

The New Omni Circular: Implications for LEAs

- The Office of Management and Budget (OMB) published the “Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards” on December 26, 2013
 - ◆ Formerly known as the “Super Circular”
 - ◆ Now known as the “Omni Circular”
- New guidance is codified in Part 200 of Title II of the Code of Federal Regulations (2 CFR 200)

42

The New Omni Circular: Implications for LEAs

- Guidance was developed over a two-year period by the Council on Financial Assistance Reform (COFAR) and various stakeholders
- Guidance consolidates eight OMB circulars relating to federal grants management into one document that applies uniformly to all types of recipient entities:
 - ◆ Institutions of higher education (IHE)
 - ◆ Nonprofit organizations
 - ◆ States, local governments, and Indian tribes (including local educational agencies (LEAs))

43

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- Circulars consolidated:

Subject	OMB Circular	Entity Affected
Cost Principles	OMB Circular A-87	State, Local, and Indian Tribal Governments
	OMB Circular A-21	Educational Institutions
	OMB Circular A-122	Non-Profit Organizations
Administrative Requirements	OMB Circular A-110	Educational Institutions, Hospitals, and Non-Profits
	OMB Circular A-102	State and Local Governments
Audits	OMB Circular A-133	States, Local Government, and Non-Profit
	OMB Circular A-50	
CFDA	OMB Circular A-89	

44

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- Intent: To streamline federal grants management by increasing consistency and by decreasing complexity & duplication among the various circulars
 - ◆ New guidance eliminates ~80 pages of overlapping, duplicative, and conflicting provisions from previous guidance (about 25% of previous pages)
- Approach: Places focus of accountability more on performance, less on compliance

45

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- OMB’s objectives are bold and ambitious!
 - ◆ To (1) streamline guidance for Federal awards to ease administrative burden and (2) strengthen oversight over Federal funds to reduce risks of waste, fraud, and abuse
 - ◆ To rethink and reform the rules that govern stewardship of Federal dollars
 - ◆ To reform overall approaches to grant-making by implementing innovative, outcome-focused grant-making designs and processes

46

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- Digesting the new guidance: Some changes impact grantor agencies, not LEAs
 - ◆ Example: Pre-award assessment of grantee risk
- Some changes impact other grantee types, not LEAs
 - ◆ Example: 10% de minimus indirect cost rate doesn’t apply to state & local governments
 - ◆ Study the new guidance discerningly!
- Effects of some changes will depend on feds’ development of implementing regulations
- This presentation focuses on effects for LEAs

47

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- Effective date for LEAs:
 - ◆ **New administrative requirements and cost principles:** Apply to new awards* made after December 26, 2014
 - Terms & conditions of existing awards continue to govern existing awards
 - ◆ **New audit requirements:** Apply to audits of LEA fiscal years beginning after December 26, 2014
 - This means LEAs' fiscal year 2015-16

*And to new funding increments to existing awards

48

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- Single audits: Threshold for single audit
 - ◆ Threshold raised from \$500,000 expenditure of federal funds to \$750,000
 - ◆ Approximately 5,000 fewer *entities* receiving federal funds will be audited
 - ◆ But 99% of federal *dollars* currently audited will still be audited

49

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- Single audits: Major program determination
 - ◆ Threshold for Type A programs increased from \$300,000 or 3% to \$750,000 or 3%
 - Note change from proposed guidance – threshold would have been \$500,000 or 3%
 - Threshold now aligns with single audit threshold
 - ◆ Risk criteria is refocused on internal controls (see §200.518)
 - ◆ Fewer Type B programs will be audited

50

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- Single audits: Major program determination

Total Federal awards expended	Type A/B threshold
Equal to \$750,000 but less than or equal to \$25 million	\$750,000.
Exceed \$25 million but less than or equal to \$100 million	Total Federal awards expended times .03.
Exceed \$100 million but less than or equal to \$1 billion	\$3 million.
Exceed \$1 billion but less than or equal to \$10 billion	Total Federal awards expended times .003.
Exceed \$10 billion but less than or equal to \$20 billion	\$30 million.
Exceed \$20 billion	Total Federal awards expended times .0015.

51

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- Single audits: Questioned costs and compliance requirements
 - ◆ Threshold for reporting questioned costs increased from \$10,000 to \$25,000
 - ◆ Number of compliance requirements will be addressed in compliance supplement – stay tuned
 - Proposed guidance discussed decrease from fourteen compliance requirements to seven
 - ◆ Focuses resources where risks to financial integrity are greatest, to reduce risks of waste, fraud, and abuse

52

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- Time and effort: Cost Objective redefined (a little)
 - ◆ Old definition: “A function, organizational subdivision, contract, grant, or other activity for which cost data are needed and for which costs are incurred”
 - ◆ New definition: “A program, function, activity, award, organizational subdivision, contract, or work unit for which cost data are desired and for which provision is made to accumulate and measure the cost of processes, products, jobs, capital projects, etc.”

