



**OMB GRANT REFORM:  
AN OVERVIEW OF THE RECENT CHANGES AND TIPS  
TO HELP YOU COMPLY**

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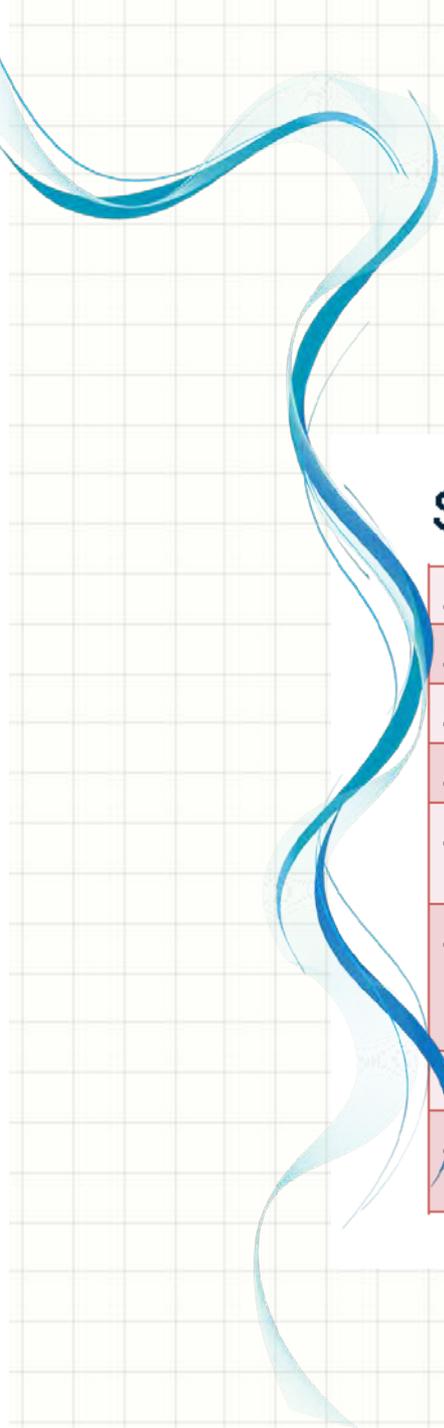
Effective Date: December 26, 2014

# Document link and effective date

- OMB Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards “Super Circular” or “Omni Circular”
- Published in Federal Register on December 26, 2013
- OMB and federal agencies to work in unison to issue additional regulations or guidance which will be effective one year from publication of this guidance (December 26, 2014)
- Single audit changes effective for years ending December 31, 2015 and after
- <https://www.federalregister.gov/articles/2013/12/26/2013-30465/uniform-administrative-requirements-cost-principles-and-audit-requirements-for-federal-awards> 5

## Objective of the grant reform

- > Reduce administrative burden for those receiving federal awards, while also reducing risk of waste, fraud and abuse
- > Improve the integrity of financial management and operation of federal programs
- > Strengthen accountability for federal dollars by improving policies that protect against waste, fraud, and abuse
- > Increase impact and accessibility of programs by minimizing time spent complying with unnecessarily burdensome administrative requirements
- > Reorient recipients toward achieving program objectives
- > Grants awarded based on merit
- > Increased management focus on performance outcomes
- > Streamlined rules governing federal funds
- > Single audit oversight tool is better focused to reduce waste, fraud, and abuse



# Impacted circulars

## Streamlining of related circulars and guidance

|       |   |
|-------|---|
| A-21  | Cost Principles for Educational Institutions  |
| A-50  | Audit Follow-Up, related to Single Audit  |
| A-87  | Cost Principles for State, Local, and Indian Tribal Governments   |
| A-89  | Federal Domestic Assistance Program Information   |
| A-102 | Awards and Cooperative Agreements with State and Local Governments  |
| A-110 | Uniform Administrative Requirements for Awards and Other Agreements with Institutions of Higher Education, Hospitals, and Other Nonprofit Organizations |
| A-122 | Cost Principles for Non-Profit Organizations  |
| A-133 | Audits of States, Local Governments and Non-Profit Organizations  |

# Three major sections

A

Reforms to  
administration  
requirements

B

Reforms to cost  
principles

C

Audit  
requirements

# Administrative requirements key changes

## Focus on performance

| Changes  | Section |
|--|---------|
| Authority for OMB to waive certain compliance requirements and approve new strategies for innovative program designs that improve cost-effectiveness and encourage effective collaboration across programs | 200.102 |
| Fixed amount awards focused on meeting performance milestones  | 200.201 |
| Emphasis on performance goals and performance reporting  | 200.301 |

