

## SUMMARY

Since 2014, the UC Systemwide Uniform Guidance Workgroup has engaged in understanding the impacts of Uniform Guidance on the University of California (UC), and helping to facilitate a smooth transition to these new federal rules and regulations at our campuses. The following briefing letter is the Workgroup's second update on its work.

## BACKGROUND

On December 26, 2013, the Office of Management and Budget (OMB) issued a comprehensive overhaul of the federal grant administrative, accounting, and audit policies codified in Title 2 of the Code of Federal Regulations: [Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards](#). Replacing principles previously promulgated in eight OMB Circulars (including A-21, A-110, and A-133), "Uniform Guidance" became effective on December 26, 2014, impacting daily federal grants administration and cooperative agreements for many recipients of federal funds, including institutions of higher education.

The intent of Uniform Guidance is to simplify the administration of assistance awards. However, many of these new rules reflect a major departure from previous practice, creating an adjustment period as federal agencies and the higher education community learn the new rules and as funding transitions from the old to the new rules.

To facilitate the transition, a UC Systemwide Uniform Guidance Workgroup convened in January 2014 to analyze Uniform Guidance and identify steps needed to implement the new rules. With membership from all 10 campuses and ANR, the Workgroup also functioned as a bridge to local workgroups established at each site to promote information-sharing and coordination among the campuses. In 2014, the Uniform Guidance Workgroup issued an [Assessment Report](#) summarizing its analysis of the new rules and recommending next steps for Uniform Guidance implementation within the University.

## ENGAGEMENT WITH FEDERAL AGENCIES

Since Uniform Guidance was first announced, the Workgroup discussed and identified several aspects of Uniform Guidance that are particularly problematic for our campuses. Informed by these concerns, UC engaged with national groups, such as the Council on Governmental Relations (COGR), the Federal Demonstration Partnership (FDP), and the Association of American Universities (AAU), to inform their advocacy efforts in these areas.

Successful advocacy by national groups and institutions of higher education gave stakeholders the opportunity to highlight inconsistencies and discuss concerns related to the impacts of the Uniform Guidance on institutions of higher education. These efforts have led to real results, perhaps most notably a two-year grace period for implementation of problematic procurement rules. The Workgroup continues to share information and raise concerns about issues that might benefit from greater systemwide and nationwide attention.

## SUPPORTING CAMPUS COMPLIANCE

Each campus continues to work diligently to implement an orderly transition to the Uniform Guidance rules. Campus administrators broadly communicated the changes throughout their local research enterprises, created and revised guidance on local procedures, and trained their respective personnel. Informed by the Workgroup and to support campus efforts, UCOP created a [web resource](#) for campuses and issued guidance addressing the most pressing Uniform Guidance implementation issues.

## SYSTEMWIDE POLICY AND GUIDANCE

In its [2014 Assessment Report](#), the Workgroup identified several areas where systemwide policies and guidance would likely benefit from further examination in light of the Uniform Guidance. Over the last year, the Workgroup convened a series of subgroups to tackle each of the tasks identified in the report. These subgroups are comprised of members of the larger Workgroup with unique expertise to delve into each topic. Members consult with other subject matter experts in the Workgroup and on their various campuses to develop and revise systemwide approaches to address many of the more complicated issues in Uniform Guidance.

The subgroups performed comprehensive reviews of current policies and guidance related to their expertise, and determined that revisions or new policies and guidance were needed in some areas. The results of these efforts are expected to be issued this spring and summer (2016). These include:

- **The Definitions and Direct Charging Subgroup** proposed revisions to sections in the Contracts and Grants Manual that define types of “allowable costs” and costs “normally treated as indirect”, in order to clarify how these should be applied in light of the Uniform Guidance changes.
- **The Subrecipient Monitoring Subgroup** proposed updates to the subaward section of the Contracts and Grants Manual to ensure compliance with new rules on subrecipient and contractor determinations. Such updates would replace a handful of Guidance Memos related to this topic.
- **The Equipment Management Subgroup** proposed updates to Presidential Policies related to Management and Control of University Equipment and the Disposition of Excess Property.
- **The Facilities and Administration Subgroup** proposed changes to relevant sections of the Contracts and Grants Manual to address “participant support costs” as a budgetary item that is not subject to indirect costs, and how this should be handled.
- **The Effort Reporting Subgroup** suggested revisions to the Contracts and Grants Manual to remove prescriptive language on effort reporting.
- **The Prior Approval and Engagement Subgroup** recommended updates to several sections of the Contracts and Grants Manual to conform to how Uniform Guidance handles prior approvals. The subgroup has also reviewed travel policies and procedures and recommended updates to the owners of those policies.
- **The Internal Controls Subgroup** embarked on a comprehensive assessment of policies, procedures, training and systems related to internal controls to determine if they are reasonable and effective, and how

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they can be strengthened. The group is currently working on Internal Controls documentation and the principles of accountability with respect to financial transactions.

