Compliance Activities.** The reform that has the potential to provide the greatest strides in faculty and research productivity is the provision that allows the salaries of those staff responsible for project management and compliance activities to be directly charged to federal awards. We support the language in the proposed guidance that states in order for staff salaries to be allowable, the corresponding activities must be integral to and specifically identified with the federal project. Faculty and researchers will be the primary

beneficiaries. Rather than unwisely diverting faculty time to project management activities, this reform allows faculty to use the expertise and skills of project staff to perform selected management and compliance activities on a federal program. Our one request is that the “*explicitly included in the budget*” requirement be modified so that it is more consistent with existing rebudgeting authorities.

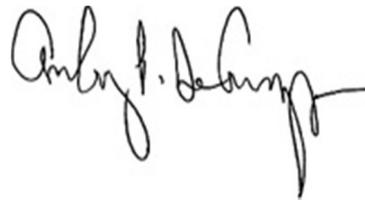
- **Computing Devices.** This reform correctly recognizes that computing devices are the equivalent of direct supplies. Furthermore, when computing devices are necessary and allocable to a federal project, allowability of these charges enhances the productivity of faculty and researchers by ensuring they have access to today’s necessary technology and communication tools. While the protection of sensitive research data is a legitimate issue, the COFAR is correct in stating that this issue is a separate area of compliance and it should not jeopardize implementation of an important grant reform that will be beneficial to the research community.
- **Cost Accounting Standards and the DS-2.** We continue to maintain that the grant reform eliminating these requirements will not compromise institutional accountability. Instead, it will simplify the consolidated circular, reduce redundancy, and strip one administrative task that adds marginal value to the audit community.
- **Performance and Financial Reporting.** Research projects are unique in that they often do not have a steady correlation between performance unit measurements and expenditures. The exploratory aspects of research means that specific results cannot be forecast in advance and progress cannot be judged by in-progress linear metrics. Expenditure trends also can be misleading, as many projects require upfront expenditures for equipment and supplies. Furthermore, research may be accelerated during the summer months when teaching loads are either significantly diminished or non-existent, which also contributes to uneven patterns between reporting of project results and expenditures. A rigid and prescriptive implementation of any new reporting requirements will create a new faculty burden that, ultimately, will negate those research productivity gains realized through other grant reforms.
- **Procurement Standards.** What have been rational and effective rules governing university procurement practices under OMB Circular A-110, will denigrate into confusing and burdensome standards if the Proposed Guidance is implemented as it is currently written. For example, research universities employ a popular approach to procuring goods and services known as “strategic sourcing” – this would no longer be an option. In addition, restricting procurement activities to the methods listed in the Proposed Guidance would inhibit the ability of research institutions to quickly obtain critical research equipment and supplies necessary to meet the demands of science. Research often requires consistent sourcing of supplies, components, and/or reagents in order to avoid the introduction of unwanted variables into the course of an experiment. Implementation of the standards and principles used in OMB Circular A-110, rather than those used in the Proposed Guidance, will be the most administratively efficient and least burdensome approach to procurement standards.

COGR’s singling out of the above items does not diminish the other priorities and issues we raised in our May 31st comment letter – we are hopeful you will address many of the issues we raised. However, the items above are tipping point issues, and if not adequately addressed, we believe the success of grants reform will be at risk.

Finally, we take exception to any argument that suggests a more rational regulatory climate will somehow result in a disregard of institutional stewardship and accountability. In fact, more rational regulation frees up institutional resources, which then allows research administrators and internal auditors to implement an institutional regulatory infrastructure that is more easily understood, accepted, and ultimately complied with. A strong and robust Single Audit tool is the way to address improper payments, fraud, waste, and abuse – prescriptive and expensive rules are not. We urge the COFAR to stay true to the President’s call for real and meaningful grants reform.

Thank you again for considering our comments on Grants Reform and we look forward to our continued collaboration with you on this important project.

Sincerely,

A handwritten signature in black ink, appearing to read "Anthony P. DeCrappeo". The signature is written in a cursive, flowing style with a long horizontal tail stroke.

Anthony P. DeCrappeo