UNIFORM GUIDANCE
IMPLEMENTATION

Hot Topics
Part 1
November 4, 2014

Ken Sandel
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Sponsored Program Services
ACRONYMS AND DEFINITIONS

- **OMB - Office of Management and Budget**, a group of the Executive Branch that oversees the activities of federal agencies in the United States. The OMB measures the quality of agency programs, policies, and procedures and to see if they comply with the President's policies.

- **COGR - Council on Governmental Relations**, an association of research universities located in Washington DC. COGR provides advice and information to its membership and to make certain that federal agencies understand academic operations and the impact of proposed regulations on colleges and universities.

- **COFAR - Council on Financial Assistance Reform**, an organization of the CFOs of the largest Federal agencies, senior officials of the Office of Management and Budget, and the Department of the Treasury who work collaboratively to improve financial management in the U.S. Government they engage with Congress, Federal Agencies, state, local, and tribal governments, institutions of higher education and nonprofit organizations.

- **FDP - Federal Demonstration Partnership**, an association of federal agencies, academic research institutions with administrative, faculty and technical representation, and research policy organizations that work to streamline the administration of federally sponsored research.
WHAT IS UNIFORM GUIDANCE?

- 8 OMB Circulars Consolidated into 1
  - 3 circulars apply to Higher Ed
    - A-21 Cost Principles
    - A-110 Uniform Admin Requirements
    - A-133 Audits

- Biggest change in Federal regulations in 50 years

- President’s directive to streamline and ease administrative burden and strengthen oversight
OMB’s Plan

Uniform Guidance: Implementation

- Uniform Guidance issued by OMB on 12/26/13.
- Federal agencies draft implementing regulations to OMB by 6/26/14.
- Federal agencies must submit draft implementing regulations to OMB by 6/26/14.
- Federal agencies coordinate under OMB’s guidance to issue regulations or OMB-reviewed guidance in unison sometime before 12/26/14.
- Federal agencies issue regulations in unison sometime before 12/26/14.
- IHEs review, draft and implement policies and procedures to comply with UG.
- Proposals submitted by IHEs to Federal agencies with start dates after 12/26/14 to include applicable UG requirements.
- IHEs must comply with the UG for all awards and amendments received on or after 12/26/14.
- Audit Requirements will be effective for fiscal years beginning on or after 12/26/14.

A slide from the FDP Uniform Guidance
Plenary session – May 2014
CURRENT STATUS

• Federal
  • FAQs
  • Video Webcasts
  • Discussions

• Purdue
  • Engagement
  • UG Task Force
  • Web Site
  • Purdue University Guidance
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Uniform Guidance Overview

Purdue’s Implementation Plan
  • Known Actions
    o By and After December 26, 2014
    o Q&A

Break

• Actions TBD
  o Q&A
EFFECTIVE DATES

- 12/26/14 – UG applies to new awards and incremental funding awarded on or after Dec 26, 2014

- 7/1/15 – UG audit requirements are applicable to Purdue awards

- 7/1/16 – UG procurement requirements apply (could be implemented earlier)
UNDERSTANDING THE UG

- More lenient and less prescriptive rules
- Greater emphasis on internal controls

Areas of significant change
- Internal control focus
- Direct cost clarification
- Indirect cost treatment
- Procurement
- Terminal leave

“If you have not had A-133 audit findings, you probably have the right culture and processes in place” -- COGR Presentation

Still True
- Allowable
- Necessary
- Reasonable
- Consistently Treated
- Properly Allocated

Creates degree of uncertainty
• Non-Federal entities are not obligated to segregate or otherwise track old funds and new funds but may do so at their discretion.

• Federal awarding agencies may apply the UG to the entire Federal award that is uncommitted or unobligated as of the Federal award date of the first increment received on or after 12/26/14.