# Administrative requirements key changes

## Technology

| Changes   | Section |
|---|---------|
| Defined that computers are considered supplies, not equipment                   | 200.94  |
| Flexibility in electronic document retention, with associated internal controls | 200.335 |

# Administrative requirements key changes

## Standardized requirements

| Changes                                       | Section                                  |
|---|--|
| Consistent definitions                        |  |
| Notice of Funding Opportunities               | 200.203<br>and Appen I                   |
| Award, Application and Reporting Requirements | 200.210<br>200.301<br>200.327<br>200.328 |
| Payment of interest earned on federal funds   | 200.305                                  |

# Recommended action items

Read and understand

- Federal register notice, as applicable
- Guidance to be issued by federal granting agencies and pass through entities
- Training opportunities

Inform and educate

- Key grant personnel
- Management
- Governing body
- Subrecipients

Create and action plan

- Determine necessary research
- Communication plans
- Policy and procedure changes needed to be in compliance
- Subrecipient impact

# Administrative requirements key changes

## Stronger oversight

| <b>Changes</b>   | <b>Section</b>     |
|--|--------------------|
| Emphasis on conflict of interest policies and procedures   | 200.112<br>200.113 |
| Internal control guidance added to administrative requirements (COSO and green book tied in)     | 200.303            |
| Emphasis for federal agencies to build on single audit results, rather than repeating procedures | 200.503            |
| Subrecipient monitoring requirements   | 200.331            |

# Cost principles key changes

## Indirect/direct costs

| Changes   | Section |
|---|---------|
| Clarification that administrative costs may be treated as direct costs when they meet certain conditions                                    | 200.413 |
| Provision for de minimis indirect rate of 10% of modified total direct costs (MTDC) for those who have never had a negotiated indirect rate | 200.414 |
| For those with negotiated rates, requires federal agencies to accept (usually)  | 200.414 |
| Entities may apply for a negotiated rate at any time  | 200.414 |
| Existing negotiated rates may be extended for up to four years  | 200.414 |
| Pass through entities required to provide indirect cost rate to subrecipients   | 200.331 |

# Cost principles key changes

## Time and effort reporting

| Changes  | Section |
|--|---------|
| Focus on high standards for maintaining strong internal controls to justify costs of salaries and wages  | 200.430 |
| Flexibility in process used to meet those standards  | 200.430 |
| Personnel activity reports not specifically required – focus shifted to appropriate internal controls in place to ensure that charges to federal awards for salaries and wages are based on records that accurately reflect the work performed | 200.430 |
| Maintained that when charges based on budgeted amounts, internal controls must exist to ensure adjustments are made so final amounts charged to federal awards are proper  | 200.430 |

# Cost principles key changes

## Other items of interest

| Changes   | Section |
|---|---------|
| List of items requiring prior written approval  | 200.407 |
| Advertising and public relations clarified, include program outreach  | 200.421 |
| Audit services allowable indirect cost when single audit not required                                       | 200.425 |
| Fringe benefits – excessive severance unallowable   | 200.431 |
| Conference spending clarified   | 200.432 |
| Contingency costs clarified   | 200.433 |
| Employee “morale” costs eliminated  | 200.437 |
| Entertainment still unallowable, but exceptions with a programmatic purpose in award or with prior approval | 200.438 |

# Cost principles key changes

## Other items of interest

| Changes  | Section |
|--|---------|
| Organizational costs generally unallowed                                   | 200.455 |
| Publication costs treatment clarified when after grant award               | 200.461 |
| Recruiting costs clarified   | 200.463 |
| Limitations on relocation costs  | 200.464 |
| Travel costs may include temporary dependent care in certain circumstances | 200.474 |

# Single audit changes

- > **Effective for years ending on and after December 31, 2015 (no early implementation)**
  - > **Effective for years ending on and after December 31, 2015 (no early implementation)**
  - > **Single audit threshold raised to \$750,000**
  - > **Low risk auditee criteria updated**
    - going concern incorporate
    - inability for cognizant/oversight agency to approve exceptions
  - > **Type A program threshold raised to \$750,000 (or still 3%, \$3 million, .3% for larger entities)**
  - > **Type Bs – not required to identify more high risk Type Bs than at least 25% low risk type As**
  - > **Type B floor changed to 25% of Type A threshold**
  - > **Criteria for high risk type A changed**
- 25% low risk type As**
- > **Type B floor changed to 25% of Type A threshold**
- > **Criteria for high risk type A changed**

