Federal Grant Reform

Uniform Grant Guidance Updates

October 15, 2015

Florida Grants Consortium Workgroup
Objectives

• Provide agencies an overview of the requirements of the new OMB guidance

• Share questions to identify other hot topics and training opportunities

• Your next steps
  – Are changes needed for your agency?
  – Who needs to be involved?
  – How will you document changes, train staff & implement?
Agenda

• Overview
• Administrative requirements
  – Impact on financial management systems
  – Pass-through entity and subrecipient/subaward requirements
• Cost principles
  – Indirect costs
  – Allowable costs
• Next steps
• Open Forum – Q&A
Goals of guidance reforms

1. Increase competition for grant funds
2. Focus on performance accountability over compliance
3. Eliminate duplication and conflicting instructions
4. Encourage efficient use of IT and shared services
5. Provide for consistent and transparent treatment of costs

Overview

Goals of guidance reforms

6. Limit allowable costs to make best use of federal resources
7. New (better) administrative processes that reduce burden on entities and set standard business processes/definitions
8. Encourage family-friendly policies
9. Strengthen oversight
10. Target audit efforts on waste, fraud and abuse

Overview

• Eliminate duplicative/conflicting guidance
• All guidance now streamlined in 2 CFR 200

Awards Received
• A-102 & A-89
• A-87
• A-133 & A-50

Subawards to universities
• A-110
• A-21

Subawards to nonprofits
• A-110
• A-122
• Final guidance issued in Federal Register on December 26, 2013
• Can be found at
  – 2 CRF § 200
  – COFAR website at cofar@omb.eop.gov
  – COFAR = Council on Financial Assistance and Reform
  – Website above also has FAQs, videos, crosswalk guidance, etc.
Overview – Table of Contents

- Subpart A (§ 200.00) Acronyms & Definitions
- Subpart B (§ 200.100) General Provisions
- Subpart C/D (§ 200.200 & 200.300) Pre/Post Federal Award Requirements
- Subpart E (§ 200.400) Cost Principles
- Subpart F (§ 200.500) Audit

Source: 2 CFR Part 200
Overview – Federal Requirements

All are binding agreements and include:
- Performance requirements
- Outcome measurements
- Reporting requirements
- Mandates (funded and unfunded)
Overview – Federal Requirements

Public Laws
Passed by Congress and signed by President to become part of the United States Code.

Federal Regulations
From Federal Departments to implement the laws (programs) are found in the Code of Federal Regulations.

Uniform Guidance, 2 CFR Part 200
From the Office of Management and Budget is incorporated (codified) into administrative regulations from each Federal Department.

Specific Requirements
Applicable to a recipient would be incorporated into a grant condition.

Additional guidance from Federal agencies could be program instructions, information memorandums, technical assistance guides, etc.

Overview – Table of Contents

- Appendix I. Notice of Funding Opportunity
- Appendix II. Contract Provisions for Non-Federal Entity Contracts under Federal Awards
- Appendix III. Indirect (F&A) Costs - Educational Institutions
- Appendix IV. Indirect (F&A) Costs - Nonprofit Organizations
- Appendix V. State/Local Government and Indian Tribe-Wide Central Service Cost Allocation Plans
- Appendix VI. Public Assistance Cost Allocation Plans

Source: 2 CFR Part 200
Overview – Table of Contents

- Appendix VII. State and Local Indirect Cost Proposals
- Appendix VIII. Nonprofit Organizations Exempted from Subchapter F Cost Principles
- Appendix IX. Hospital Cost Principles – See 45 CFR Part 74 Appendix E (not updated)
- Appendix X. Data Collection Form (SF-SAC)
- Appendix XI. Compliance Supplement
- Appendix XII. Award Term Condition for Recipient Integrity and Performance Matters

Source: 2 CFR Part 200
Subpart A – Acronyms/Definitions

§ 200.0 Acronyms from all prior circulars

• 45 acronyms are listed

• 113 definitions are explained
  – Many new definitions have been included
§ 200.100 Purpose

• Establishes uniform administrative requirements, cost principles and audit requirements

• Provides basis for a systematic and periodic collection of uniform information to OMB

• Federal agencies must not impose additional/inconsistent requirements
Subpart B – General Provisions

§ 200.101 Applicability

• Requirements are applicable to all costs related to Federal awards

• (b)(1) non-Federal entities must comply with requirements regardless of whether the entity is a recipient or subrecipient...