• Purdue will adopt the UG requirements for all existing awards as of Dec 26 except:
  o Procurement requirements
  o Agency specific terms & conditions
DISSECTING THE UG

**Items Requiring No Action**
- Exceptions to guidance (102)
- Notice of Funding opportunities (203)
- Agency review (205)
- Performance Measurement (301)
- Internal controls (303)
- Program Income (307)
- Revisions of Budget and Program Plans (308)
- Period of Performance (309)
- Equipment (313)
- Monitoring and reporting program performance (328)
- Policy Guide (400)
- Prior written approval (407)
- Compensation (430)
- Exchange rates (440)
- Losses on other awards and contracts (451)
- Pre-award costs (458)
- Limitation of reimbursement of administrative costs (III.C.8)

**Changes Effective After 12/26/14**
- Method for collection and storage (335)
- Required certifications (415)
- Interest (449)

**Changes Effective 12/26/14**
- Effective/Applicability Dates (110)
- Conflict of Interest (112)
- Fixed amount awards & sub awards (201&332)*
- Cost Sharing or Matching (306) *
- Sub-recipient and contractor monitoring (330)
- Requirements for pass-through entities (331)
- Closeout (343)
- Direct costs (Admin and Clerical - 413) *
- Indirect costs (414)
- CAS and disclosure statements (419)
- Materials and supplies (computing devices) (453) *
- Participant support costs (68 & 456) *
- Publication and printing costs (461) *

**Changes TBD**
- Information in federal awards (210)
- Procurement standards (317-326)
- Compensation – terminal leave (431)
- Depreciation (436)
- Recruitment costs (463)
- Taxes (470)
- Travel Costs – Temp. Dependent Care (474) *
ITEMS REQUIRING NO ACTION

- Exceptions to guidance (102)
- Notice of Funding opportunities (203)
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- Compensation (430)
- Exchange rates (440)
- Losses on other awards and contracts (451)
- Pre-award costs (458)
- Limitation of reimbursement of administrative costs (III.C.8)
CHANGES EFFECTING DIRECT COSTS

- Admin & Clerical Salaries (413)
- Computing Devices (453)
- Participant Support Costs (68 & 456)
- Publication and Printing Costs (461)
- Fixed Amount Subawards (201, 332)
- Cost Sharing or Matching (306)
Description:

- The “Major Project” standard has been eliminated.
- The salaries of administrative and clerical staff should normally be treated as indirect (F&A) costs and should still not be direct charged in most cases. The rules governing "major project or activity" and "unlike circumstances" requirements have been dropped.
- In order to direct charge these costs the following conditions must be met:
  - Services are integral to a project/activity
  - Specifically identify person with project/activity
  - Explicitly budgeted or prior written approval
  - Costs are not also recovered as indirect

Action Plan:

- Change reference material - can be direct cost when explicitly budgeted or prior written sponsor approval is received
- We will not implement a minimum threshold for charging but rely on a review of budget justifications
- DS2 may have to be revised as soon as possible and implemented 12/26/14

Status:

- Updates to be completed
  - CAS Guidelines
  - SPS Handbook
  - Budget Justification (Pre-award)
COMPUTING DEVICES

200.403, 405, 453

Description:

• General purpose computing devices can now be direct charged as a supply cost if the acquisition cost is less than $5,000. This does not mean, however, that a laptop or iPad can be charged to every funded project.

• To be charged to a project a computing device must be: (1) essential for the purposes of carrying out a specific aim of the funded project, (2) above and beyond what is normally provided by the department for academic use, and (3) charged to the grant in some reasonable proportion relative to how much it is used for the funded project.

• Same as before as with the costing principles in A-21, a computing device will only be an allowable expense if it is necessary, reasonable, consistently treated, and properly allocated. No longer required to be specifically budgeted.

Action Plan:

• We recommend addressing the allocability of these costs in budget justifications.

