



EXTREME MAKEOVER – THE UNIFORM GUIDANCE 2 CFR EDITION - APRIL 2024

By Gil Tran and Mark Davis

There was a popular TV show in the early 2000's called "Extreme Makeover: Home Edition" where the whole premise was to take a torn-up, run down, dysfunctional house and turn it into a beautiful dream house for a deserving family. At the end of the show, everyone (the family, the producers, the director, and the construction workers) cried for joy because of the incredible transformation. In 2013, OMB built the original home that housed all the grant requirements (administrative, costs and audit) applicable all the grantees. It combined all the previous eight OMB Circulars into a Uniform Guidance, located in the Title 2 Part 200 of the CFR (Code of Federal Regulations). Some revisions and renovations were made in August 2020, but the recent April 22, 2024 OMB revisions resulted in an extreme makeover of the original home.

We will explore the main objectives of this Extreme Makeover – Uniform Guidance 2 CFR Edition, the main and essential revisions by specific sub-parts, and the areas that require immediate attention for an implementation that is effective on October 1, 2024.

OMB Objectives

The four objectives listed by OMB for these revisions are to: (1) incorporate statutory requirements and administration priorities, (2) reduce agency and recipient burden, (3) clarify sections that recipients or agencies have interpreted in different ways, and (4) rewrite applicable sections in plain language, improving flow, and addressing inconsistent use of terms. In the roll-out of the updated Uniform Guidance on April 4, 2024, the White House added that: "These updates to what is known as the Uniform Grants Guidance will streamline and clarify requirements for Federal funding... These changes will allow agencies and recipients of Federal funds to focus more time and money on delivering meaningful results for the American people."

The Final Revisions – April 22, 2024

This makeover to the Uniform Guidance is certainly the most substantial since its creation in 2013. Indeed, for the six subparts (A through F) and

twelve appendices (I through XII) in the 2 CFR Part 200 Uniform Guidance, OMB revised 69 out of 191 sections, equaling 36 percent of the document. The massive, published document is 573 pages long or the same length as an average Harry Potter fantasy novel (570 pages/book). It is not an easy leisure reading for the faint of heart but unfortunately a must read for all research administrators. It is also impossible to provide details of all the revisions in a single article. Therefore, we will focus on the most impactful changes for each subpart that require your attention.

Subpart A - Definitions – the major revisions include (1) the new thresholds for equipment (from \$5,000 to \$10,000) and subaward (from \$25,000 to \$50,000); (2) the expansion of “intangible property” to include data, websites, trade secrets, intellectual property; (3) the inclusion of “associated software” in “special purpose equipment”; and (4) new definitions for “participant” and “prior approval.” OMB replaces “non-federal entities” with “recipient and subrecipient” and “F&A” with “indirect costs.” The new threshold definitions will have an impact on the indirect cost rate calculation, but also have the potential of reducing the administrative burden for property accounting. The new definition for “intangible property” adds grantee’s responsibilities for intangible assets generated from federal projects.

Subpart B - General – The former Applicability table (formerly 200.101) is eliminated, and grantee must now read the six subsections to determine the applicability of the subpart requirements in accordance with the types of awards received from the Federal government. A major and critical change is the addition of “credible evidence” in the last section 200.113 of subpart B. This change requires a grantee to promptly report to the Federal government (i.e., awarding agency and inspection general) or pass-through entities when it has “credible evidence” of any violations of Federal criminal laws or statutes. OMB states that “credible evidence” is more appropriate for standard of reporting as it does not require a grantee to make a legal determination that a criminal law has been violated before reporting. While “credible evidence” is not described in this section, the pre-ambles mentions that “credible evidence” here has the same definition as section 73 FR 67064 of the Federal Acquisition Regulations (FAR).

