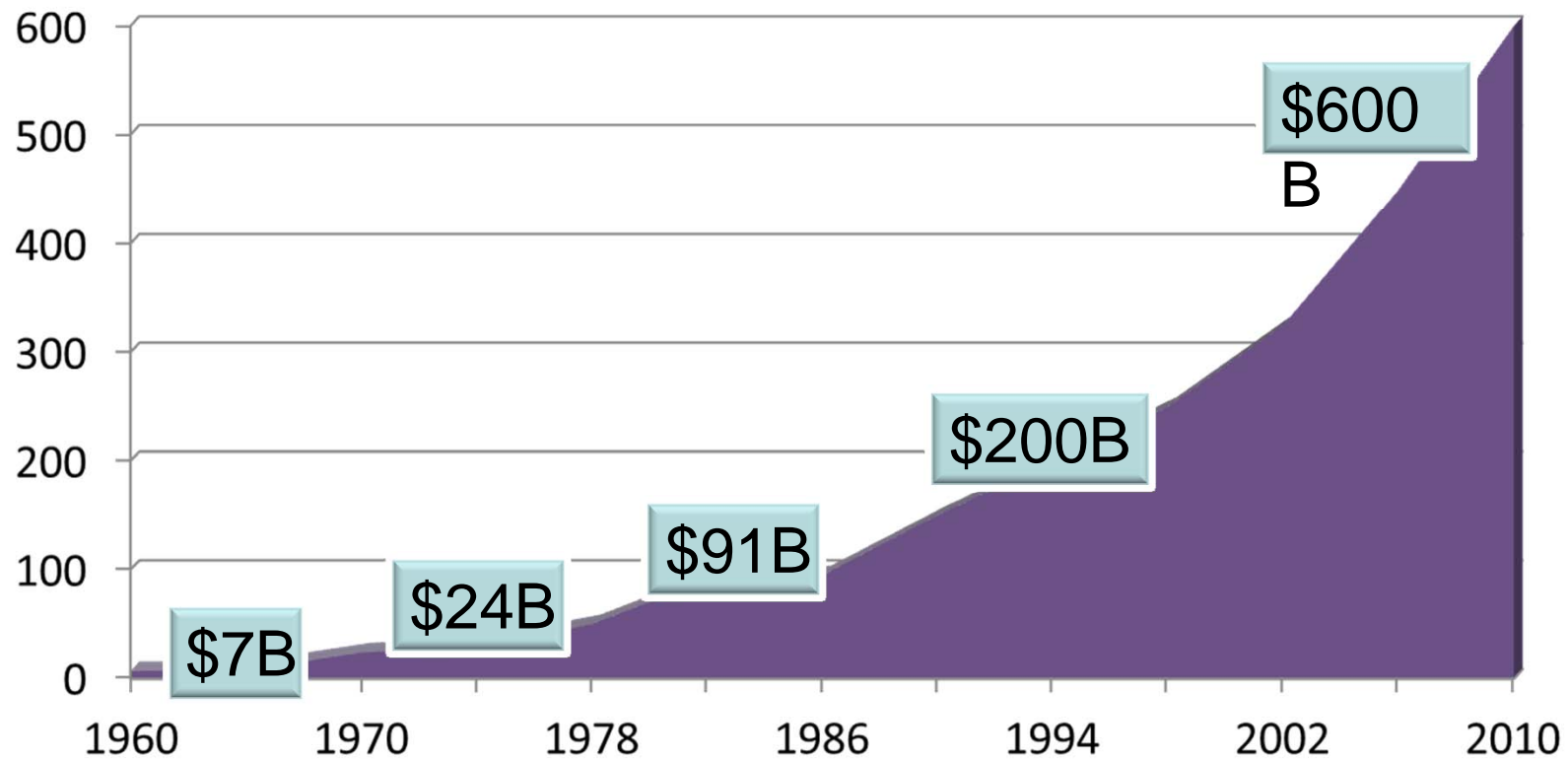




OMB Update The Grant Reform

Increase in Federal Grants Activity

In Billions of \$



The Catalog of Federal Domestic Assistance lists more than 2,000 Federal grant programs