• Be prepared to justify if 100% is charged to a single grant

• PIs and departmental business offices should maintain documentation that describes how the proposed computing device meets the requirements

Status:

• Updates to be completed
  o CAS Guidelines
  o SPS Handbook
  o Computer Purchase QRS/QRC
PARTICIPANT SUPPORT COSTS

200.68 & 456

Description:
- Direct costs for items such as stipends, subsistence allowances, travel allowances, and registration fees paid to or on behalf of participants (not employees) in connection with conferences, or training projects.
- Now excluded from the (MTDC) base
- Must be explicitly included in the budget
- Need prior approval from the sponsor to transfer funds
  - into the participant support cost lines
  - out of the participant support cost lines

Action Plan:
- Adjust budgeting practices for all projects
- Change the base to exclude participant support costs from the F&A base
- The need to establish separate Internal Orders (IOs) will be dependent upon the terms and conditions within each award.
- **Must use the appropriate GL**

Status:
- Pre-Award has made changes to COEUS
- New F&A base created
- F&A base document has been updated.
- Guidelines for awards with participant support costs to be updated
Description:

- Publication costs for electronic and print media, including distribution, promotion, and general handling are allowable.

- If these costs are not identifiable with a particular cost objective, they should be allocated as indirect costs to all benefiting activities of the non-Federal entity.

- UG allows an institution to charge publication costs that occur after the end of the performance period, but before closeout, to the federal award.

Action Plan:

- Implement on an exception basis.

- Allow sub-recipients 60 days and it must be included in final invoice.

Status:

- Training pending.
Description:
• Fixed amount subawards may be appropriate when awardees are meeting specific requirements of the Federal award and the amount is based on performance and results
• Prior written approval from the agency is required
• Cannot exceed the simplified acquisition threshold of $150K

Action Plan:
• Update materials regarding prior written approval requirements
• Ensure prior approval is obtained before issuing fixed price subawards
• Review specific agency implementation plans related to subawards

Status:
• Updates to be completed
  • Subrecipient monitoring guide
COST SHARING OR MATCHING

200.306

Description:
• Under Federal Research proposals, voluntary committed cost sharing is not expected

• Voluntary committed cost sharing cannot be used in merit review unless specified in the notice of funding opportunity

• If voluntary committed cost sharing is encouraged, the funding announcement must clearly state the criteria and that it will be considered in merit review

• Voluntary committed cost sharing that was not committed in the project budget does not need to be included in the calculation of the F&A cost rate

Action Plan:
• Only required cost sharing will be included in Purdue proposals

• Any reference materials referring to the OMB Clarification memo of 2001 should be updated to refer to the UG

Status:
• Updates to be completed
OTHER CHANGES

- Conflict of Interest (112)
- Sub-recipient and contractor monitoring (330)
- Requirements for pass-through entities (331)
- Closeout (343)
- Indirect costs (414)
- CAS and disclosure statements (419)
Description:
• Requires Federal awarding agencies to establish a conflict of interest policy for procurement on Federal awards

• Requires a disclosure to the awarding agency of potential conflicts of interest in accord with that agency’s policy (i.e. purchases from faculty owned businesses)

• This does not refer to scientific conflicts of interest

• Federal agencies may have special policies or regulations specific to scientific conflicts of interest

Action:
• COI policy may vary by agency

Status:
• Pending release of agency guidelines related to COI
Description:
• A pass-through entity must make case-by-case determinations whether each agreement it makes for the disbursement of Federal program funds casts the party receiving the funds in the role of a subrecipient or a contractor.
  o Subrecipients - A subaward is for the purpose of carrying out a portion of a Federal award
  o Contractors - A contract is for the purpose of obtaining goods and services

Action Plan:
• Need to be prepared to justify our determinations on a subrecipient vs. contractor (consistency is a key factor)
  • FDP is working on a form - this form will be utilized to document sub. vs. contractor determinations.

Status:
• Awaiting FDP form and evaluation
  • Verify guidance/definition document
Description:

• Subaward must include any additional requirements that the pass-through entity imposes on the subrecipient in order for the pass-through entity to meet its own responsibility to the Federal awarding agency including identification of any financial and performance reporting.

• Must be able to track subrecipient technical and financial reports (dates received and reviewed), how deficiencies are addressed and how reports are stored.

