



ADMINISTRATIVE CIRCULARS WORKSHOP, PART I
NOVEMBER 7, 2013

Martin O'Malley, Governor

Anthony Brown, Lt. Governor

Slide 1

Administrative Requirements



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Learning Objectives

- Administrative Circulars – what are they and which applies to your organization?
- Pre and Post-award requirements – how do I comply?
- Financial and Program Management – what do I need to know?
- File Management and documentation – why is it critical?
- FFATA – Understand your role as a grantor and as a subrecipient.

Administrative Requirements

OMB Circular A-102 and A-110

OMB Circulars and Title 2 CFR

| If you are a: Then follow these Circulars: <i>Note: if you are a pass-through entity you are required to possess functional knowledge of the circular applicable to your subrecipient</i> | State, Local and Indian Tribal Governments | Institutions of Higher Education, Hospitals, and other Nonprofit Organizations | For Profit Organizations |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|
| Uniform Administrative Requirements | A-102 ; Common Rule | 2CFR Part 215 (formerly OMB Circular A-110) | FAR 31.2 |
| Cost Principles | 2CFR Part 225 (formerly OMB Circular A-87) | <u>Higher Ed: 2CFR Part 220</u> (formerly OMB Circular A-21) <u>Nonprofits: 2CFR Part 230</u> (formerly OMB Circular A-122) <u>Hospitals (research & other activities): 45CFR 74, Appendix E</u> <u>Hospitals (Medicare): Title XVIII of the Social Security Act</u> | 48CFR 31.2 |
| Audit Requirements | A-133 | A-133 | FAR 31.2 |

A-102 Grants and Cooperative Agreements with State and Local

- OMB revised Circular A-102 to include guidance to Federal agencies on matters not covered by the grants management common rule.
- The attachments to Circular A-102 were replaced by the grants management common rule. OMB has a chart for the locations of Federal agency codification of the grants management common rule. The rule is published in the same form in each agency's section of the code.

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

A-102 Grants and Cooperative Agreements with State and Local

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

A-110 Uniform Administrative Requirements for Grants and Other Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations

- Prior to 1993, Circular A-110 contained attachments for each of the administrative requirements it covered. In 1993, Circular A-110 was revised to locate all the administrative requirements into the text of the main document. There are no longer any attachments to Circular A-110.

<http://www.archives.gov/federal-register/cfr/>

| Department (See Note 1) | Grants Management Common Rule (State & Local Governments) | OMB Circular A-110 (universities & non-profit organizations) (See Note 2) | Non- procurement Suspension & Debarment (See Note 3) | Drug-Free Workplace Act common rule | Byrd Anti- Lobbying Amendment common rule (See Note 4) |
|-----------------------------------|--------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|------------------------------------------------------------|-------------------------------------------------------------------------------|
| Agriculture | 7 CFR 3016 | 7 CFR 3019 | 7 CFR 3017 | 7 CFR 3021 | 7 CFR 3018 |
| Commerce | 15 CFR 24 | 15 CFR 14 | 2 CFR 1326 | 15 CFR 29 | 15 CFR 28 |
| Defense | 32 CFR 33 | 32 CFR 32 | 2 CFR 1125 | 32 CFR 26 | 32 CFR 28 |
| Education | 34 CFR 80 | 34 CFR 74 | 34 CFR 85 | 34 CFR 84 | 34 CFR 82 |
| Energy | 10 CFR 600 | 10 CFR 600 | 2 CFR 901 | 10 CFR 607 | 10 CFR 601 |
| Health & Human Services | 45 CFR 92 | 45 CFR 74 | 2 CFR 376 | 45 CFR 82 | 45 CFR 93 |
| Housing & Urban Development | 24 CFR 85 | 24 CFR 84 | 24 CFR 24 | 24 CFR 21 | 24 CFR 87 |
| Interior | 43 CFR 12 | 43 CFR 12 | 2 CFR 1400 | 43 CFR 43 | 43 CFR 18 |
| Justice | 28 CFR 66 | 28 CFR 70 | 2 CFR 2867 | 28 CFR 83 | 28 CFR 69 |
| Labor | 29 CFR 97 | 29 CFR 95 | 29 CFR 98 | 29 CFR 94 | 29 CFR 93 |
| State | 22 CFR 135 | 22 CFR 145 | 2 CFR 601 | 22 CFR 133 | 22 CFR 138 |
| Transportation | 49 CFR 18 | 49 CFR 19 | 49 CFR 29 | 49 CFR 32 | 49 CFR 20 |
| Treasury | -- | -- | 31 CFR 19 | 31 CFR 20 | 31 CFR 21 |
| Veterans Affairs | 38 CFR 43 | -- | 2 CFR 801 | 38 CFR 48 | 38 CFR 45 |