# Single audit changes

- > Questioned costs threshold raised to \$25,000 (known or likely)
- > Questioned costs section requires description of how calculated
- > Findings require “perspective” section (isolated, prevalent, type of sampling used)
- > Repeat findings require identification as repeat and the prior finding reference number

# Single audit changes

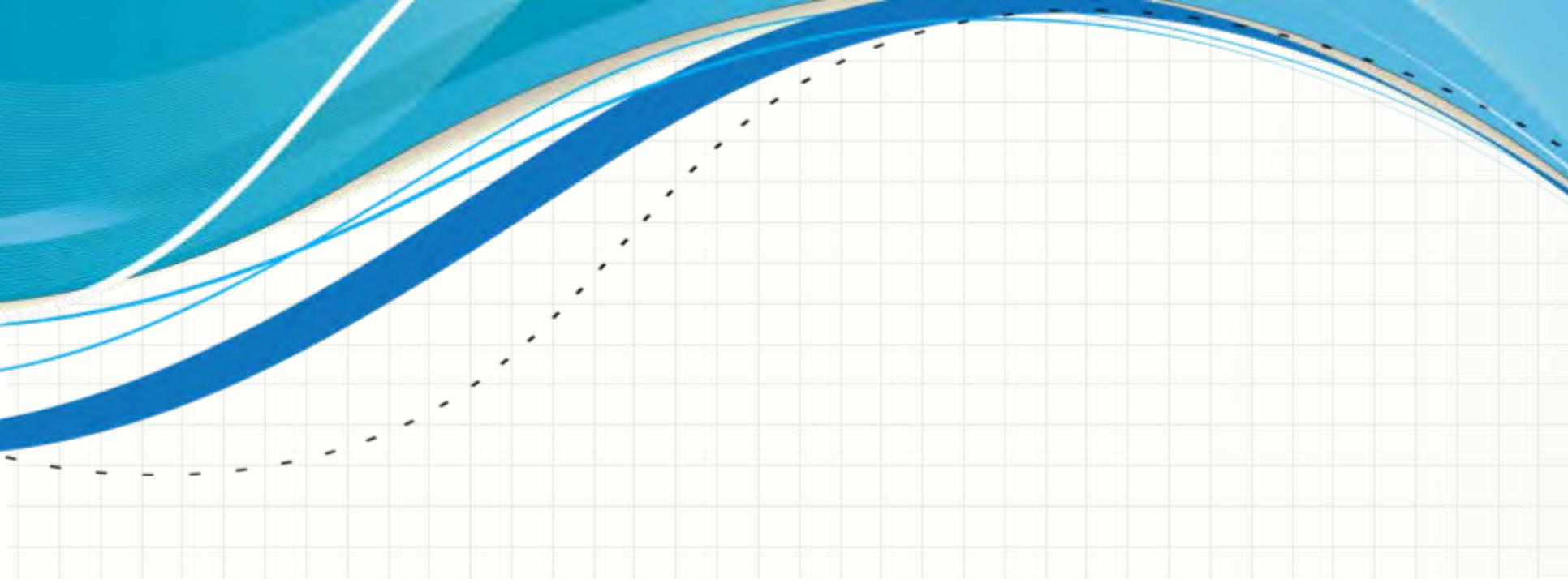
- > Coverage requirements for major programs tested changed to 20% for low risk auditees and 40% for non-low risk auditees
- > Online publication of reports (Clearinghouse)
  - Intended to be the sole point of submission and access moving forward
- > “Next business day” due date provision
- > Auditee certification that no protected personally identified information included in reporting package
- > SEFA requires payments to subrecipients (language on extent practical is removed)
- > Federal agencies must indicate in CFDA whether program is subject to single audit.

# What hasn't changed

- > Federal due date is still nine months after fiscal year end.
- > Any future changes would require a change in federal law (not currently proposed).

# Anticipated streamlining compliance requirements

| Compliance requirements                    | Current |
|--|---------|
| A. Activities Allowed or Unallowed         | ✓       |
| B. Allowable Costs/Cost Principles         | ✓       |
| C. Cash Management                         | ✓       |
| D. Davis-Bacon Act                         | ✓       |
| E. Eligibility                             | ✓       |
| F. Equipment                               | ✓       |
| G. Matching, Level of Effort, Earmarking   | ✓       |
| H. Period of Availability of Federal Funds | ✓       |
| I. Procurement, Suspension, Debarment      | ✓       |
| J. Program Income                          | ✓       |
| K. Real Property                           | ✓       |
| L. Reporting                               | ✓       |
| M. Subrecipient Monitoring                 | ✓       |
| N. Special Tests and Provisions            | ✓       |



**QUESTIONS?**