• Subrecipient monitoring responsibilities increase as a result of UG - limit moved from $500 - $750K for a single audit.

Action Plan:

• We have an existing internal review processes in place for subrecipients consistent with UG requirements.

• We intend to utilize risk assessment tools that are being developed through FDP to assess the subrecipients upfront. We will need to ensure that the final subrecipient monitoring tool developed by FDP meets our needs.

• Final sub payments need to be certified that the subrecipient report was received and that there is concurrence that they met the requirement.

Status:

• Updates to be completed.
Description:
- Timely and accurate close out must occur within 90 days after the project period end date
- Current processes compliant with UG

Action Plan:
- Awareness that this is now a requirement as part of the Federal guidance
- Ensure subcontractors provide appropriate reports and invoices within 60 days so we can comply
- Communication between business offices and SPS is critical, especially related to projections for the final invoice
- Share requirement with faculty so that they understand the importance of timely technical report submission

Status:
- Communication to be completed
Description:
- Allows a one-time extension of Federally negotiated F&A rates for up to four years
  - Extensions depend on the risk perceived by the cognizant agency
- Establishes a 10% overhead rate for Non-federal entities without a Federally negotiated F&A rate

Action Plan:
- Cost Accounting to provide Executive Offices analysis to determine if this is the best course for the University when the next F&A proposal is due
- Implement procedure for allowing non-federal subs to recover F&A at 10%
- If an existing award has been issued as subcontract to an entity with no negotiated F&A rate and holds a 0% IDC, a de minimus rate will not be issued to the sub once the UG goes into effect unless we receive a modification to the prime with revised terms and conditions

Status:
- Ensure consistent treatment of de minimus rate
Description:
• Must file amendments to the DS2 for indirect costs six months in advance of certain changes
• May proceed with implementing the change after approval, or 6 months after submission to the Federal cognizant agency, if no notification

Action Plan:
• No change other than the up to 6 month wait period to implement revisions

Status:
• Draft copy of the DS2 is currently under review
IMPLEMENT AFTER 12/26/14

- Method for collection and storage (335)
- Required certifications (415)
- Interest (449)
Description:
• non-Federal entity should, whenever practicable, collect, transmit, and store Federal award-related information in open and machine readable formats rather than in closed formats or on paper. The Federal awarding agency or pass-through entity must always provide or accept paper versions of Federal award-related information to and from the non-Federal entity upon request. If paper copies are submitted, the Federal awarding agency or pass-through entity must not require more than one original and two copies. When original records are electronic and cannot be altered, there is no need to create and retain paper copies. When original records are paper, electronic versions may be substituted through the use of duplication or other forms of electronic media provided that they are subject to periodic quality control reviews, provide reasonable safeguards against alteration, and remain readable.

Action Plan:
• The SPS Imaging project is underway and should address this issue.

Status:
• Implementation – Spring 2015
**REQUIRED CERTIFICATION**

**Description:**
- Annual and final fiscal reports or vouchers requesting payment under the Federal award must include a certification signed by an official who is authorized to legally bind the non-federal entity

**Action Plan:**
- Revise documents requiring certifications
- Revisit signature delegation policies and procedures to ensure it is appropriate and adequate to demonstrate the requirements of the regulation
- Modify all applicable certifications to be compliant

**Status:**
- To be completed
Description:

- No longer a specific requirement for a lease/purchase analysis but, limit ... interest costs to the least expensive alternative

  For example, a capital lease may be determined less costly than purchasing through debt financing, in which case reimbursement must be limited to the amount of interest determined if leasing had been used

- Returned interest threshold changing from $250 to $500.