Only one group, after completing their review, determined that no changes to existing policy or guidance were needed. This group (**the Certification of Vouches and Invoices Subgroup**) will issue a memo to be published this Spring to document their research and conclusions **The Alternative Compensation Documentation Subgroup** deferred further action after conducting a survey that did not find enough consensus to continue.

One final sub-group helped coordinate a comparative review of federal agency implementations of the Uniform Guidance. Their work resulted in a matrix that will be posted shortly to the [Uniform Guidance section](#) of the website of UCOP's Research Policy Analysis & Coordination unit (RPAC).

For more information on the key tasks assigned to each subgroup, the identified output(s) from those tasks, and the status of those outputs, please see the table provided in Appendix A.

### ONGOING ISSUES

Overall, Uniform Guidance has simplified grants management rules, however, the Workgroup and campuses alike have seen increasing divergence in agency implementations of the new rules. The Workgroup is actively engaged with agencies in conjunction with COGR and FDP to work on those issues. UC contract and grant administrators, in coordination with RPAC, conduct regular conversations with frontline federal agency grants managers about their interpretations of Uniform Guidance. Some key issues UC and the larger community continue to face are:

- Complicated, administratively burdensome, over-reaching, and inconsistent agency implementation of conflict of interest rules that run counter the spirit of the Uniform Guidance. Some examples of inconsistencies are the time at which conflicts must be disclosed or resolved, the standards or thresholds, if any, used to identify conflicts, and the scope of required review ranging from procurement to research to organizational conflicts. UC supports COGR's efforts to seek true uniformity in these rules and an approach that appropriately manages risks.
- The micro-purchase threshold of \$3,000 presented in Uniform Guidance significantly increases administrative workload without providing added benefits. COGR, on behalf of its memberships and with assistance from the FDP, has engaged OMB to explore alternative approaches, including raising the threshold from \$3,000 to \$10,000.
- Our Riverside and Irvine campuses have participated in multi-year demonstration projects aimed at reducing the administrative burden associated with compensation verification. Our federal partners and recent audits indicate that these processes are likely compliant with Uniform Guidance requirements, effectively reduce administrative burden, and allow our researchers to focus more on research and less on administration.

## **NEXT STEPS**

In addition to completing the tasks above, Workgroup members continue to monitor the impact of Uniform Guidance on the daily administration of federal assistance awards and are in communication with other institutions of higher education, COGR, FDP, and federal agencies on how best to address problems as they arise.

The Workgroup will continue to convene, though less frequently, to share best practices as they are developed and to discuss and address issues as they emerge.

On the broad issue of administrative and regulatory burden, UC will continue to work with our partners to promote the reduction of burden to more effectively advance our research mission.

## **A WORD OF THANKS**

The Office of Research and Graduate Studies would like to offer our deepest thanks for the extraordinary efforts that have been put forth by members of the Workgroup over the past two years. A list of Workgroup members is provided below. Without their expertise, participation, and spirit of fellowship, this work would not have been possible. We wish to also thank the campus and UCOP leaders who supported their many colleagues in implementing Uniform Guidance and helped us by sharing their wisdom and experience.

**The UC Uniform Guidance Workgroup**

**Office of the President**

Andrew Boulter  
Elizabeth Boyd  
Valerie Dixon  
Michael Kusiak  
Joao Pires  
Debbie Shen  
Wendy Streitz

**Agriculture and Natural Resources**

Kathy Nolan

**Berkeley**

Youssef Kubis  
Pamela Miller  
Patrick Schlesinger  
Todd Vizenor

**Davis**

Debra Henn  
Amy Holzman  
Cindy Kiel  
Mike Legrand  
Paula Noble  
James Ringo

**Irvine**

Helen Chang  
Nancy Lewis  
Bent Neilsen  
Grace Park  
Sandra Stevens  
Jeffrey Warner

**Los Angeles**

Joe Andreu  
Cindy Gilbert  
Kathy Kawamura  
Sharon Lam  
Patti Manheim

**Merced**

Autumn Tjalsma Salazar  
Jennifer Teixeira  
Thea Vicari (retired)

**Riverside**

Charles Greer  
Bobbi McCracken  
Cynthia Wells

**San Diego**

Duyen Aller  
Mark Cooper  
Lynelle Gehrke

**San Francisco**

Regnier Jurado  
Nilo Mia  
Marge O'Halloran  
Tom Poon  
Deborah Rutkowski-Howard