How are you evaluated and why?

- Pre-Award and advanced monitoring activities that evaluate recipients' policies and procedures for compliance with the applicable Federal regulations.
- Increased over-site of the assistance arena by Congress, General Accounting Office ...
- Fiduciary responsibility to the taxpayer - it's the right thing to do!

Which is worse?

Non Compliance with the Circulars, No Policies! *Or,*
Great Policies but the Organization Fails to Follow
them!

No Policies:

Organization is non-
compliant - Federal funds at
risk.

Great policies:

But the
organization fails
to follow them –
Federal funds at
risk.

Both are indicators that will cause the auditor to
perform a more in-depth examination of your records.

Common Problems Found

- Problems with Indirect Cost Rate
- Unallowable costs.
- Lack of internal controls
- Lack of procurement procedures
- Lack of an accounting manual
- Insufficient property management standards
- Lack of procurement standards
- Indirect cost rate issues
- Inability to sufficiently determine allowable costs
- Lack of procedures for drawing and disbursing funds

What can a recipient do to survive?

Policies

- When preparing your policies be sure that you can abide by them (understand the basic Federal requirements).
- Ensure that they meet the minimum Federal requirements.
- Educate your staff on the policies.
- Remember, you will be measured against your policy if it is more stringent than the Federal requirement.
- Review your policies and procedures routinely to ensure that everyone is following them.

What can a recipient do to survive?

File Management – Documentation

- Copy of approved pre-application, grant application and backup documents for draft.
- Grant Award – Letter of Award and Grant Agreement to include all certifications.
- The official agency approved budget and your organizations backup for establishing the budget within your financial management system.
- Finance and performance reports.
- Audit information
- Correspondence and closeout information.

Standards for Financial Management Systems

- You must have complete financial records for each assistance agreement.
- Recipients' financial management systems must provide accurate, current and complete disclosure of the financial results of each Federally sponsored project.
- Does your accounting and financial management system(s) follow Generally Accepted Accounting Principles? (OMB Circular A-122, Attachment A, A(2)(e))

Standards for Financial Management Systems

- Is your financial management system(s) able to relate financial data to performance data and develop unit cost information? (.21(a))
- Can your financial management system(s) provide accurate, current and complete disclosure of the financial results of each federally-sponsored project or program in accordance with the requirements of .52? These are the Financial Status Report and Report of Federal Cash Transactions. (.21(b)(1))

Standards for Financial Management Systems

- Can your financial management system(s) provide records that adequately identify the source and application of funds for federally-sponsored activities? Information to be included is: authorizations, obligations, unliquidated obligations, assets, outlays, income and interest. (.21(b)(2))
- Does your financial management system(s) provide for effective control over and accountability for all funds, property and other assets, including ensuring that all such assets are used solely for authorized purposes? (.21(b)(3))

Standards for Financial Management Systems

- Can your financial management system(s) provide for a comparison of outlays with budget amounts for each award, including, where appropriate, information related to performance and unit cost? (.21(b)(4))
- Does your financial management system(s) provide written procedures to minimize the time elapsing between the transfer of funds to the recipient from the U.S. Treasury and the issuance or redemption of checks, warrants or payments by other means for the purposes of the program? (.21(b)(5))