Action Plan:

- SPS Cash Manager to change returned interest threshold from $250 to $500

Status:

- Can be implemented for first distribution following 12/26/2014 (i.e., June 1, 2015)
• SPS Web site
  https://www.purdue.edu/business/sps/UG/index.html
Q&A
UNIFORM GUIDANCE IMPLEMENTATION

Hot Topics Part 2
November 4, 2014

Jessica Lawrence
Kim Hoebel
Chris Martin
IMPLEMENTATION TBD

- Information contained in the Federal award (210)
- Recruitment Costs (463)
- Travel Costs – Temporary Dependent Care (474)
- Procurement (317 – 326)
- Compensation – FB (terminal leave) (430)
- Depreciation (436)
- Taxes (470)
INFORMATION IN THE FEDERAL AWARDS

Description:
• Federal award must include
  o General Federal Award Information
  o General Terms and Conditions

• A standard set of 15 data elements is to be provided in all Federal awards. As a result, the non-Federal entities will receive a consistent set of information with the intent to reduce administrative burden and cost associated with managing this information throughout the life of the award.

• Research Terms and Conditions (RTCs) were applicable by reference to OMB A-110

• Updated RTCs are under development

• Timing is still to be determined

Under Discussion:
• As new information becomes available through COGR and FDP, it will be shared with the Purdue research community

• Will closely monitor the RTCs within each individual award after 12/26/14

• Monitoring COGR & FDP communications
Description:
- Consistent with A-21 - staff recruitment, travel and relocation costs are allowable under UG
- Must be consistent with University policy
- If relocation costs are incurred and staff member separates within 12 months, costs must be credited
- Short term travel visas are allowable

Under Discussion:
- Policy/process review – to be determined
Description:

- Temporary dependent care costs above and beyond regular dependent care that directly results from travel to conferences is allowable provided that:
  - costs are a direct result of travel for Federal award
  - costs are consistent with documented travel policy for all travel
  - only temporary care during the travel period
- Requires consistency with all funds
- At this time we do not pay for any child care expenses via income allowance or expense reimbursements.

Under Discussion:

- We are constantly evaluating our benefits that we offer to our employees, including child care, but do not anticipate any such reimbursements or changes to policy or practice in the near future
- Policy/process review – to be determined
Description:

- OMB has granted a grace period to allow time for implementation - July 1, 2016.

- Prescriptive list procurement methods, two of which are:
  - “Micro-purchase” - up to $3,000 without competition.
  - “Small-Purchases” - $3,000 to $150,000
    - Purchases over $3,000 must be competitive in some way
    - For all procurements above the micro purchase threshold of $3,000 must document competition
Goals:
- Compliance with Uniform Guidance (UG)
- Customer focus
  - Faster
  - Easier
  - Self-directed/self-sufficiency of customer
- Competition as needed and warranted (i.e., value of sourcing exceeds value of effort)
- One process regardless of source of funds or old/new grant

Under Discussion:
- UG “micro purchase” definition is less than $3,000 – expedite process
- Investigate the right mix of Pcard and Ariba usage
- UG “small acquisition purchase” is $3,000 - $150,000
- Continue Procurement Services review/sourcing through small purchase clerk up to $x
- Use established QPA, GPO, CIC contracts for purchases up to $z without additional sourcing effort
- Execute competitive sourcing for >$z
Description:
• UG language
  o If a non-Federal entity is on cash basis of accounting for the cost of leave (recognized in the period that the leave is taken and paid for)
  o Then payments for unused leave when an employee retires or terminates are allowable as indirect costs in the year of payment

• COGR requested OMB provide a technical correction to UG - eliminate the IDC language.

Under Discussion:
• Leave policies currently under review
• Evaluating the pros and cons of implementing a rate and converting to an accrual basis of accounting
DEPRECIATION

200.436

Description:

- Can no longer use the ‘allowance method’ since using the depreciation method in calculating the F&A proposal

- Depreciation on matching/cost sharing contributions to construction and major instrumentation implies costs are unallowable

- OMB to issue a technical correction to the UG to clarify

Under Discussion:

In the next F&A study, the use allowance will not be included as a factor for equipment depreciation

Waiting on a technical correction to the UG to further clarify the required treatment of depreciation in regards to cost sharing
Description:

- Non-Federal entity is legally required to pay in country taxes

- Required value-added tax (VAT) payments will become more prominent as University expands into more international areas

