

UNC/NC DHHS Master Agreement

Treatment of contracts under the Uniform Guidance, 2 CFR Part 200

NC DHHS issues contracts to UNC campuses for both purchase of services and financial assistance. Following are the criteria NCDHHS contracting personnel are required to use by the Office of State Budget and Management to determine if a funded project is a purchase of services or financial assistance:

Tally the points entered in each column. The column with the most points should be a good indicator of the designation of the organization.	Financial Assistance	Purchase of Service
	Yes	No
Does the contractor determine eligibility? (10 Points)		
Does the contractor provide administrative functions, such as:		
Develop program standards, procedures and rules (5 points)		
Program Planning (5 points)		
Monitoring (5 points)		
Program Evaluation (5 points)		
Does the contractor have responsibility for program compliance? (5 points)		
Is contractor performance measured against whether specific objectives are met? (5 points)		
Does the contractor have responsibility for programmatic decision-making (5 points)		
Is the contractor objective to carry out a public purpose to support an overall program objective (10 points)		
Does the contractor have to submit a cost report to satisfy a cost reimbursement agreement (5 points)		
Does the contractor have any obligation to the funding authority other than the delivery of the specified goods/services (5 points)		
Does the contractor operate in a noncompetitive environment (5 points)		
Does the contractor provide these or similar goods and/or services only to the funding agency (5 points)		
Does the contractor provide these or similar goods and/or services outside normal business operations (5 points)		
Cumulative total will indicate the relationship - grant (financial assistance) or vendor (purchase or service)		

Indirect Cost Activities

NC DHHS will include 10% total direct costs F&A on contracts for Purchase of Services. For Financial Assistance contracts, NCDHHS will include the federally-negotiated indirect cost rate applicable to the type of work being conducted and the location (on or off campus as indicated in the UNC campus proposal) unless statutory or legislative restrictions apply (see administrative costs below). Following are the categories of possible activities under contract, which will be reflected in the institution's negotiated F&A rate agreement:

Instruction:

All teaching and training activities, except research training:

Any project for which the purpose is to instruct any student at any location (UNC students or staff, teachers or students in K-12 schools or the general public). Instruction may be offered for credit toward a degree or certificate or on a noncredit basis, through an academic department or through separate divisions, such as summer school or continuing education programs.

Curriculum development projects at any level including:

General support for the writing of textbooks or reference books, video or software to be used as instructional materials

Examples of key words: curricula, classroom teaching, training, professional development.

Organized Research (Research and Development):

Research and Development is all research activities, both basic and applied, and all development activities that are performed by a Contractor entity. Research is defined as a systematic study directed toward fuller scientific knowledge or understanding of the subject studied. The term Research also includes activities involving the training of individuals in research techniques where such activities utilize the same facilitates as other Research and Development activities and where such activities are not included in the instruction function. Development is the systematic use of knowledge and understanding gained from Research directed toward the production of useful materials, devices, systems, or methods, including design and development of prototypes and processes.

Examples of key words: analysis, design, test, simulate, create.

Other Sponsored Activities:

This category covers activities other than defined in Instruction and Organized Research above, sponsored by external entities.

Examples of key words: health service projects, community service programs, and technical assistance projects to disseminate information to a non-student audience.

Administrative Costs (Restrictions or Caps) on Pass Through Funds

In the event the prime award funding legislation or statute places a cap on or restricts administrative costs, contracts issued under these prime awards carry the same cap or restrictions. Each prime award must be examined by the NC DHHS contracting personnel to determine if any caps or restrictions on administrative costs are required.

Following are some general guidelines for what constitutes an administrative cost, which could include indirect costs:

Administrative costs are associated with the overall project management and administration and are not directly related to the provision of services to participants or otherwise allocable to the program cost objective/categories. Costs can be personnel and non-personnel, direct and indirect

Administrative costs include those activities that pertain to establishing and administering policy for operating the entity or with handling the overall administrative responsibilities for an entity and program.

Administrative costs include direct administration such as salaries, benefits and other expenses of the recipient or subrecipient's staff who perform overall program management, as distinct from overall program implementation.

Administrative costs include indirect costs, including payroll, procurement, personnel functions, management, maintenance and operation of space and property, data processing and computer services, account, budgeting and auditing.

Block Grants to the State of North Carolina

Block grants are a form of grant-in-aid that the federal government uses to provide state and local governments a specified amount of funding to assist them in addressing broad purposes, such as community development, social services, public health, or law enforcement

Block grants are large awards granted by a Federal agency to a state with only general provisions as to the way the funds are to be spent. The award amounts are determined through a formula that could be based on population or poverty levels. This funding mechanism does not have a 'proposal' in the project grant sense. Instead, the state submits a comprehensive State Plan describing how it addresses the various service areas that fall under each block grant. Different

matching and administrative cap requirements may apply to different services, even within a single block grant, and must be applied to pass-through awards supporting those services.

In North Carolina, Block grant funding is subject to the approval of and appropriation by the North Carolina General Assembly as part of the State Appropriations Act for each state fiscal year.

Federal Participation Requirements

NC DHHS will often fund contracts with both Federal and state of North Carolina funds. Certain Federal prime awards include “Federal Participation Requirements,” which are essentially state match against Federal funds.

When NC DHHS funds a contract with Federal funds and state funds and the Federal prime award includes “Federal Participation Requirements,” then the applicable F&A rate will apply to the entire amount of the contract.

If NC DHHS funds a contract with both Federal and state funds AND the Federal prime award DOES NOT include “Federal Participation Requirements,” then the applicable F&A rate will apply to the Federal funds only and 10% F&A (on TDC) will be allowed on the state portion of the contract funding.

Contracts funded by 100% Federal Funds should provide the full negotiated indirect cost rate for the type of work being conducted unless restrictions or cap on administrative costs are included in the prime award statute/legislation.

Matching Costs

If matching costs are required, a University program may recover less than its full negotiated F&A rate on a Financial Assistance contract using Federal funds. If the Federal sponsor allows, the difference between F&A recovered and the Federal negotiated rate represents cost sharing on the part of the University and should be identified as such in the contract budget. University processes for the approval of F&A reductions apply.

Application of F&A to NC DHHS Contracts

Type of Contract and Funding Source(s)	Applicable F&A Rate(s)					
	Full F&A on Total Funds	Full F&A on Federal Fund Portion	Limited F&A on Total Funds	Limited F&A on Federal Fund Portion	10% on State Fund Portion	10% on Total Funds
Purchase of Services						X
Financial Assistance 100% State of NC funds						X
Financial Assistance 100% Federal funds not subject to a Federal Administrative Cap	X					
Financial Assistance Both Federal and State of NC funds with Federal Participation Requirements and not subject to a Federal Administrative Cap	X					
Financial Assistance Both Federal and State of NC funds without Federal Participation Requirements and not subject to a Federal Administrative Cap		X			X	
Financial Assistance 100% Federal Funds with Administrative Cap Requirements			X			
Financial Assistance Both Federal and State of NC funds with Federal Participation Requirements and with Administrative Cap Requirements			X			
Financial Assistance Both Federal and State of NC funds without Federal Participation Requirements and with Administrative Cap Requirements				X	X	