**Santa Barbara**

Jessica Ajao  
Vaughn Boyle  
Cora Diaz  
Daniela Gallardo  
Jacob Godfrey  
Calli Price  
Melissa Waver

**Santa Cruz**

Deirdre Beach  
Marcie Coulter  
Paul Schell

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 APPENDIX A: SUBGROUP TASKS AND OUTPUTS

Assessment Report Task	Subgroup Output	Status
<b>Definitions/Direct Charging Subgroup</b>		
Define “essential” with regard to computing devices, found in section 7-210 of the C&G Manual.	Revisions to C&G Manual sections 7-210 and 7-310	Final draft distributed for Workgroup review December 2015; Estimated issuance Spring 2016
Define “integral” with regard to administrative and clerical salaries, found in section 7-310 of the C&G Manual.		
Revise section 7-210 of the C&G Manual to include language related to computing devices.		
Define “engagement” (§200.308) and explore the need for monitoring a PI’s engagement with the project.		
<b>Internal Controls Subgroup</b>		
Complete internal control assessment tool to determine whether there is reasonable assurance that internal controls are in place prior to FY16. This would include a comprehensive assessment of policies, procedures, training and systems.	Development of Internal Controls Documentation	3 draft Internal Controls Documentation templates distributed for review; Estimated issuance Spring 2016
Are internal controls effective? Do they need to be strengthened?	Principles of Accountability with Respect to Financial Transactions	
Take action to strengthen inadequate internal controls.		
<b>Certification of Vouchers/Invoices Subgroup</b>		
Determine if current signature authority for extramural funds is sufficient to comply with the new UG requirement that official signing be authorized to “legally bind” the non-federal entity. If not, seek authorization for those individuals. The authorization must be in place by the effective date of the Uniform Guidance.	No changes to existing policy needed	Estimated issuance March 2016
Seek advice from the Office of General Counsel to clarify the legal ramifications of signing such a statement. Additionally, procedures should be established for the defense of individuals by the university in cases where they are pursued legally by the federal agencies for certifying on behalf of the university.	Memo documenting research and conclusions to be published	
<b>Subrecipient Monitoring Subgroup</b>		
Review, and revise if necessary, BUS-43, RPAC Memo 85-31, and RPAC Memo 06-05 to ensure they are in compliance with §200.330.	Update C&G Manual Chapter 16 citations	Completed October 2015
	Draft subaward section for Chapter 16 of C&G Manual (cancel RPAC Memos 85-31 and 06-05)	Draft distributed for Workgroup and OP Procurement review; Estimated issuance Spring 2016
<b>Equipment Management Subgroup</b>		
Revise BUS-29 to explicitly include Use, FAIN and Percentage of Federal Participation in the minimum list of mandatory data fields under section III.B.7.	Changes to BUS-29 and BUS-38	Estimated issuance Spring 2016
Revise BUS-38 as related to the disposition of property.		Estimated issuance Summer 2016

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F&A Subgroup		
Revise the C&G Manual to include participant support costs as a budgetary item that is not subject to F&A.	Changes to C&G Manual Chapter 8	Estimated issuance Spring 2016
Revise C&G Manual Chapter 8 Indirect Cost		
Guidance will be needed to define what costs are appropriately in the participant support category and to clarify that those charges are not included in the modified total direct cost base.		
Effort Reporting Subgroup		
Review C&G Manual section 7-330 to remove restrictive language on effort reporting.	Revisions to C&G Manual sections 7-330 and 2-700	Draft distributed for Workgroup review December 2015; Estimated issuance February 2016
Prior Approval/Engagement Subgroup		
Update the C&G Manual and guidance memos as necessary to conform to the prior approval changes in the Uniform Guidance.	Reviewed 25 C&G Manual sections and UC policies, and concluded that the following will need to be updated: <ul style="list-style-type: none"> <li>- <i>C&amp;G Manual Chapter 6</i></li> <li>- <i>C&amp;G Manual Chapter 19</i></li> <li>- <i>C&amp;G Manual Chapter 17</i></li> <li>- <i>AM-A773-82</i></li> <li>- <i>AM-C555-21</i></li> <li>- <i>BFB-BUS34</i></li> <li>- <i>BFB-BUS-77</i></li> </ul>	Estimated issuance March 2016
Compare overall travel section with UC travel policies and procedures.	Inform owners of travel policies of recommended updates	
Agency-Specific Implementation Grid Subgroup		
Review federal agency implementation plans.	Comparison matrix	Completed September 2015
Alternative Compensation Documentation Subgroup		
Explore alternatives to effort reporting and payroll certification.	Group conducted a survey and did not find consensus to continue	<i>Deferred</i>