Under Discussion:

Need to evaluate VAT more carefully in order to recover from sponsored programs
NEXT STEPS

• Updates to documentation

• Policy and procedural reviews

• Web site updates/maintenance

• Continued monitoring with COGR, COFAR, FDP & OMB

• Communication & Training
THANK YOU!
ITEMS REQUIRING NO ACTION

- Exceptions to guidance (102)
  - Exceptions from UG only in unusual circumstances
  - Exceptions published on OMB web site
  - Fed agency may apply more restrictive requirements when approved by OMB (except Audit Requirements)
  - Fed agency may have less restrictive requirements for fixed amount Awards

- Notice of funding opportunities (203)
  - Available for 60 days for most program announcements
  - No less than 30 days under a special determination by the awarding agency
  - Available on the Grants.gov system

- Agency review (205)
  - Prior to award, Federal awarding agency conducts pre-award review of risk posed by applicants
ITEMS REQUIRING NO ACTION

• Performance Measurement (301)
  o Federal awarding agency must require the recipient to use OMB approved government wide standards when providing financial and performance information
  o COGR received clarifications from COFAR that existing reports, such as the Research Performance Progress Report (RPPR), will be considered sufficient

• Internal controls (303)
  o Use judgment in determining the most appropriate internal controls
  o Provide reasonable assurance of compliance with Federal program requirements

• Program Income (307)
  o Income from license fees and royalties on research funded by a Federal award should be excluded from the definition of program income
ITEMS REQUIRING NO ACTION

- Revisions of Budget and Program Plans (308) - prior approval required for any of the following:
  o change in scope
  o change in key personnel
  o disengagement from the project for more than 3 months or a 25% reduction in time (a reduction in salary doesn’t necessarily equate to a reduction in effort)
  o transfer of participant support costs to other categories
  o adding subaward
  o changes in amount of approved cost sharing

- Period of Performance (309)
  o Pre-Award Costs and No Cost Extensions allowable if authorized by sponsor

- Equipment (313)
  o Concern with certain terms:
    - Property records must contain percentage of Federal participation
    - Records must contain “use” of the equipment
  o COGR Guide clarified that non-Federal entities are not expected to change their inventory systems or data elements beyond what was required in A-110
ITEMS REQUIRING NO ACTION

- Monitoring and reporting program performance (328)
  - RPPR will remain the acceptable report to measure program performance
  - Responsible for monitoring the activities to assure compliance with requirements and performance expectations
  - Our current business practices will not change under the new language

- Policy Guide (400)
  - Must ensure a fully-costed budget for fixed price awards
  - Residual balance from a fixed amount award (determined under UG) is not profit and can be retained

- Prior Written Approval (407)
  - Continue to monitor agency terms for any items that would require prior written approval

- Compensation (430) – Effort Reporting
  - More flexibility but a requirement to comply with a stringent framework of internal control objectives and requirements
  - Acknowledges that many entities may continue to rely on existing procedures and systems
  - No requirement for “activity/effort reports”, removed reference to “certification/certify”
  - Opportunity – adjust frequency, delegated authority and the leverage existing management reports
ITEMS REQUIRING NO ACTION

• Exchange rates (440)
  o Prior Approval required if currency exchange rate fluctuations result in the need for additional funds or results in significant reduction in project scope
  o As international activities increase, consider establishing University best practices regarding currency exchange rates as it relates to subrecipient, travel costs, etc.

• Losses on awards and contracts (451)
  o Cannot transfer excess costs over authorized funding from any award or contract to another award or contract
  o All losses are not allowable indirect (F&A) costs and are required to be included in the appropriate indirect cost rate base for allocation of indirect costs

• Pre-award costs (458)
  o Pre-Award costs continue to be allowed dependent on agency prior approval
  o All pre-award spending is incurred at the non-Federal entity’s own risk

• Limitation of reimbursement of administrative costs (III.C.8)
  o This is no change for the University. Administrative portion of F&A will still be capped at 26%