Note: “must” means “required”

“Should” means “recommended” or “best practice”

Source: OMB webinar, January 2014
Subpart B – General Provisions

§ 200.105 Effect on other issuances

• All administrative requirements, program manuals, handbooks and other non-regulatory materials must be superseded upon implementation of this Part

This means federal agency grant policies and other similar documents will be superseded
Subpart B – General Provisions

§ 200.109 Review Date
• OMB will review this part at least every 5 years after 12/26/2013

§ 200.110 Effective Date
• Federal awarding agencies must implement effective 12/26/2014
• Audit requirements effective for fiscal years beginning after 12/26/2014
Subpart B – General Provisions

§ 200.113 Mandatory disclosures

• Non-federal entity must disclose in writing in timely manner to federal agency or pass-through all violations of federal criminal law involving fraud, bribery or gratuity violations potentially affecting federal award
  – Does not require indictments, arrests or convictions
  – “Credible” evidence is threshold for reporting
Subpart C – Pre Award Requirements

§ 200.201 Use of grant agreements

• Fixed award amounts - allowed
  – Payments based on meeting specific performance requirements
  – No review of actual costs incurred
  – Cannot be used in programs that require match

Subpart C – Pre Award Requirements

§ 200.205 New framework for risk
Awarding agency review of risk posed by applicants

• Risk factors may include
  – Financial stability
  – Quality of management systems
  – History of performance
  – Reports and findings from audits
  – Ability to effectively implement requirements
Subpart D – Post Award Requirements

§ 200.301 Performance Measurement

• Relate financial data to performance accomplishments
• Provide cost information to demonstrate effective practices
• Awarding agency to provide clear performance goals, indicators and milestones
§ 200.302 Financial management

Financial management systems must

- Identify funds received and expended
- Provide for accurate, current and complete disclosure of financial results
- Identify source and application of funds
- Provide effective controls and accountability for funds, property and other assets
- Compare budget to actual results
- Include written procedures for payment requirements
- Include written procedures for determining allowability of costs
§ 200.303 Internal controls

- Internal controls that comply with COSO
  
  • Each non-federal entity must
    - Establish/maintain effective control over awards
    - Evaluate and monitor compliance with statutes, regulations and terms of awards
    - Take prompt action when instances are identified including noncompliance identified in audit findings
    - Take reasonable measures to safeguard protected PII as defined under 200.82

Source: Brustein & Manasevit, June 2014
Subpart D – Post Award Requirements

§ 200.305 Payment

(b)(1) Minimize the time between transfer of funds and disbursement

– (a) Advance payments limited to the **minimum amount needed** and timed with **actual, immediate cash requirements**

– Time and amount of advances must be **as close to administratively feasible** to actual disbursements

Subpart D – Post Award Requirements

§ 200.305 Payment

(b)(5) must disclose funds available from program income, rebates, refunds, contract settlements, audit recoveries and interest earned on such funds before requesting additional cash payments.

(7) Banks

(i) Federal and pass-through entities must not require separate depository accounts.

(ii) Insured accounts are required for advance payments.

(8) Interest-bearing accounts are required for advance payments.

(9) Can keep up to $500 interest on federal awards and return excess.

§ 200.318 Procurement Standards

(a) Must use own documented procurement procedures which reflect applicable laws and regulations

(c)  (1) Must maintain written standards of conduct covering conflicts of interest
     (2) If the non-federal entity has a parent, affiliate or subsidiary organization it must also maintain written standards of conduct covering COI

***Note*** A grace period for implementing the procurement standards will be granted for 2 full fiscal years after the effective date of the Uniform Guidance

Subpart D – Post Award Requirements

§ 200.318 Procurement Standards

(d) Avoid purchasing unnecessary or duplicative items. Lease vs. purchase analysis where appropriate

(e) Encouraged to enter into state and local intergovernmental or inter-entity agreements – New for nonprofits

Subpart D – Post Award Requirements

§ 200.318 Procurement Standards

(f) Encouraged to use Federal excess and surplus property – *New for nonprofits*

(g) Encouraged to use value engineering in construction projects – *New for nonprofits*

(h) Award contracts to responsible contractors by considering integrity, compliance with public policy, records of past performance and financial and technical resources

Subpart D – Post Award Requirements

§ 200.318 Procurement Standards

(i) Maintain records with rationale for the method of procurement, selection of contract type, contractor selection and basis for price

(j) May use time and materials contract in some situations - *New*

(k) Non-federal entity is responsible for settlement of all contractual and administrative issues

§ 200.319 Competition

(a) Full and open competition

(b) No geographic preferences unless mandated by statute - New

(c) Must have written procedures and use name brands only as a description

(d) Pre-qualified vendors list must be current and include enough qualified sources to ensure competition - New

Subpart D – Post Award Requirements

Procurement “Claw” (Section 200.320)

1. Micro Purchases
   - $3K
   - No quotations
   - Equitable distributions

2. Small Purchases
   - Up to $150K
   - Rate quotations
   - No cost or price analysis

3. Sealed Bids
   - > $150K
   - Construction projects
   - Price is a major factor

4. Competitive Proposals
   - > $150K
   - Fixed price or cost reimbursement
   - RFP with evaluation methods

5. Sole Source
   - Unique
   - Public emergency
   - Authorized by agency (or PTE)
   - No competition
Subpart D – Post Award Requirements

§ 200.320 Method of procurement
(a) Micro-purchase - *New*
   - Aggregate dollar per purchase, $3,000
   - Distribute equitably among qualified supplies
   - May be awarded without competitive quotes

(b) Small purchase procedures
   - Up to $150,000 – Simplified Acquisition Threshold (SAT)
   - Relatively simple and informal
   - Competition is required from adequate number of qualified sources

Subpart D – Post Award Requirements

§ 200.320 Method of procurement
Greater than $150,000 (SAT), use sealed bids or competitive proposals
(c) Sealed bids
  – Complete, adequate and realistic specifications
  – Two or more responsible bidders
  – Selection can be made principally on price

(d) Competitive proposals
  – Written method for conducting technical evaluations and for selected contractors
  – Contract awarded to proposer most advantageous to the program, with price and other factors considered

§ 200.320 Method of procurement
(f) Noncompetitive proposals – solicitation from only 1 source (sole source) can be used when
   – Item is available only from a single source
   – Emergency will not permit a delay resulting from a competitive solicitation
   – Federal awarding or pass-through agency expressly authorizes noncompetitive proposal in response to a written request
   – After solicitation competition is determined inadequate (only 1 proposer/response)

Subpart D – Post Award Requirements

§ 200.321 Contract with CMBE, etc.

Contracting with small and minority businesses, women’s business enterprises, and labor surplus area firms

– Non-federal entities must take all necessary affirmative steps to assure minority businesses, women’s business enterprises and labor surplus area firms are used when possible

– A labor surplus area is designated by the Dept. of Labor

§ 200.323 Contract cost and price

(a) For procurements over the SAT, must perform a cost or price analysis before receiving bids or proposals - New

(b) Must negotiate profit as a separate element of the price for each contract in which there is no price competition and in all cases where cost analysis is performed - New

(c) The cost plus percentage of cost and percentage of construction cost methods of contracting must not be used

Subpart D – Post Award Requirements

§ 200.326 Contract provisions

• Lists required federal contract provisions
• Provisions are included “as applicable” based on
  – Scoped goods or services
  – Dollar thresholds
• Procurement of recovered materials – New
§ 200.328 Monitoring and reporting program performance

(d) Non-federal entity must inform Federal awarding agency or pass-through entity as soon as the following types of conditions become known

– Problems, delays or adverse conditions which will materially impair the ability to meet the object of Federal award

– Favorable developments that reduce time or costs

§ 200.328 Monitoring and reporting program performance

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– Favorable developments that reduce time or costs
Subpart D – Post Award Requirements

§ 200.330 Subrecipient monitoring

• Explains the roles of subrecipients vs. contractors so non-federal entities can determine the relationship and related requirements that apply
  – Subawards are provided to subrecipients to carry out a portion of a Federal award/program
  – Contracts are executed to obtain goods and services for the entity’s own use
§ 200.331 Requirements for pass-through entities

– Oversight and monitoring requirements

The pass-through entity must

• Put specific information in each subaward
• Consider operating factors for each subaward to complete a *risk assessment* to determine appropriate level of subrecipient monitoring

  – Risk of noncompliance
  – Subrecipient’s prior experience with the award
  – Results of previous audits or federal monitoring
  – Whether the sub has new personnel or systems
§ 200.331 the pass-through entity must

- Verify subrecipients have audits as needed*
  - *Reminder - this is not the only monitoring task
- Consider actions required to address any instances of subrecipient noncompliance
- Follow-up to ensure subrecipient takes appropriate action on all deficiencies related to the subaward identified through audits, onsite review or other monitoring tasks
- Issue a management decision for audit findings related to subaward(s) made by the PTE
Subpart D – Post Award Requirements