53

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- Time and effort documentation
 - ◆ Biggest area of change (and arguably the vaguest!)
 - ◆ Documentation still required, but less emphasis on monthly certifications and more emphasis on internal controls
 - ◆ Strengthens requirements for entities to maintain high standards for internal controls over employee compensation, but allows additional flexibility in how entities implement processes to meet those standards
 - ◆ Substitute systems for time accounting still allowed

54

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- Time and effort documentation
 - ◆ Instead of specifying personnel activity reports, guidance requires that charges must be based on “records that accurately reflect the work performed”
 - ◆ These records must:
 - Be supported by internal control systems that provide “reasonable assurance” that charges are accurate, allowable, and properly documented
 - “Reasonably reflect” total activity for which employee is compensated
 - Support distribution among specific activities or cost objectives

55

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- Time and effort documentation
 - ◆ Where an entity’s records do not meet the standards, the federal government “may require personnel activity reports, including prescribed certifications, or equivalent documentation” that supports the required records
 - ◆ Guidance does not define personnel activity reports, nor describe them even to the extent that current guidance does

56

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- Time and effort documentation
 - ◆ For now, no change – remember that new guidance does not take effect until 2015-16
 - ◆ Meanwhile we are waiting for EDGAR (Education Department General Administrative Regulations)



57

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- Remitting interest earned on federal funds
 - ◆ New guidance requires entities to remit interest earned on federal funds *annually*
 - ◆ Replaces current requirement for “promptly”
 - ◆ Allows that interest earnings of up to \$500 per year can be retained for administrative expense

58

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- Increased emphasis on internal controls
 - ◆ Moves guidance previously discussed only in audit requirements (which are often only considered after the funds have been spent) into administrative requirements, to encourage grantees to better structure their internal controls early in the process (§200.303)
 - ◆ Provides a similar requirement for pass-through entities to consider risks associated with subawards, and gives flexibility to adjust their oversight framework based on that consideration of risk (§200.331)

59

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- Things the COFAR considered but didn't do
 - ◆ Equipment-vs-supply threshold remains the lesser of the entity's capitalization threshold or \$5,000
 - ◆ Guidance now specifies that this includes computing devices – some had advocated for lower threshold for computing devices because they often contain sensitive information and are attractive to thieves
 - ◆ Instead, COFAR beefed up requirements for internal controls over information on computing devices

60

The New Omni Circular: Implications for LEAs

- Finding your way around the new guidance
- Subpart A: Acronyms and Definitions
 - Subpart B: General Provisions
 - Subpart C: Pre-Federal Award Requirements and Contents of Federal Awards
 - Subpart D: Post Federal Award Requirements
 - Subpart E: Cost Principles
 - Subpart F: Audit Requirements
 - Eleven appendices

61

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Finding your way around the new guidance

- Subpart A: Acronyms and Definitions
 - ◆ Combines definitions from administrative requirements, cost principles, and audit circulars into a single list
 - ◆ Many conforming changes to align eight sources
- Subpart B: General Provisions
 - ◆ Contains rules about uniform standards, requirements, applicability, exceptions, authorities, responsibilities, and related information

62

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Finding your way around the new guidance

- Subpart C: Pre-Federal Award Requirements and Contents of Federal Awards
 - ◆ Contains rules for eligibility criteria, notice of funding opportunities, applicable policy requirements
- Subpart D: Post Federal Award Requirements
 - ◆ Includes rules for administration of grant during performance and closeout
 - ◆ Example: Subrecipient monitoring by grantor agencies

63

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Finding your way around the new guidance

- Subpart E: Cost Principles
 - ◆ Consolidates cost principles into a single document; distinguishes variations by type of entity (higher education, vs. nonprofits, vs. state & local (LEAs))
 - ◆ Contains information from Circular A-87:
 - Attachment A, General Principles for Determining Allowable Costs: 2 CFR 200 §200.403 et seq.
 - Attachment B, Selected Items of Cost: 2 CFR 200 §200.420 et seq.

64

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- Subpart F: Audit Requirements
 - ◆ Contains most guidance from Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and Circular A-50, Audit Followup

65

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Finding your way around the new guidance

- Appendices:
 - ◆ Appendix I: Full Text of Notice of Funding Opportunity
 - ◆ Appendix II: Contract Provisions for Non Federal Entity Contracts Under Federal Awards
 - ◆ Appendix III: Indirect Costs Identification & Assignment, and Rate Determination for Institutions of Higher Education
 - ◆ Appendix IV: Indirect Costs Identification & Assignment, and Rate Determination for Nonprofit Organizations
 - ◆ Appendix V: State & Local Government and Indian Tribe-Wide Central Service Cost Allocation Plans

66

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- Appendices:
 - ◆ Appendix VI: Public Assistance Cost Allocation Plans
 - ◆ **Appendix VII: States and Local Government and Indian Tribe Indirect Cost Proposals**
 - ◆ Appendix VIII: Nonprofit Organizations Exempted From Subpart E Cost Principles
 - ◆ Appendix IX: Hospital cost principles (45CFR, part 74, App E)
 - ◆ Appendix X: Data Collection Form (points to Federal Audit Clearinghouse website)
 - ◆ **Appendix XI: Compliance Supplement (points to OMB website)**



67

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Finding your way around the new guidance: Uniform Guidance 2 CFR 200 is available at

<https://federalregister.gov/a/2013-30465>

(once there, click on "PDF" at right for federal register format, or scroll down for electronic "online" format)

68

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Finding your way around the new guidance: Crosswalks to & from Uniform Guidance at

http://www.whitehouse.gov/omb/grants_docs

- ◆ Crosswalk from Predominant Source in Existing Guidance (in handout)
- ◆ Crosswalk to Predominant Source in Existing Guidance (in handout)
- ◆ Cost Principles Text Comparison
- ◆ Audit Requirements Text Comparison
- ◆ Definitions Text Comparison
- ◆ Administrative Requirements Text Comparison

69

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Finding your way around the new guidance

- Next steps:
 - ◆ Compliance Supplement due April 2014 (?)
 - ◆ Draft regulations due June 2014
 - ◆ Final regulations due December 2014
 - ◆ CDE has more homework to do – expect changes to CSAM
 - ◆ COFAR has committed to making a smooth transition their top priority

70