Subpart C - Pre-Award – There are three major changes in this

Subpart: (1) the requirement for agencies to streamline the NOFO (Notice of Funding Opportunities), (2) the update for “fixed amount award policy”, and (3) the clarification of the use of prohibited telecommunications and video surveillance by Chinese companies. The NOFO change requirements will be conducted by the Federal agencies and grantees should see the results and impact for all grant programs announced on or after October 1, 2024. For the “fixed amount award” policy, the revision increases the threshold to \$500,000 (from \$250,000), adds that grantees are entitled to any unexpended funds and confirms that “unexpended funds are not considered profit”. However, the use of fixed amount awards by the grantee still requires prior approval. For the telecommunications and video surveillance equipment and services in section 200.216 that was added in the 2020 revision, OMB clarifies that although the costs are not allowed on federal grants, its use is permitted if purchased with non-federal funds.

Subpart D - Post Award – This area receives a major makeover, particularly in the procurement area. It starts with the elimination of the reference to the FFATA requirements in the Statutory and national policy requirements section (200.300) but adds two new subsections on discrimination based on sex orientation or gender identity. It does not mean that the FFATA requirements for subaward reporting are gone as all the requirements still apply in accordance with 2 CFR Part 170 – Reporting Subaward and Executive Compensation Information. The internal controls section adds a requirement for cybersecurity measures (200.303). It confirms the treatment of “voluntary uncommitted cost sharing” in the computation of indirect cost rate based on an OMB memorandum dated January 5, 2001 (200.306 (k)). The increase to the equipment and supplies threshold from \$5,000 to \$10,000 along with the more flexible treatment of unused supplies are described in this subpart (200.314). Note that \$10,000 is the upper limit for equipment and supplies. Grantee has the discretion to keep the current threshold or decide on a threshold lower than \$10,000. The procurement sections add many new elements such as (1) allow Indian tribes to follow their own policies, (2) allow the use of geographic preference and project labor agreements, and (3) add references for veterans-owned business and green products. The increase threshold for fixed amount sub-awards to \$500,000 is discussed in section 200.333. A complete reversal in

Summary Count of Revisions by Subpart

	Title	Number of Sections	Number of Section with Changes	Percentage of Changes
Subpart A	Acronyms and Definitions	2 (200.0-200.1)	2	100%
Subpart B	General Provisions	14 (200.100-200.113)	4	29%
Subpart C	Pre-Federal Award Requirements and Content of Federal Awards	17 (200.200-200.216)	8	47%
Subpart D	Post Federal Award Requirements	47 (200.300-200.346)	25	53%
Subpart E	Cost Principles	77 (200.400-200.476)	18	23%
Subpart F	Audit Requirements	22 (200.500-200.521)	6	27%
Appendix	Various	12	6	50%
Total		191	69	36%

termination policy is made in section 200.340 as a former termination policy flexibility by the Federal government (200.340 (2)) was deleted.

Subpart E - Cost Principles – This subpart is the “kitchen” of a home and is the most important subpart for research administration. It dictates the budget, spending, and performance of any research projects. The objectives of any Federal and Single audits typically focus on this area of compliance. The top five changes are: (1) eliminate the DS-2 reporting and filing requirements (this requirement was only required for universities), (2) eliminate 9 out of formerly 25 prior approval requirements (or a 36% reduction in prior approval requirements), (3) allow grantees to report of indirect cost rate dispute to OMB, (4) raise the de-minimus rate to 15% of modified total direct costs, and (5) allow data costs and evaluation costs. The increase of the de-minimus rate is well received and applauded by the smaller grantees with minimal resources to prepare and negotiate a formal indirect cost rate, but as a pass-through entity, a grantee must review the impact of the increased costs to its project budget. The cost items for data and evaluation costs (200.455 (c)) are the first new major cost items added to the Uniform Guidance since 1995 when OMB allowed interest costs to non-profit organizations. The allowability of the costs will have a huge impact on program performance in the long run as grantees are now permitted to spend and recover costs to make sure that program data are well managed and the performance evaluation on a specific program can be made to improve its outcomes. These new cost items are included in the “Organization costs” section 200.455 and the costs can be charged to Federal grants as direct or indirect costs.