§ 200.335 Accessible Electronic Information Technology

– Collect, transmit and store records in machine-readable formats instead of paper when possible
– No need to print electronic records
– Can scan paper records if there are quality controls, records are still readable and cannot be changed

Subpart D – Post Award Requirements

§ 200.336 Access to Records

– Awarding and PTEs have access to records as long as they exist

§ 200.337 Restriction on public access to records

– FOIA does not apply to records under a non-federal entity’s control

Subpart D – Post Award Requirements

§ 200.343 Closeout

Requirements for pass-through entities

(a) Submit no later than 90 calendar days after the end of the period of performance all financial, performance and other required reports*

(b) Liquidate all obligations no later than 90 calendar days after the end date of the period of performance*

(c) Awarding agency should complete and closeout actions no later than 1 year after receive and acceptance of all final reports

* Awarding agency may approve an extension

§ 200.400 Policy Guide

The non-Federal entity

a) Is responsible for efficient and effective administration

b) Is responsible for complying with agreements, objectives and terms and conditions

c) Is responsible for its form of organization and management techniques
Subpart E – Cost Principles

§ 200.400 Policy Guide
The non-Federal entity

d) Has operations consistent with cost principles

e) Applies accounting principles and methods on a consistent basis

f) For research activities the dual role of students must be recognized

g) May not earn or keep profit unless expressly authorized
Subpart E – Cost Principles

§ 200.403 Factors affecting allowability of costs

• Listed requirements have not changed
• Include in non-federal entity’s written procedures
  - New
    – Necessary and reasonable
    – Consistent and conform to limitations
    – Determined in accordance with GAAP, as appropriate
    – Not be included as cost or match in other federally funded program(s)
    – Adequately documented
§ 200.407 Prior written approval

- In order to avoid subsequent disallowance non-federal entity may seek prior written approval of cognizant agency before costs are incurred
- Listed cost items have not changed
- **New** – all affected cost items listed in one place
- **New** – include in non-federal entity’s written procedures
§ 200.412 Classification of Costs

There is no universal rule for classifying certain costs as either direct or indirect (F&A) under every accounting system.

It is essential that each item of cost incurred for the same purpose be treated consistently in like circumstances either as a direct or an indirect (F&A) cost.

§ 200.413 Direct Costs

(a) Direct costs are those that can be easily and accurately assigned to a specific award

(c) Salaries of administrative and clerical staff should normally be treated as indirect. Direct charge only if all of the following are met - New

- Integral to the project
- Specifically identified with the project
- Explicitly included in the budget or have prior written approval and
- Not recovered as indirect

§ 200.414 Indirect Costs

(f) Any non-federal entity that has never negotiated an indirect cost rate (IDCR) may elect to charge a de minimis rate of 10% of modified total direct costs (MTDC) which may be used indefinitely.
Subpart E – Cost Principles

§ 200.414 Indirect Costs

(a) Major nonprofits (receive >$10M in direct federal funding) must classify indirect costs as Facilities and Administration (F&A)

(c) Negotiated rate must be accepted by all Federal agencies
   - Exception – only when a different rate is required by Federal statute or regulation or with federal awarding agency approval (200.414(c)(1))

(d) Pass-through entities are subject to the requirements of 200.331

### Subpart E – Cost Principles

#### Example Statutory Limits

<table>
<thead>
<tr>
<th>Federal agency</th>
<th>Operational division/subcomponent</th>
<th>Grant</th>
<th>Percentage limit</th>
<th>Federal statute - authorization</th>
</tr>
</thead>
<tbody>
<tr>
<td>HHS</td>
<td>SAMHSA</td>
<td>Block Grants for Substance Abuse Prevention and Treatment</td>
<td>Five percent limitation on reimbursement for administrative expenses for states</td>
<td>Part B of Title XIX of the Public Health Service Act, 42 U.S.C. § 300x-31</td>
</tr>
<tr>
<td>HHS</td>
<td>SAMHSA</td>
<td>Block Grants for Community Mental Health Services</td>
<td>Five percent limitation on reimbursement for administrative expenses for states</td>
<td>Part B of Title XIX of the Public Health Service Act, 42 U.S.C. § 300x-5</td>
</tr>
<tr>
<td>HHS</td>
<td>ACF</td>
<td>Promoting Safe &amp; Stable Families Grant</td>
<td>Ten percent limitation on reimbursement for administrative costs for states</td>
<td>Promoting Safe and Stable Families Act, 42 U.S.C. § 629-629e</td>
</tr>
<tr>
<td>HHS</td>
<td>ACF</td>
<td>Family Violence Prevention Services/Battered Women’s Shelters Grant</td>
<td>Five percent limitation on reimbursement for administrative costs for states</td>
<td>Family Violence Prevention and Services Act 42 U.S.C. § 10401</td>
</tr>
<tr>
<td>HUD</td>
<td>CPD</td>
<td>Emergency Shelter Grants (ESG)</td>
<td>A recipient may use up to 5 percent for administrative purposes; a recipient state shall share this amount with local governments funded by the state</td>
<td>McKinney-Vento Homeless Assistance Act, Title IV, Subtitle B, 42 U.S.C. § 11376</td>
</tr>
<tr>
<td>HUD</td>
<td>CPD</td>
<td>Housing Opportunities for Persons with AIDS Grant (HOPWA)</td>
<td>Grantees can receive up to 3 percent for administrative costs; Project sponsors can receive up to 7 percent for administrative costs</td>
<td>AIDS Housing Opportunity Act, 42 U.S.C. § 12901</td>
</tr>
</tbody>
</table>

