

THE SUPER “OMNI” CIRCULAR

FASFEPA

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Martha K. Asbury
Assistant Deputy Commissioner
Finance and Operations
Florida Department of Education

Key Dates:

- Feb 1, 2013 - NPRM
- Dec 19, 2013 - Final
- Dec 26, 2013 - Federal Register
- April 2014 - New OMB Compliance Supplement
- June 26, 2014 - ED Draft EDGAR Changes
- Dec 26, 2014 - Final EDGAR Published
- July 1, 2015 - Final EDGAR Takes Effect*

What is covered?

- A-102 – Administrative Rules State / Local – Part 80 – EDGAR
- A-110 – Administrative Rules Postsecondary – Part 74 – EDGAR
- A-87 – Cost Rules – State / Local
- A-21 – Cost Rules – Rules – Postsecondary
- A-122 – Cost Rules – Nonprofit
- A-133 – Audit Rules (>\$750,000)

Who is covered?

- All “nonfederal entities” expending federal awards





Reasons for the Change?

1. Simplicity
 2. Consistency
 3. President Obama's Executive Order on Regulatory Review
 - Increase Efficiency
 - Strengthen Oversight
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Resources

Intent is to focus resources on areas of highest risk

Who crafted the changes?

- “COFAR”
 - Council on Financial Assistance Reform, and Key Stakeholders
 - www.cfo.gov/cofar

Most Significant Change

- Shift from focus on *Compliance* to focus on **PERFORMANCE!!!**





Performance

- Auditors (A-133 + Federal OIG) and Monitors (Federal and State Pass Through) must look more to “outcomes” than to “process”

Flexibility



- The “Omni Circular” adds significant flexibility to way grantees/subgrantees can adopt their own processes.



Time and Effort

- Expands the definition of cost objective:
 - 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, or projects, etc.
 - May be a major function of the non-federal entity, a particular service or project, a federal award, or an indirect cost activity



Time and Effort Records

- Must accurately reflect the work performed, unless a substitute system is approved
- One of the subsequent bullet points says records must “reasonably reflect the total activity for which the employee is compensated by the non-federal entity.”
- Seems to set two different standards



Time and Effort Records

- Records must:
 - Be supported by a system or internal controls
 - Be incorporated into the official records
 - Reasonably reflect the total activity for which the employee is compensated
 - Encompass both federally assisted and all of activities compensated by the entity
 - Comply with the established accounting policies and practices
 - Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee is "split funded."
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Changes?

- Does not mention semi-annual certification
 - PAR only mentioned once and not defined
 - Required an internal control system which provides reasonable assurance that the charges are accurate, allowable, and properly allocated.
 - Not clear how auditors will handle this.
 - If internal controls meet the requirements no further documentation will be required.
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Issue

- Keep Florida's substitute system as recently revised?
 - Re-examine substitute system and revise with additional flexibilities?
 - Other?
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Financial Management

- All grantees and subgrantees must implement financial management systems that provide for:
 - Financial Reporting – accurate, current, and complete disclosure of financial results (e.g., return on investment) in accordance with reporting requirement
 - Accounting Records – must contain information pertaining to federal awards, authorizations, obligations, unobligated balances, assets, expenditures, and income; also information on interest
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Financial Management (cont.)

- