



UNIVERSITY
of ALASKA
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April 27, 2012

Office of Management and Budget
725 17th Street NW
Washington, DC 20025

Attention: Office of Federal Financial Management “Grant Reform”

The University of Alaska greatly appreciates the opportunity to comment on the “Advance Notice of Proposed Guidance” issued on February 28, 2012 and titled, *Reform of Federal Policies Related to Grants and Cooperative Agreements; Cost Principles and Administrative Requirements (including Single Audit Act)*. (77 FR 11778)

The University of Alaska is the only public university system in the State of Alaska, and is comprised of three regional universities in Anchorage, Fairbanks and Juneau. We serve over 35,000 students and expend nearly \$300 million annually in awards from a diverse group of federal agencies. Research expenditures alone comprise \$150 million. Accordingly, we have a vested interest in the reform efforts of OMB.

The time is ripe for meaningful reform. We strongly support the ideas that yield simple, practical solutions that reduce administrative burden while respecting the need to maintain a reasonable level of oversight. We believe that in many cases options should be provided to colleges and universities rather than a “one size fits all” approach. As such, we embrace these concepts in our response to you.

A. Overarching Questions

1. Which of these reform ideas would result in reduced or increased administrative burden to you or your organization?

- Eliminate the current effort reporting requirement (reduced burden)
- Change the frequency of single audit to every two years for those organizations deemed low-risk and that have had no findings of significant deficiency or material weakness (reduced burden)

2. Which of these reform ideas would be the most or least valuable to you or your organization?

The most valuable reform idea would be to eliminate the current Effort Reporting Requirement and adopt a model like that of the Federal Demonstration Partnership.

The least valuable reform ideas are to implement flat or discounted F&A rates and to consolidate the circulars.

3. *Are there any of these reform ideas that you would prefer that OMB not implement?*

We prefer that OMB not implement the flat or discounted F&A rate options. We also prefer that OMB not consolidate the circulars.

4. *Are there any reform ideas, beyond those included in this notice, that OMB should consider as a way to relieve administrative burden?*

- Federal agencies should have to honor F&A rates on all federal sponsored projects, if an institution has a fully negotiated rate.
- Eliminate requirement to conduct a lease-purchase analysis for interest costs
- Eliminate requirement to conduct studies of cost reasonableness for large research facilities
- Eliminate restrictions on use of indirect costs recovered for depreciation or use allowance

B. Single Audits

1. *In general terms, how important are Single Audits to your entity or to entities you audit for subrecipient monitoring?*

Essential. As its name implies, the "Single" in Single Audits reflected an intention to "set forth standards for obtaining consistency and uniformity among Federal agencies for the audit of States, local governments..." (purpose statement of OMB Circular A133). More reliance should be placed on the Single Audit, so that the federal government can reduce duplicative agency-specific audit procedures and reporting requirements. For example, the eZ-Audit submission requirements by Department of Education represent a separate reporting requirement that could be accomplished through the existing Federal Audit Clearinghouse.

Single audits are the primary means by which we assess the risk of a subrecipient. Our ability to continue to rely on Single Audits significantly reduces our administrative burden especially when dealing with a large number of awards and subrecipients.

2. In general terms, what impacts would the following changes to the Single Audit framework have on your organization in administrative burden and in ability to provide oversight of subrecipients?

a. Increasing the Single Audit threshold to \$1 million?

Any proposed increase in the threshold should be offset by expectations on oversight. Since smaller subrecipients would no longer be subject to Single Audit, we would no longer be able to rely on the audit.

Considering the effort and expectations with regard to subrecipient monitoring, OMB should allow prime recipients to recover F&A on the first \$25,000 of each subgrant each and every year during the life of the project.

b. Requiring a more focused Single Audit (with only two compliance requirements) for an entity expending between \$1 million and \$3 million?

Consideration needs to be given to the impact on subrecipient monitoring so that the prime recipients responsibilities are not increased.

c. Requiring full Single Audits for any entity expending more than \$3 million?

This provision is acceptable provided that it is not offset by additional program specific tests and provisions.

3. Should the Single Audit threshold(s) be increased, and if so, to what extent?

Yes, the levels noted in item number 2 are appropriate, provided that no additional requirements placed on prime recipients relative to monitoring subrecipients.