Source: GAO analysis of applicable program statutes and regulations.
Figure 2: Examples of How Reimbursement for Nonprofits' Indirect and Administrative Costs for the Promoting Safe and Stable Families Grant (PSSF) Varies across States

- **HHS/ACF**: Promoting Safe and Stable Families grant program

**States are allowed to retain 10 percent for their own administrative costs.**

- **State of Louisiana Department of Social Services**
  - State passes majority of its own administrative cost funds through to nonprofits.
  - Federal indirect cost rate honored. Nonprofit receives 9.4 percent for administrative costs through grant.

- **State of Maryland Department of Human Resources**
  - St. Mary's County Government acts on behalf of the state. State and county retain a total of 10 percent for their own administrative costs.

- **State of Wisconsin Department of Children and Families**
  - State retains 10 percent for its own administrative costs.
  - Dane County Government Department of Human Services

**Local Board of Education**

- **Nonprofit does not have a federal indirect cost rate or an agreement with county or local board of education. No indirect costs allowable through grant.**

**Nonprofit recipient**

- **State of Louisiana Department of Social Services**
  - Federal indirect cost rate honored. Nonprofit receives 9.4 percent for administrative costs through grant.

**Nonprofit recipient**

- **State of Maryland Department of Human Resources**
  - St. Mary's County Government acts on behalf of the state. State and county retain a total of 10 percent for their own administrative costs.

**Local Board of Education**

- **Nonprofit does not have a federal indirect cost rate or an agreement with county or local board of education. No indirect costs allowable through grant.**

**Nonprofit recipient**

- **State of Wisconsin Department of Children and Families**
  - State retains 10 percent for its own administrative costs.
  - Dane County Government Department of Human Services

**County allowed to retain 10 percent of grant for administrative and indirect costs, but it does not. It passes entire amount through to nonprofit.**

**Nonprofit recipient**

Source: OAO analysis of HHS, state and local government, and nonprofit information.
Subpart E – Cost Principles

§ 200.414 Indirect Costs

(g) Any non-federal entity that has a federally negotiated indirect cost rate may apply for a one-time extension of the current negotiated IDCR for a period of up to 4 years

- Must be approved by a cost negotiator
- If approved, may not request a rate review until the extension ends
- At end of extension, must apply for a new rate

Subpart E – Cost Principles

Modified Total Direct Costs

- Total Direct Costs
- Equipment
- Participant Support

Over $25,000 in Subawards = Modified Total Direct Costs

Source: National Council of Nonprofits, July 2015
### Modified Total Direct Costs (MTDC)

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>Unallowable Costs</th>
<th>Management &amp; General (Indirect)</th>
<th>Modified Total Direct Costs</th>
<th>Residential Care</th>
<th>Counseling</th>
<th>Fundraising</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Personnel Costs</td>
<td>1,231,288</td>
<td></td>
<td>248,142</td>
<td>983,146</td>
<td>765,414</td>
<td>156,680</td>
<td>61,052</td>
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<td>Total Non-Personnel Costs</td>
<td>382,250</td>
<td>26,000</td>
<td>92,098</td>
<td>264,152</td>
<td>208,580</td>
<td>52,070</td>
<td>29,502</td>
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<tr>
<td>Total Expenses</td>
<td>1,613,538</td>
<td>340,240</td>
<td>1,247,298</td>
<td>973,994</td>
<td>208,750</td>
<td>90,554</td>
<td></td>
</tr>
<tr>
<td>10% of MTDC</td>
<td>1,247,298</td>
<td></td>
<td>124,729.80</td>
<td></td>
<td>973,994</td>
<td>208,750</td>
<td>90,554</td>
</tr>
<tr>
<td>Negotiated rate using MTDC as Base</td>
<td>340,240/1,247,298=</td>
<td>27.28%</td>
<td></td>
<td></td>
<td>973,994</td>
<td>208,750</td>
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<td></td>
<td></td>
<td></td>
<td>265,705.56</td>
<td>56,947.00</td>
<td></td>
</tr>
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<td></td>
<td></td>
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<td></td>
<td></td>
<td>1,239,699.56</td>
<td>265,697.00</td>
<td></td>
</tr>
</tbody>
</table>