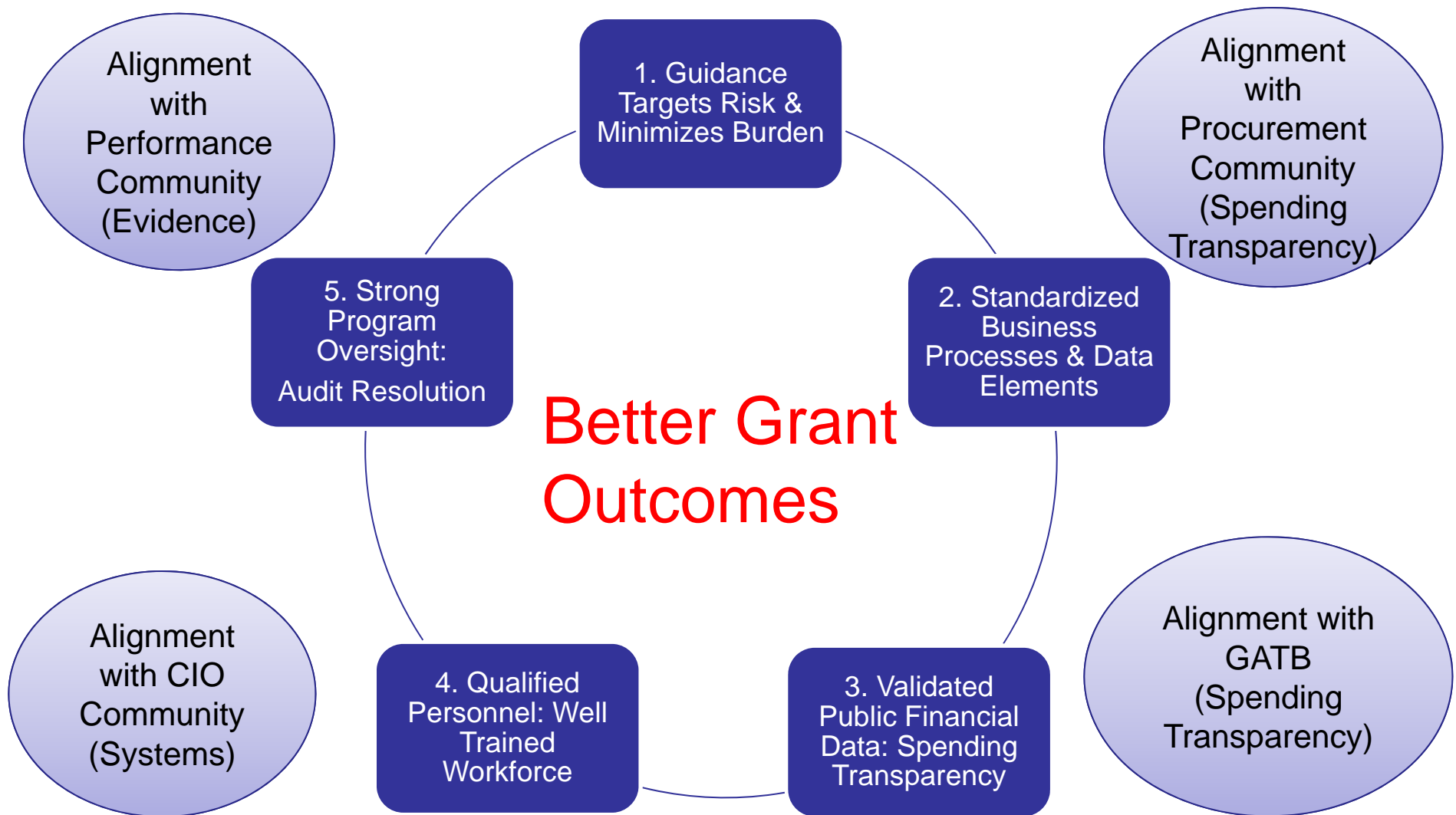
Federal Grant Funding Saved Lives After Boston Marathon Bombing, Officials Say (By: Mickey McCarter)

- 05/10/2013 (8:00am), HS Today News
- “Grant funding from the Department of Homeland Security (DHS) has been critically important to helping law enforcement officers in Boston participate in training that helped to save lives after the bombing of the Boston Marathon on April 15, public safety officials told the House Committee on Homeland Security Thursday...”



