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Letter to OMB on Procurement and Fringe Benefits Implementation

Author: Costing Policies Committee

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COGR

an organization of research universities

COUNCIL ON GOVERNMENTAL RELATIONS

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June 17, 2014

Karen Lee
Branch Chief, Office of Federal Financial Management
White House Office of Management and Budget
725 17th Street, NW
Washington, DC 20005

Dear Ms. Lee,

The Council on Governmental Relations (COGR) requests that OMB and the COFAR provide exceptions/corrections for research performers (Higher Education and Nonprofit Research Institutions) applicable to two sections of the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 CFR Chapter I, Chapter II, Part 200, et al.): Procurement Standards (200.317 through 200.326) and Fringe Benefits (200.431(b)(3)(i) and 200.431(e)(3))*.

In previous correspondences, we shared with you that implementation of these two sections on December 26, 2014 is problematic for a number of reasons:

- **Increased Cost and Administrative Burden.** Implementation of both sections will result in an increase in cost and administrative burden. In the case of Procurement Standards, a change from the current standards in Circular A-110 to the more prescriptive and cumbersome standards in the Uniform Guidance will result in expensive process-workflow and IT system changes. In the case of Fringe Benefits, the Uniform Guidance includes new guidance (that was not addressed in the OMB Proposed Guidance; February 28, 2012), which suggests leave and other benefit costs be treated as indirect costs in certain situations. Again, this change will result in expensive process-workflow and IT system changes, and further, seems to mandate an accounting change that inappropriately requires a modification to currently accepted accounting practices.
- **Long Lead time.** Implementation of both sections cannot be accomplished by December 26th. Both require significant lead time of at least 18 months, and in the case of Fringe Benefits, would require federal approval of changes to the DS-2.
- **Risk to Program Performance.** In particular, implementation of the Procurement Standards will affect research productivity. For example, critical research tools and supplies that normally would be acquired in one-day would now take at least one-week to acquire. Research institutions have developed sophisticated, timely, and responsible procurement processes that meet the highest stewardship standards. A shift to the new standards in the Uniform Guidance will compromise the quality of research and add little to the level of accountability.

We request the following on behalf of Institutions of Higher Education (IHEs), Nonprofit Research Institutions (NRIs), and all research performers:

- **IHEs and NRIs are exempted from Sections 200.317 through 200.326.** Procurement Standards under Circular A-110 should be reinstated for research performers.
- **Sections 200.431 (b)(3)(i) and (e)(3) are updated in the Uniform Guidance,** via the following technical corrections:

(b)(3)(i) When a non-Federal entity uses the cash basis of accounting, the cost of leave is recognized in the period that the leave is taken and paid for. Payments for unused leave when an employee retires or terminates employment are allowable ~~as indirect costs~~ in the year of payment.

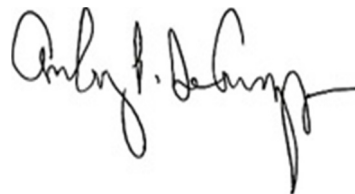
(e)(3) Actual claims paid to or on behalf of employees or former employees for workers' compensation, unemployment compensation, severance pay, and similar employee benefits (e.g., postretirement health benefits), are allowable in the year of payment provided that the non-Federal entity follows a consistent costing policy ~~and they are allocated as indirect costs.~~

The two issues addressed above are immediate priorities for the research community; the other priority issues that we have raised in other conversations will be addressed in subsequent correspondences.

We recognize the incredible effort and commitment that OMB and the COFAR have devoted to developing the Uniform Guidance. As the implementation date approaches, our concern is that these two fixable items, if not corrected, will distract from a successful implementation of the Uniform Guidance. While we urge you to implement the solutions proposed above, at a minimum, an 18 to 24 month grace period is necessary. This approach would formally delay implementation of these sections and will provide an opportunity for the research community to work with federal officials to develop reasonable alternatives during the grace period.

Thank you for your consideration of our request; we are happy to provide additional information, as needed. We respect the current workload pressures you are under and hope to address solutions by the end of June, or as soon as possible. Please contact David Kennedy at dkennedy@cogr.edu or at 202-289-6655, ext. 112 with questions.

Sincerely,



Anthony P. DeCrappeo
President

Cc: Victoria Collin, OMB
Gilbert Tran, OMB