4. Which types of currently universal Single Audit compliance requirements do you think are most essential to identifying and mitigating waste, fraud and abuse?

The general requirements as currently provided in A-133 are essential to identifying and mitigating waste, fraud and abuse. However, when individual agencies expand these expectations by adding agency specific compliance requirements, the administrative burden is often times increased significantly. If there are specific concerns which can be identified as being of wide benefit, perhaps those expectations should be included as part of the general requirements and the ability to add additional layers of expectations eliminated at the agency level.

5. What processes or tools should the Federal Government implement in order to ensure better coordination in the Single Audit oversight by Federal agencies and

pass-through agencies, including the resolution of audit findings that cut across multiple agencies' programs?

- The Federal Audit Clearinghouse should play a more pivotal role to ensure better coordination. It may be that some agencies and prime recipients are not aware of the audit information collected at the Clearinghouse. Requests for information and evaluation of risk by multiple agencies and others could be minimized simply by pointing more agencies to the Clearinghouse information. Agencies should be required to justify why additional procedures beyond those in the Single Audit are required.
- In order to improve the resolution of audit findings, federal agencies should be required to post the fact that a finding was satisfactorily resolved on the Clearinghouse. Another agency attempting to follow up on the same finding should be required to check the Clearinghouse first to see if was already satisfactorily reviewed and resolved by a different agency.
- Standardize the compliance expectations across federal agencies.
- Increase the questioned cost threshold from \$10,000 to a higher amount.
- Rely on the Single Audit as the primary monitoring tool for compliance. Reduce or eliminate unnecessary additional detailed scope reviews of programs.
- Single Audits should be done every other year if the auditee is a low risk organization. There would be a strong disincentive to becoming high risk, as it would involve additional time and money for the auditee.

C. Cost Principles

1. On indirect cost rates:

a. Would administrative burden be reduced by having an indirect cost rate in place for 4 years?

No, administrative burden would not be reduced by having an F&A rate in place for 4 years at our institution. F&A rate cycles should not be mandated to be the same for all institutions. Our organization utilizes a 3 year rate cycle; this works well for our institution. A space survey is performed in the base year, as well as compliance reviews to ensure the data is recorded accurately for the rate proposal. The proposal is developed the next year, and the audit and rate negotiations extend into the following year. Adding a fourth year would not benefit us, but rather create a period for staff involved in the proposal process to become unfamiliar with the process or turnover in the intervening year. Institutions should be granted the option to have a rate cycle that suits the needs of both the institution and their cognizant agency. Utilizing a "one size fits all" approach for all institutions will not reduce administrative burden.

- b. Are there any existing Federal or state level statutory/regulatory/agency requirements that would prohibit recipients from using a "flat" indirect cost rate if it were proposed?**

There are no statutory/regulatory/agency requirements that would prohibit "flat" F&A rates, however a flat F&A rate may create undue hardship for institutions that continue to face increasing facilities costs to heat and maintain their facilities. In addition, federal funding for universities is volatile, which impacts the F&A rate calculation. Flat rates do not recognize fluctuation in the economy and the varying cost structures of each university.

- 2. What are your views on the following types of indirect cost rates?**

- a. A flat rate.**

There are too many factors impacting the F&A calculation that would negatively impact the rates if institutions were required to convert to flat rates. Institutions already experience reduced F&A rates when federal agencies place arbitrary caps on the amount of F&A they will reimburse on sponsored projects. Federal agencies should be required to honor an institution's F&A rate agreement once it has been negotiated with their cognizant agency. When institutions have to be knowledgeable about each agency's unique regulations impacting F&A recovery, it creates additional burden on the institution and on federal auditors.

- b. Longer term for negotiated rates to be in effect.**

Longer terms for F&A rates should be an option for all institutions, however, requiring a 4 year rate cycle for all schools may also be detrimental for some schools. We support allowing institutions a range of terms for negotiated rates to be in effect. For instance, rate cycles could be a minimum of 3 years and a maximum of 6 years. Another option would be to offer a 3 year rate cycle, with the option to extend up to 3 years.

- c. A flat rate that would be a fixed percentage of the organization's already existing negotiated rate.**

We do not support this option, see response to item "a".