Grants Management Priorities

The Council on Financial Assistance Reform was established in 2011 as a governance body to provide policy level leadership for the Federal grants community. cfo.gov/cofar.





Grants Circular Reform

- Presidential Directives for Reform
 - November 2009 EO 13520 on Reducing Improper Payments
 - February 2011 Presidential Memorandum
- Engagement with Stakeholders
 - February 2012 Advance Notice of Proposed Guidance (ANPG) in Federal Register (over 350 comments received)
 - The Council on Financial Assistance Reform developed this Proposed Guidance reflective of stakeholder feedback
- Next Steps
 - Public comments due June 2nd
 - Reforms finalized by end of 2013













Administrative Requirements for Recipients

- Proposal consolidates administrative requirements of OMB Circulars A-102 and A-110 into a uniform set of administrative requirements for all grant recipients
- Proposal clarifies federal expectations for pass-through entities
 - Consolidates and clarifies subrecipient monitoring
 - Indicates that all subawards shall include a provision for indirect costs
 - Either negotiated or a de minimis rate of 10%

Proposed Federal Agency Requirements

- Use standard format to announce funding opportunities, including:
 - Eligibility or qualification information
 - Clear description of all criteria used in agency review of applications
 - Disclosure of special terms and conditions
- Make all solicitations available for application for at least 30 days unless required by statute or unless exigent circumstances dictate otherwise
- Consider risk (financial stability, management systems and history of performance) associated with each applicant prior to making award
 - Risk assessment may impact terms and conditions

OMB Cost Principles – Consolidation

- Consolidate cost principles into single document with:
 - OMB Circular A-21 – Educational Institutions
 - OMB Circular A-87 – Governments
 - OMB Circular A-122 – Nonprofit Organizations
- Health and Human Services at 45 CFR Part 74 Appendix E – Hospitals was not incorporated in the proposal
 - OMB will conduct further review of the cost principles for hospitals and make a future determination about the extent to which they should be added to this guidance

These reforms above are aimed at providing uniformity in documentation requirements across different types of entities.

Proposed Cost Revisions

Negotiated Indirect Cost Rates

- Require agency-head approval for deviations from negotiated rates with notification to OMB, transparent documentation of decision process, and inclusion in pre-NOFA outreach as appropriate
- Allow for one-time 4-year extension of IDC
- Require pass-through entities to provide a rate to subrecipients
- Create a minimum rate for all recipients

Proposed Cost Revisions

Simplify Reporting Requirements for Time and Effort

- Eliminate examples from A-21
- Establish standards for payroll distribution internal controls
- Allow more flexibility for certification processes
 - 3 types of personnel
- Encourage alternative methods based on outcomes (C-10 (9) (F) (iv))

Proposed Cost Revisions

Direct Charge Allocable Administrative Costs:

- **Clarify that administrative costs may be direct costs if they are allocable directly to one award and included in the budget. Indirect costs are those not easily allocated between awards.**

Direct Charge Computing Devices as Supplies:

- Clarify that computing devices may be directly charged as supplies as long as they fit beneath the \$5,000 threshold.

Proposed Cost Revisions

- Utility Cost Rate:
 - Replace 1.3% adjustment for select schools with universal ability to meter at sub-building level and apply “effective square footage” calculation to utility use
- Eliminate DS-2 and CAS
- Clarify policy on family-related leave and dependent care benefits
- Eliminate various certification requirements

BASIC STRUCTURE OF SINGLE AUDIT UNCHANGED

- Audit threshold.
- Subrecipient vs. Vendor (contractor).
- Auditor selection.
- Basic financial statements & SEFA.
- Risk-based approach to determine major programs.
- Compliance Supplement overall format
- Reporting to Federal Audit Clearinghouse.
- Audit follow-up and corrective action.