Standards for Financial Management Systems

- Does your financial management system(s) provide written procedures for determining the reasonableness, allocability and allowability of costs in accordance with OMB Circular A-122, “Cost Principles for Non-Profit Organizations”? (.21(b)(6))
- Does your financial management system(s) provide accounting records which include cost accounting records supported by source documentation? (.21(b)(7))

Standards for Financial Management Systems

- If applicable, does your financial management system(s) provide procedures for conducting an audit in accordance with OMB Circular A-133? Currently, A-133 audits are required for recipients expending \$500,000 or more in federal funds during the fiscal year. (.26(a))
- Does your financial management system(s) provide or describe existing or planned indirect cost rates? (OMB Circular A-122 Attachment Sections C and D)

Personnel and Travel

- Does your organization maintain written standard of conduct governing the performance of your employees engaged in the award and administration of contract (i.e., conflict of interest and does it provide for disciplinary actions?)
- Does your organization maintain a personnel system(s) which provides monthly reports on the activities of each employee whose compensation is charged to the assistance agreement? (OMB Circular A-122, Attachment B, 8(m))
- Does your organization maintain a standard travel policy? (OMB Circular A-122, Attachment B, 51(b))

Cost Share / Matching

All contributions, including cash and third party in-kind, shall be accepted as part of the recipient's cost sharing or matching when such contributions meet all of the following criteria:

1. Are verifiable from the recipient's records.
2. Are not included as contributions for any other federally-assisted project or program.
3. Are necessary and reasonable for proper and efficient accomplishment of project or program objectives.

Cost Share / Matching

4. Are allowable under the applicable cost principles.
5. Are not paid by the Federal Government under another award, except where authorized by Federal statute to be used for cost sharing or matching.
6. Are provided for in the approved budget when required by the Federal awarding agency.

Cost Share / Matching

7. Conform to other provisions of this Circular, as applicable
 - a. Unrecovered indirect costs may be included as part of cost sharing or matching only with the prior approval of the Federal Awarding agency.
 - b. Values for recipient contributions of services and property shall be established in accordance with the applicable cost principles. If a Federal awarding agency authorizes recipients to donate buildings or land for construction/facilities acquisition projects or long-term use, the value of the donated property for cost sharing or matching shall be the lesser of (1) or (2).

Cost Share / Matching

- d. Volunteer services furnished by professional and technical personnel, consultants, and other skilled and unskilled labor may be counted as cost sharing or matching if the service is an integral and necessary part of an approved project or program.
- e. When an employer other than the recipient furnishes the services of an employee, these services shall be valued at the employee's regular rate of pay (plus an amount of fringe benefits that are reasonable, allowable, and allocable, but exclusive of overhead costs), provided these services are in the same skill for which the employee is normally paid.

Cost Share / Matching

- f. Donated supplies may include such items as expendable equipment, office supplies, laboratory supplies or workshop and classroom supplies. Value assessed to donated supplies included in the cost sharing or matching share shall be reasonable and shall not exceed the fair market value of the property at the time of the donation.

Program Income

- Added to funds committed to the project by the Federal awarding agency and recipient and used to further eligible project or program objectives.
- Used to finance the non-Federal share of the project or program.
- Deducted from the total project or program allowable cost in determining the net allowable costs on which the Federal share of costs is based.

Revision of Budget and Program Plans

- Budget was established at time of award
- Recipients are required to report deviations from budget and program plans, and request prior approvals for budget and program plan revisions.

Revision of Budget and Program Plans

- For non-construction awards, recipients shall request prior approvals from Federal awarding agencies for one or more of the following program or budget related reason:
 - Change in the scope or the objective of the project or program (even if there is no associated budget revision requiring prior written approval).
 - Change in a key person specified in the application or award document.

Revision of Budget and Program Plans

- The absence for more than three months, or a 25% reduction in time devoted to the project, by the approved project director or principal investigator.
- The need for additional Federal funding.
- The transfer of amounts budgeted for indirect costs to absorb increases in direct costs, or vice versa, if approval is required by the Federal awarding agency.

