

By Carol Blum

It's here! *The Reform of Federal Policies Relating to Grants and Cooperative Agreements; Cost Principles and Administrative Requirements (including Single Audit Act)* was proposed by the Office of Management and Budget (OMB) on February 1, 2013, in the *Federal Register*, and stakeholders – all recipients of financial assistance – have until May 2, 2013, to offer comment on the proposed reforms.

As anticipated, the reforms propose combining OMB Circulars A–21, A–87, A–110, and A–122 (which have been placed in 2 CFR Parts 220, 225, 215, and 230); Circulars A–89, A–102, and A–133; the Guidance in Circular A–50 on Single Audit Act follow-up; and pending further review, the Cost Principles for Hospitals at 45 CFR Part 74, Appendix E. Makes one almost breathless! And, as OMB outlines in the *Federal Register* notice, the combined circular is intended to make us more efficient because OMB believes that “eliminating unnecessary requirements for financial assistance will allow recipients of Federal awards to re-orient efforts spent on compliance with complex requirements towards achievement of programmatic objectives.” I'm on board!

Over the next few months, research institutions and the associations representing those institutions will be combing through the combined circulars looking for what most refer to as “unintended consequences” of the proposed reforms. State, local, and tribal governments, non-profit entities – everybody is going to be reviewing the documents prepared by OMB asking the same questions: Have they “done no harm?” Are there additional opportunities for change (when first proposed, the focus was on the costing circulars; does bringing the administrative requirements into the mix open additional opportunities to advocate for changes)? And is this really an effective streamlining effort? OMB has prepared a series of documents, available on its website, that enables the interested party to compare current guidance, requirements, etc., with the proposed “uniform guidance.”

The next steps will be managed by OMB through the interagency Council on Financial Assistance Reform (COFAR). As described in earlier *Capital Views*, COFAR replaces the old Grants Policy Council and Grants Executive Board and includes in its permanent membership representatives from OMB's Office of Federal Financial Management and the eight largest grantmaking agencies: the Departments of Health and Human Services, Agriculture, Education, Energy, Homeland Security, Housing and Urban Development, Labor, and Transportation, as well as one additional rotating member to represent the perspectives of other agencies, which for the first two-year term is the National Science Foundation. Not necessarily the list of grant makers that the higher education community would choose for permanent members but reflective of the agencies that provide the largest amounts of funds as grants and cooperative agreements. To COFAR is assigned the task of culling through the comments and advising OMB on the next steps.



In its initial reactions, the research organization community sees some positive changes (or non-changes). Many of the questions of greatest interest for the research community lie in the cost principles and requirements. Among the most notorious changes OMB proposed in the *Advanced Notice of Proposed Guidance* in February, 2012, was moving toward mandatory discounted or voluntary flat indirect (facilities and administration, F&A) cost rates instead of negotiated rates. The new proposed guidance does not include a flat rate, but OMB is still tinkering with the F&A. It proposes two additional reforms by offering institutions the option to extend their negotiated rates for up to four years, subject to approval by their cognizant federal agency and assuming there had been no major changes in their indirect costs. OMB sets a minimum flat rate of 10% of modified total direct costs for entities without the capacity for a full negotiation while they develop capacity. With regard to F&A, a significant requirement that appears in the section concerning Subrecipients is the explicit requirement for pass-through entities to pay the negotiated F&A rates.

As to the anticipated changes to the requirements for payroll certification – or effort reporting, OMB has eliminated the examples that have been a part of OMB Circular A-21 Section J10.c in an effort to support a broader array of approaches for how a recipient can validate payroll costs without limiting the systems used by the community – we'll be interested to hear how the audit community responds to this initiative. As to direct charging administrative and clerical support – OMB has incorporated into the guidance the



principle that all work that is directly allocable to one award may be charged to that award, regardless of the type of task. In response to calls for the expansion of the 1.3% utility cost adjustment, OMB offers two alternative approaches: the first allows any institution of higher education to meter their utility usage at the sub-building level instead of by building; or, as a second alternative when metering utility usage by function is not feasible, entities may add a multiplier to their square footage used for research to calculate “effective” square footage for purposes of utility cost calculation.

There are other useful changes to administrative requirements. For example, agencies would be required to post funding announcements for at least 30 days in grants.gov and the CFFA – nope, that’s not a typo, OMB proposes using the Catalog of Federal Financial Assistance as the home for announcements. OMB has brought the standard format for funding announcements that was established in the OMB Memorandum M-04-01 of October 15, 2003, into the proposed circular to consolidate all applicable guidance for grants into one place – not a bad idea. OMB emphasizes the importance of compliance with the Paperwork Reduction Act of 1995 (PRA) and vows to ensure that all information collections – whether in paper or electronically – meet the standards set by the PRA.

There’s a lot more. Should you respond? Absolutely. You can contact your Washington-based association and offer them your comments, suggestions and, if appropriate, assistance in building an association-level response. You can send a letter supporting your association’s efforts highlighting

areas that will have direct impact on how you do business. You can comb through the entire document, compare it to current circulars and guidance, and craft a response from your institution. All 200+ pages of it (the cross-walks prepared by OMB are useful). If sequestration occurs, you just might have the time!

Here are the links:

Notice of Proposed Guidance in Federal Register (Summary and Description of Changes) FULL TEXT Proposed OMB Uniform Guidance for Federal Financial Assistance
<http://www.regulations.gov/#!documentDetail;D=OMB-2013-0001-0002>

Note to reviewers: This is the full text of OMB’s proposed guidance for grants.

The following documents are intended as supporting materials to facilitate review of the Proposed OMB Uniform Guidance for Federal Financial Assistance

Crosswalk from existing to proposed guidance
<http://www.regulations.gov/#!documentDetail;D=OMB-2013-0001-0004>

Crosswalk from proposed guidance to predominant source in existing guidance
<http://www.regulations.gov/#!documentDetail;D=OMB-2013-0001-0004>

Administrative Requirements Text Comparison
<http://www.regulations.gov/#!documentDetail;D=OMB-2013-0001-0005>

Cost Principles Text Comparison
<http://www.regulations.gov/#!documentDetail;D=OMB-2013-0001-0006>

Audit Requirements Text Comparison
<http://www.regulations.gov/#!documentDetail;D=OMB-2013-0001-0007>

Definitions Text Comparison
<http://www.regulations.gov/#!documentDetail;D=OMB-2013-0001-0008>

Other References:

M-04-01 OMB. (2003). White House Office of Management and Budget. Grants.gov FIND Policy. Retrievable at http://www.whitehouse.gov/omb/memoranda_fy04_m04-01/

Paperwork Reduction Act, 44 U.S.C. §3501 (1995). Retrievable at <http://www.archives.gov/federal-register/laws/paperwork-reduction/>

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