Single Audit Changes

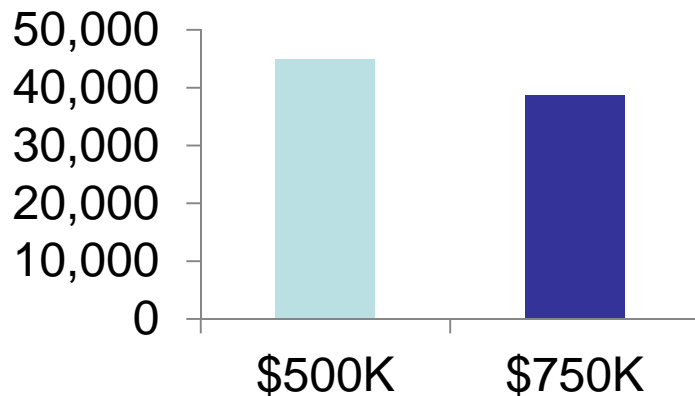
Focus Audit Resources Based on Risk

- Raise audit threshold from \$500K to \$750K.
- Revise definition of “Major Programs” to focus audits on material issues.
- Reduce from 14 to 7 the types of compliance requirements audited.
- Strengthen audit follow-up.
 - Designate “single audit accountable official” to oversee single audit process
 - Separate from single audit coordinator
- Make audit reports and management decisions public & allow Pass-Through Entities (PTE) to rely on cognizant agency decisions.

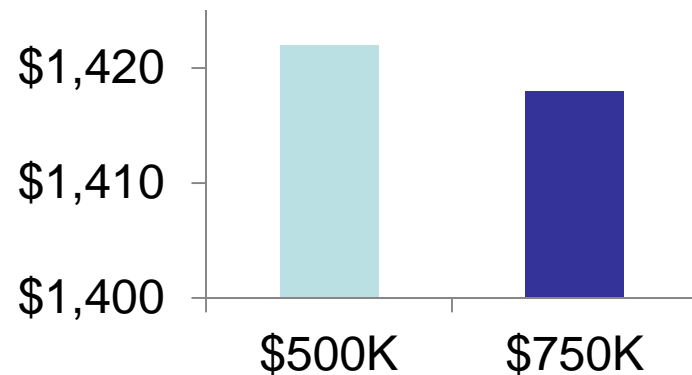
Single Audit Threshold

- Increase audit threshold from \$500,000 to \$750,000
- Based on single audits submitted to the FAC for 2011, there would be approximately 6,300 fewer entities subject to a single audit, but there would only be a reduction in dollars covered of approximately \$3.9 billion, or less than 1%

Number of Single Audits



**Total Dollars Covered
(in billions)**



OMB's goal is to concentrate audit resolution and oversight resources on higher dollar and higher risk awards.

Percentage of Coverage Requirement

- The proposal reduces the minimum coverage required as follows:

Type of Auditee	Current	Proposed
Not Low Risk	50%	40%
Low Risk	25%	20%

Streamlining Compliance Requirements

Compliance Requirements	Current	Proposed
A. Activities Allowed or Unallowed	✓	✓
B. Allowable Costs/Cost Principles	✓	Incorporated into A.
C. Cash Management	✓	✓
D. Davis – Bacon Act	✓	Agency could request to be part of N.
E. Eligibility	✓	✓
F. Equipment	✓	Agency could request to be part of N.
G. Matching, Level of Effort, Earmarking	✓	Matching incorporated in A. Agency could request the remainder be part of N.
H. Period of Availability of Federal Funds	✓	Incorporated into A.
I. Procurement, Suspension, Debarment	✓	Agency could request to be part of N.
J. Program Income	✓	Agency could request to be part of N.
K. Real Property	✓	Agency could request to be part of N.
L. Reporting	✓	✓
M. Subrecipient Monitoring	✓	✓
N. Special Tests and Provisions	✓	✓

Opportunity to Comment

- FR Notice: . . . “We have noted. . .where there is language in the proposal that was particularly difficult to craft, and where feedback on the policy direction outlined will be especially useful. . .”
- Provide written comments:
 - Comments on the proposal must be submitted electronically www.regulations.gov no later than **5:00 p.m. Eastern Standard Time (EST) June 2, 2013 (includes OMB extension)**
 - To submit comments, search for recent submissions by OMB to find docket **OMB–2013–0001** and submit comments there