10% of grant assuming all government funding: 97,399.40, 20,875.00

Source: National Council of Nonprofits, July 2015
Subpart E – Cost Principles

§ 200.415 New required certifications

Four new requirements

• Certification regarding status as a non-major corporation
• Certification of cost allocation plan or indirect cost rate proposal
• Lobbying
• Assurance for proper expenditure reporting
§ 200.415 Mandatory disclosures
Assurance for proper expenditure reporting

“By signing this report, I certify to the best of my knowledge and belief that the report is true, complete and accurate, and the expenditures, disbursements and cash receipts are for the purposes and objectives set forth in the terms and conditions of the federal award. I am aware that any false, fictitious, or fraudulent information, or the omission of any material fact, may subject me to criminal, civil or administrative penalties for fraud, false statements, false claims or otherwise.”

• **Must** be signed by an official authorized to legally bind the Contractor
• **Must** be included on final fiscal reports or vouchers requesting payment
Subpart E – Cost Principles

§ 200.421 Advertising and public relations *clarified

• Allowable for programmatic purposes including
  – Recruitment
  – Procurement of goods
  – Disposal of materials
  – Program outreach
  – Public relations (in limited circumstances)

Source: Brustein & Manasevit, June 2014
§ 200.430 Compensation - personal services *most changed rule

• If federal funds are used for salaries, then time distribution records are required
• How staff demonstrate allocability
  – If employee paid with federal funds, then must show that the employee worked on that specific federal program objective

Source: OMB slides / Brustein & Manasevit, June 2014
§ 200.430 Compensation - personal services *most changed rule

Who must participate?

• **All** employees paid with federal funds
• **Some** employees paid with non-federal funds  
  – When salaries are used for match purposes
• **NOT** contractors

Source: OMB slides / Brustein & Manasevit, June 2014
Subpart E – Cost Principles

Does X employee have to keep time and effort records?

- Is she an employee?
  - Yes
  - No
  - I don’t know

- Is she paid with federal funds?
  - Yes
  - No T&E Required
  - Ask HR

- No
  - Is her salary used for match?
    - Yes
      - T&E Required
    - No
      - No T&E Required

Source: OMB slides / Brustein & Manasevit, June 2014
Subpart E – Cost Principles

§ 200.430 Compensation - personal services  *most changed rule*

A-122: Personnel Activity Reports (PARs)

- After-the-fact records
- Accounts for the total activity for which employee is compensated
- Completed at least monthly
- Signed by the employee or supervisor with knowledge of employee’s activities
- Must coincide with one or more pay periods

Source: OMB slides / Brustein & Manasevit, June 2014
Subpart E – Cost Principles

§ 200.430 Compensation - personal services *most changed rule

“Standards for documentation of Personnel expenses” - **New**

• Records accurately reflect work performed
  1. Supported by a system of internal controls that assures charges are accurate, allowable and properly allocated
  2. Part of official records of entity
  3. Reflect total activity for which employee is compensated
     – Not to exceed 100%

Source: OMB slides / Brustein & Manasevit, June 2014
Subpart E – Cost Principles

§ 200.430 Compensation - personal services *most changed rule

“Standards for documentation of Personnel expenses”
- New (cont’d)

• Records accurately reflect work performed (cont’d)

4. Encompass all activities (federal and non-federal)
5. Comply with established accounting policies and practices
6. Support distribution to two or more activities or cost objectives

Source: OMB slides / Brustein & Manasevit, June 2014
Subpart E – Cost Principles

§ 200.430 Compensation - personal services *most changed rule

“Standards for documentation of Personnel expenses”
- **New** (cont’d)
  - Budget estimates alone do not qualify as support for charges to federal awards (200.430(i)(1)(viii))
  - Percentages may be used for distribution of total activities (200.430(i)(1)(ix))
  - Salaries and wages of employees used for in-kind must meet same requirements

Source: OMB slides / Brustein & Manasevit, June 2014
§ 200.430 Compensation - personal services *most changed rule

“Standards for documentation of Personnel expenses” - New (cont’d)

• If records meet the standards: the non-federal entity will NOT be required to provide additional support or documentation for the work performed (200.430(i)(2))

• BUT, if “records” of grantee do not meet new standards, agency may require PARs (200.430(i)(8))
  – PARs are not defined!