- 3. In general terms, what would be the cost implications of implementing each of the following reforms, and/or of all of them together?**

- a. The proposed clarifications to allowable charges of directly allocable administrative support as a direct cost. As currently envisioned, reforms would clarify that project-specific activities such as managing substances/chemicals, data and image management, and security are allowable.**

If a cost can be allocated directly to a project, then it should be allowable to charge as a direct cost to a program, regardless of the type of cost. It should not be necessary to address the treatment of all allowable or unallowable costs in the circulars. It is sufficient to list the criteria an institution should follow when determining whether a cost is directly allocable such as whether the cost is reasonable, allocable, treated consistently as direct or indirect.

b. Allowing costs associated with recovery of improper payments.

If these costs can be associated with a specific project, they should be considered directly allocable as a direct cost. If the costs cannot easily be associated with a specific project, they should be considered an indirect cost.

c. Allowing excess capacity for telecommunications and public safety projects?

Although we agree that excess capacity for telecommunications and public safety projects should be allowable, the costs would be considered administrative, which is already capped at 26%, therefore this reform would have no impact.

4. Would you be potentially interested in participating in a piloted alternative for time-and-effort reporting? Is there a permanent change to time-and-effort requirements that you recommend OMB consider?

Yes, we would be potentially interested in participating in a pilot.

As an alternative to existing time-and-effort requirements, there should be more reliance placed on the accuracy of Financial Status Reports and Programmatic reports. Requiring time-and-effort reports, in addition, does not add substantial value, but the administrative burden is significant. If agencies are satisfied with the outcomes reported in the programmatic reports, then it should not be necessary to add another layer of reporting for PI's to certify.

If an alternative to Effort Reporting is adopted, then it is helpful to provide general guidance in the circulars, however, being overly prescriptive in the circular is counterproductive. Institutions should be provided with general guidance, and then be allowed to establish practices at their institutions to comply with the guidance. Prescriptive rules on how to report effort does not add value and becomes a source of disagreement between auditors and recipients, thereby adding administrative burden for both parties.

5. If your organization is an educational institution that does not currently receive the Utility Cost Adjustment (UCA), what are the general factors that your organization would likely consider in deciding whether to conduct a cost study, and complete a plan to reduce utility costs, in order to justify receiving the UCA?

The 1.3% UCA should be made applicable to institutions participating in research as studies already suggest that utility costs associated with research buildings and labs are understated in the recovery of F&A. Conducting a cost study to justify receiving the 1.3% UCA and further requiring a plan to reduce utility costs only adds to the administrative burden on universities. Universities already make efforts to reduce utility costs due to the financial impact that utilities have on university budgets.

6. *For organizations with CAS-covered contracts, are their differences between what is envisioned here and the standards for CAS-covered contracts in the FAR that you believe could be challenging to address?*

No comment

D. Administrative Requirements

1. *What areas of past performance should be considered as part of a Federal agency assessment of recipient risk?*

- More reliance should be placed on the Single Audit for a risk assessment. For example, what is the entity's history with regard to material weaknesses, reportable conditions and questioned costs?
- Did the recipient invoice in a reasonable and timely manner?
- Did the recipient's invoice amount reflect progress reported in the technical report?
- Did the recipient closeout the award in a timely manner?

2. *What specific standards should be considered in Federal agencies' evaluation of merit prior to making Federal awards?*

No comment

3. *With respect to the existing government-wide standard information collection requests (ICRs) for grant applications and grant reporting –*

- a. *Do these ICRs provide necessary information to enable Federal agencies to review grant applications or to monitor the progress of grant awardees?*

Yes, when coupled with agency specific requirements

- b. *Are these ICRs unnecessarily burdensome and, if so, in what way(s)?*

- Agencies are not consistent in their form, format or data element requests
- Definitions of terms are different across the federal agencies. Universities must then spend time trying to figure out which each mean to each agency
- An individual applying for more than one award under the same call for proposals must provide the same information with each one. It would be much preferred if there was a single standard data element database in the Federal system (e.g. SciENCv database) where reviewers could access the institutional or individual information.

4. *Should there be sets of standard data elements based on the type of assistance being provided?*

Yes

5. *Are there any system issues and associated costs that may arise as a result of implementing the new pre-award and post-award requirements? In general, what is the rough order of relative magnitude of these costs?*

Unknown

Please contact me directly if more information is needed. Thank you again for the opportunity to respond.

Sincerely,



Myron J. Dosch
Controller