Revision of Budget and Program Plans

- The inclusion, unless waived by the Federal awarding agency, of cost that require prior approval in accord with relative OMB Circular or CFR as appropriate to the organization type.
- The transfer of funds allotted for training allowances (direct payment to trainees) to other categories of expense.
- Unless described in the application and funded in the approved awards, the subaward, transfer or contracting out of any work under an award. *This provision does not apply to the purchase of supplies, material, equipment or general support services.*

Monitoring and Performance Reporting

- Recipients are responsible for managing and monitoring each project, program, subaward, function or activity supported by the award.
- Recipients shall monitor subawards to ensure subrecipients have complied with applicable conditions of the award.
- Federal awarding agencies may make site visits, as needed.

Monitoring and Performance Reporting

- The Federal awarding agency shall prescribe the frequency with which the performance reports shall be submitted.
 - Annual reports due 90 calendar days after the grant year.
 - Quarterly or semi-annual reports are due 30 days after the reporting period (exception ARRA).
 - May require annual reports before anniversary dates of multiple year awards in lieu of this requirement.
 - Final performance report due 90 days after expiration/termination of award.

Monitoring and Performance Reporting

- Performance reports shall generally contain, for each award, brief information on each of the following:
 - Comparison of actual accomplishments with the goals and objectives.
 - Reasons why established goals were not met, if appropriate.
 - Other pertinent information including, when appropriate, analysis and explanation of cost overruns or high unit costs.

Monitoring and Performance Reporting

- Recipients shall immediately notify the Federal awarding agency of developments that have a significant impact on the award-supported activities:
 - Problems, delays, or adverse conditions which materially impair the ability to meet the objectives of the award.
 - This notification shall include a statement of the action taken or contemplated, and any assistance needed to resolve the situation.

Retention & Access Requirements for Records.

- Financial records, supporting documents, statistical records, and all other records pertinent to an award shall be retained for a period of three years from the date of submission of the final expenditure report or, for awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, as authorized by the Federal awarding agency.

Retention & Access Requirements for Records.

- Exceptions:
 - If any litigation, claim, or audit is started before the expiration of the 3-year period, the records shall be retained until all litigation, claims or audit findings involving the records have been resolved and final action taken.
 - Records for real property and equipment acquired with Federal funds shall be retained for 3 years after final disposition.

Retention & Access Requirements for Records.

- Exceptions:
 - When records are transferred to or maintained by the Federal awarding agency, the 3-year retention requirement is not applicable to the recipient.
 - Indirect cost rate proposals, cost allocations plans, etc. as specified in paragraph .53(g).
- Unrestricted access to any books, documents, papers or other records of recipient pertinent to the award.

Federal Funding Accountability and Transparency Act (FFATA)

- Federal Funding Accountability and Transparency Act (FFATA) – capture and report first tier subaward executive compensation data.
- A Prime Grant Recipient that is awarded a new Federal grant greater than or equal to \$25,000 as of October 1, 2010, is subject to the (FFATA) sub-award reporting requirements as outlined in the Office of Management and Budgets guidance issued August 27, 2010.

For further information go to <https://www.fsrs.gov>

Federal Funding Accountability and Transparency Act (FFATA)

- If the initial award is below \$25,000 but subsequent grant modifications result in a total award equal to or over \$25,000, the award will be subject to the reporting requirements, as of the date the award exceeds \$25,000.
- If the initial award equals or exceeds \$25,000 but funding is subsequently de-obligated such that the total award amount falls below \$25,000, the award continues to be subject to the reporting requirements of the Transparency Act and this Guidance.

For further information go to <https://www.fsrs.gov>

Federal Funding Accountability and Transparency Act (FFATA)

- The prime recipient must report information related to a subaward by the end of the month following the month the subaward or obligation was made.
 - Example 1:

The Prime Recipient awards subaward on October 1, 2013 – Must report subaward information by November 30, 2013
 - Example 2:

The Prime Recipient awards subaward on October 31, 2013 – Must report subaward information by November 30, 2013

References

- [Governor's Grants Office training library](#)
- <http://www.archives.gov/federal-register/cfr/>
- <https://www.fsrs.gov>
- [http://www.whitehouse.gov/omb/circulars default](http://www.whitehouse.gov/omb/circulars_default)