Source: OMB slides / Brustein & Manasevit, June 2014
Subpart E – Cost Principles

§ 200.430 Compensation - personal services

*most changed rule*

(b) Must be reasonable – consistent with that paid for similar work, or comparable to that paid for similar work in the community

(d) Allowable compensation for certain employees is subject to a ceiling in accordance with statute

(f) Incentive pay for cost reduction, efficient performance, suggestion awards, etc. are allowable if agreement is in place before the work is performed

Source: OMB slides / Brustein & Manasevit, June 2014
Subpart E – Cost Principles

§ 200.430 Compensation - personal services  *most changed rule*

“While many non-Federal entities may still find that existing procedures in place such as personnel activity reports and similar documentation are the best method for them to meet the internal control requirements, **this final guidance does not specifically require them.**

The focus in this final guidance on overall internal controls mitigates the risk that a non-Federal entity or their auditor will focus solely on prescribed procedures such as reports, certifications, or certification time periods which alone may be ineffective in assuring full accountability.

*from Comments to the Regulations*

Subpart E – Cost Principles

§ 200.431 Compensation – fringe benefits

(a) Allowable if reasonable and required by law or entity policy

(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., post-retirement health benefits), are allowable in the year of payment provided that the entity follows a consistent costing policy and they are allocated as indirect costs

Subpart E – Cost Principles

§ 200.432 Conferences *changed

Prior rule: generally allowable

- Definition: meeting, retreat, seminar, symposium, workshop or event to disseminate technical information beyond the non-Federal entity

- Allowable conference costs include rental of facilities, costs of meals and refreshments, transportation, unless restricted by federal award

Source: Brustein & Manasevit, June 2014
Subpart E – Cost Principles

§ 200.432 Conferences (cont’d) *changed

• Includes meals/conferences/travel and family friendly policies

• Costs related to identifying, but not providing, locally available dependent-care resources (but 200.474) allows for “above and beyond regular dependent care”

• Conference hosts must exercise discretion to ensure costs are appropriate, necessary and managed to minimizes costs to federal award

Source: Brustein & Manasevit, June 2014
Subpart E – Cost Principles

§ 200.433 Contingency provisions

• May be budgeted for foreseeable events (construction cost, IT systems)

• Payments to contingency reserves are unallowable (cannot draw funds unless you have incurred an actual expense for an event you have budgeted)

§ 200.435 Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringements *changed

Prior rule: Generally allowable (unless for claims against the govt.)

Definitions for purposes of this section

- **Conviction** means a judgment or conviction of a criminal offense whether entered upon verdict or a plea
- **Costs** include the services of in-house or private counsel or others that bear direct relationship to the proceeding

Subpart E – Cost Principles

§ 200.435 Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringements *changed

Definitions for purposes of this section (cont’d)

- **Fraud** means
  - Acts of fraud or corruption or attempts to defraud the Federal government
  - Acts that constitute a cause for debarment or suspension, and
  - Acts which violate the False Claims Act or the Anti-Kickback Act

§ 200.435 Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringements *changed

Definitions for purposes of this section (cont’d)

- **Penalty** does not include restitution, reimbursement or compensatory damages
- **Proceeding** includes an investigation

§ 200.435 Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringements

• New government-wide rule (despite OIG protest)
• In general, allowability of legal fees in defense of criminal, civil or administrative proceedings depends on the result
• Fees are allowable
  – With a result of a favorable outcome
  – If approved in a settlement with the federal government
  – Condition of the award
• Otherwise unallowable, including appealing a federal agency decision

§ 200.436 Depreciation

No depreciation allowed on assets that have outlived their useful lives

- No use allowance
- If use was taken on an asset not fully depreciated, may convert to depreciation but total of both may not exceed cost of the asset

§ 200.436 Depreciation (cont’d)

Must maintain adequate records

• Must take a physical inventory at least once every two years
• May use statistical sampling to take inventories
• Adequate documentation of depreciation must be maintained

§ 200.437 Employee health and welfare costs

(a) Costs in accordance with documented policies for improvement of working conditions, employer-employee relations, health and performance are allowable

• Costs to maintain or to improve morale specifically excluded
§ 200.442 Fund raising and investment management costs

(a) Costs of fund raising including financial campaigns, solicitation of gifts, etc., are unallowable

- Fund raising costs for the purposes of meeting federal program objectives are allowable with prior written approval

Subpart E – Cost Principles

§ 200.453 Materials and supplies costs, including computing devices

(a) Costs for materials and supplies necessary to carry out an award are allowable.