Subpart F - Audit – The two changes are (1) the raise of the single audit threshold from \$750,000 to \$1 million and (2) the authority for federal cognizant agencies for audit to grant extension for single audit submission (previously only OMB has this authority). The higher Single Audit threshold will result in more smaller grantees being excluded from the Single Audit requirements and thus lessen their audit burden. However, if you are relying on the single audit as a tool for subrecipient monitoring, you must now explore other methods to monitor the subrecipient.

Appendices I-XII – Appendix I has the most substantial changes in the Appendices as OMB completely restructures the contents and requirements for Federal agencies to issue the Notice of Funding Opportunities (NOFO). The goal is to simplify the NOFO requirements and make the NOFO more customer-friendly to the potential applicants. OMB directs the Federal

agencies to include key information at the top of the NOFO, write the NOFO in plain language and reduce the wording by 25% over the previously issued version. Agencies are required to submit an implementation plan to OMB by August 1, 2024, and implement their approved plan in fiscal year 2025 (starting October 1, 2024).

Appendices III, IV, and VII have one minor update that is related to the change in threshold for subawards and the modified total direct costs. This change will have an impact of the indirect cost calculation and reimbursement.

Effective Dates

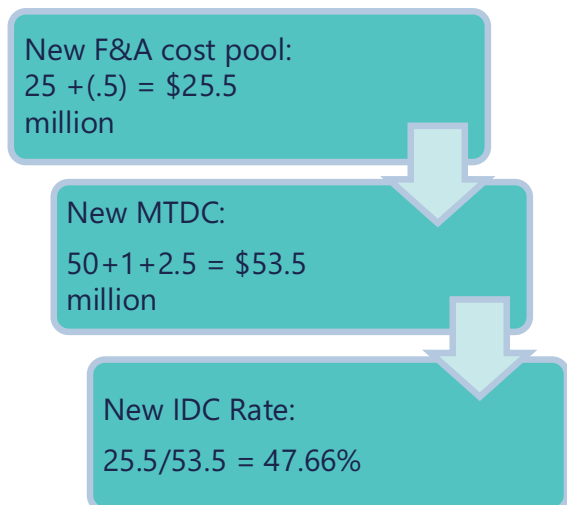
The effective for the final revisions is October 1, 2024 (with earlier implementation by agencies allowed). Although, it sounds straight forward, it is a little more complicated than a simple single date. There are actually three different dates depending on the nature of the changes: (a) administrative changes, (b) financial and cost changes, and (c) indirect cost rate and reimbursement changes.

- (a) Administrative changes – such as prior approval requirements, new procurement standards, mandatory disclosure (with credible evidence); the revisions are effective for all federal awards that start on or after October 1, 2024.
- (b) Financial and cost changes – such as the new threshold for equipment and supplies, the new 15 % de minimus rate, the new Single Audit threshold; the revisions are effective for the first fiscal year starting October 1, 2024. For example, if your institution’s fiscal year runs from July 1 through June 30, the effective date is July 1, 2025 (or FY 2026). Remember that the grantee must make internal decision regarding the threshold levels and change its policy documents before they become effective.
- (c) Indirect cost rate and reimbursement changes – the changes in the equipment and subaward thresholds will have an impact on the indirect cost rate and reimbursement. The changes will cause a decrease in the rate (as the base is larger) but the overall recovery should be the same (as the lower rate would apply to a larger base). No changes in the rate due to the threshold change are allowed until the next submission of the indirect cost proposal. The current negotiated rates are to be used on the current modified total direct cost bases (without the threshold increases) until new rates are established. As an example, if your institution already has a predetermined rate of 50% for fiscal year 2025 (July 1, 2024 through June 30, 2025), you will continue to apply the

Impact of Threshold Changes - a Simple Example

Assumptions

- University adopts the higher thresholds
- Current IDC rate - \$25 million (F&A pool)/\$50 million MTDC = 50%
- Changes to MTDC base
 - Equipment: +\$1million
 - Subawards: + \$2.5 million (100 subawards x \$25K)
- Equipment Depreciation recapture -\$.5 million



50% to the first \$25,000 of the subawards and the supplies of \$5,000 in fiscal year 2025. However, if you have submitted an indirect cost proposal to the Federal government and it is currently under review or if you are requesting an extension of your current rate, the federal cognizant agencies for indirect costs may ask you to prepare an impact statement to establish future rates with the new thresholds. (See simple example of Indirect Cost Rate impact).

