

September 13, 2018

New Procurement Standards Impacting Research and Development Activities

HIGHER EDUCATION

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The Research and Development (R&D) Cluster encompasses a variety of programs in which the federal government sponsors research and development activities through a number of awards, such as contracts, grants, cooperative agreements, etc. The purpose and objectives of each project vary widely from award to award, and as such, the specific requirements, involved organizations, and amounts awarded are unique to each award. From a compliance perspective, the wide variety of requirements and terms within individual awards calls for those involved with compliance within the organization to perform a detailed assessment of which compliance requirements per 2 CFR 200 are applicable to the specific award. In this assessment, organizations must determine which of the 12 types of compliance requirements are likely to have a direct and material effect on the R&D cluster.

Within the 12 compliance requirements, procurement standards have seen significant change. Because a large portion of R&D awards typically call for the non-federal entity to purchase equipment, supplies, contracted services, etc. to assist in the outlined research and development activities, these changes will likely have a significant effect on the organization's procurement procedures and processes. The changes to procurement were issued as part of the Office of Management and Budget's (OMB's) grant reform, titled "Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards." Although overall changes to federal awards were implemented in 2014, the OMB issued a grace period of three full fiscal years for implementation of the procurement standards in 2 CF 200.317 through 200.326. The standards are now in effect, impacting fiscal years beginning on or after December 23, 2017, or for organizations with June 30 year-ends, the new standards were effective July 1, 2018.

Changes to the procurement standards revolve heavily around an increase in documentation for contractor selection and oversight, written employee conduct policies, conflict-of-interest policies in place, and procurement documentation retention. To promote open competition, organizations must focus on the most economical solution or bid during the selection process and should avoid using federal funds for unnecessary items. In addition, organizations cannot specify only "brand name" products, instead of allowing "an equal" product to be offered, and cannot place unnecessary requirements for potential firms or unnecessary experience requirements from those firms.

Although the level of documentation required and solicitation to multiple vendors depends upon the size of the purchase, from an R&D award perspective, these changes can have significant impacts on equipment and supplies purchased to be used for

research and development activities, as well as any outsourced activities to assist in development activities. Organizations must more diligently determine which vendor provides the best product in line with program needs, for the most economic price. Organizations that have traditionally partnered with vendors due to long-term relationships and experience will need to reevaluate their basis of selection of those vendors, and may ultimately be required to take on more economical selections to fall within the new requirements and promote more open competition.

For R&D activities, organizations must find the balance between appropriate pricing, while keeping the quality of equipment and services necessary for the activities to be performed. From an administrative standpoint, these changes to the procurement standards may initially create an extra burden for organizations, since more ground work needs to be done in the final selection of vendors, and documentation surrounding the process and selection is required to be much more robust.

Because these standards are now fully in effect, organizations need to be reassessing and revising procurement and purchasing policies to ensure they are in line with all requirements of the revised federal standards. This also encompasses a shift in the documentation that organizations need to be retaining for all steps of the procurement process. Organizations need to have to support regarding why selections were made, and the evaluation process of how those selections were decided upon. Although initially this may prove to be an administrative burden in the first year of implementation, over time organizations should see an economic benefit to the robust procurement evaluations.

For additional information regarding the procurement standards, refer to the full requirements in accordance with the [Code of Federal Regulations](#).

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