(b) Charging computing devices as direct costs is allowable for devices that are essential and allocable, but not solely dedicated to the performance of the award.
§ 200.455 Organization costs

(a) Costs for incorporation fees, brokers’ fees, promoters, organizers, management consultants, attorneys, accountants, investment counselors (whether employees or not) in connection with establishing or reorganizing an entity are unallowable

• Listed costs may be allowable with prior written approval of federal awarding agency
Subpart E – Cost Principles

§ 200.460 Proposal costs

• Proposal costs are the costs of preparing bids, proposals or applications on potential Federal and non-Federal awards or projects

• Costs incurred in the current year of both successful and unsuccessful proposals normally should be treated as indirect (F&A) costs and allocated currently to all activities

• No proposal costs of past accounting periods will be allocable to the current period

Subpart E – Cost Principles

§ 200.465 Rental costs of real property and equipment

- Rental costs are allowable to the extent that rates are reasonable
- Rental agreements should be reviewed periodically to determine if circumstances have changed and other options are available

Subpart E – Cost Principles

§ 200.474 Travel costs *changed

Prior rule: allowable with certain restrictions

- Travel costs may be charged on actual, per diem, or mileage basis
- Travel charges must be consistent with entity’s **written** travel reimbursement policies
- Grantee must retain documentation that participation of individual in conference is necessary for the project
- Travel costs must be reasonable and consistent with written travel policy / or follow GSA 48 CFR 31.205-46(a)

Source: Brustein & Manasevit, June 2014
Subpart E – Cost Principles

§ 200.474 Travel costs (cont’d) *changed

(c)(1) Temporary dependent care costs resulting from travel are allowable provided that

(i) Costs are a direct result of travel
(ii) Costs are consistent with the travel policy and
(iii) Costs are temporary during the travel period

Subpart F – Audits

• Increased threshold for a single audit
• Increased Type A program threshold
• Fewer expenditures are required to be tested
• Questioned costs reporting
• Compliance supplement
Recap – Biggest Changes

Top 10 Changes

1. Cost allocation options
2. PARs
3. Procurement
4. Computers as supplies
5. Recognition of electronic media

Recap – Biggest Changes

Top 10 Changes

6. Audit threshold changes
7. Family friendly policies
8. Internal controls focus /written policies in admin requirements
9. Fund raising to support program(s)
10. No employee morale

Next Steps - #1

Learn what new regulations and changes from the current regulations will impact your agency

- Time reporting
- Audit requirements
- Procurement documentation
- Risk assessments
- Written policies
Next Steps - #2

Identify strategies to help your agency address new requirements and other areas of risk (i.e., develop a work plan)

- Adopt an internal control and compliance monitoring program to address procurement and other matters
- Assess the impact of increased audit threshold on agency subrecipients
- Utilize automated financial system controls and monitor procurement transactions/contracts
- Modify policies and procedures to address revised procurement requirements
Evaluate your agency’s risks for challenges and issues currently observed in audits of procurement activities

- Missing cost and price analysis or other procurement records to support reasonableness of costs
- Stringing of procurements
- Lack of evidence for suspension and debarment checks
- Missing or incomplete monitoring of procurement controls
Next Steps - #4

Consider conducting a review of your agency’s contracts administration and/or project management functions to identify

• Efficiencies between performance and contract management and reporting
• Procedural changes required in advance of next audit
• Instances in which training may be needed internally and/or with subrecipients and vendors
• Opportunities to implement project management best practices to enhance the likelihood of success for Federal and state projects
Next Steps - #5

Watch for guidance from your funding sources and for training opportunities to share with other Florida agencies and with your staff

Potential topics

- Indirect costs
- Program income
- Negotiating profit
- Specialized instructions for schools and universities
Open Forum - Q&A
Contacts

Walter Sachs, Inspector General
Florida Department of Management Services
(850) 413-8740
walter.sachs@dms.myflorida.com

Laura McKinley, Program Integrity Unit
Florida Office of Early Learning
(850) 717-8603
laura.mckinley@oel.myflorida.com