Implementation Plan

The sound of “October 1, 2024, fiscal year 2025 or next indirect cost proposal” may appear like a distant future and an ample time for implementation, but the preparation to take advantage of all the OMB revisions need to take place immediately. The action must be done strategically, and all the cost and administrative impacts must be considered for final decisions prior to implementation. An implementation plan must be developed, includes practical deadlines, and properly communicated to all grant stakeholders at the institution. At the minimum, the plan should include actions regarding the following areas.

Policy changes documentation

- Research policies
- Procurement policies
- Mandatory Disclosure policies (including credible evidence)
- Indirect cost policies (especially with DS-2 elimination)
- Internal Control Policies (including cyber security)
- Financial Statement Policies

Indirect Cost planning

- Plan for next indirect cost proposal submission
- New rates are required for any subaward and equipment threshold changes
- New rates can include equipment depreciation recapture

Current research project budget proposals

In preparing the current proposal budget for projects that begin on or after October 1, 2024, a grantee must consider the following:

- Changes for equipment threshold
- Changes for subaward threshold
- Possible change for indirect cost rate
- Allowable data costs and program evaluation costs
- Direct administrative costs to the project
- Use of fixed amount award
- Optional tool for subrecipient monitoring (for subrecipients with less than \$1 million federal expenditures)

Conclusion

Hoorah, the Uniform Guidance extreme makeover is now complete, October 1 is our official move-in date! However, before moving in, we need to learn and appreciate all the renovation/improvement details to properly use, benefit and comply to them. Most importantly, we must immediately develop a proper plan for a scheduled implementation. That plan must be thoughtful, sensible, and well communicated with all parties involved in grants at the institution. The time for action is NOW! **N**



Gil Tran, CPA, Senior Specialist Leader at Attain Partners, is a 27-year veteran of OMB. He played an integral role in the development of the 2013 Uniform Guidance. Gil started his grant career as a research administrator at Georgetown University. He can be reached at hmtran@attainpartners.com.



Mark Davis is a Partner and founding member and leader of Attain's Education, Nonprofit, and Commercial Services practice. He has been consulting for 35 years and has worked as a key business advisor to more than 100 major research universities and academic medical centers, nonprofits and hospitals. Mr. Davis assists institutions to accomplish strategic, organization and financial goals, manage risk and compliance. He can be reached at mcdavis@attainpartners.com.

Hot Topic: The Uniform Guidance – April 2024

By Angela Wishon

The wait is over and just in time for summer reading. So, forget grabbing the latest New York Times best seller before you head to the beach or lounge poolside. This page-turner will have you captivated from the moment you crack it open. You will be glad that you reached instead for the recently updated Uniform Guidance, 2 CFR Part 200, (“UG”), our Hot Topic for this issue of *NCURA Magazine*.

These are the most substantial revisions that OMB has made to the UG since its original publication in 2013. OMB states their purpose for the revisions is to reduce burden on grant recipients and increase transparency. In “Extreme Makeover: The Uniform Guidance—April 2024 Edition,” Gil Tran and Mark Davis address the key revisions and provide major takeaways for the research administrator. The article ties nicely with the [free webinar](#) offered in June and sessions at regional and national NCURA meetings this spring and summer.

Over the course of the next year, *NCURA Magazine* will continue to provide articles related to the UG revisions and how institutions are working to implement these regulatory changes while remaining compliant with their award terms. **N**



Angela Wishon, JD, is Senior Editor for NCURA Magazine and serves as the Vice President for Research Compliance and Administration at Prisma Health. Angela has served as a site visitor for AAHRPP and OHRP, on NCURA's SPA II Workshop faculty, as a CTSA Regulatory Knowledge Core Director and routinely presents on research compliance and regulatory topics. She can be reached at angela.wishon@prismahealth.org.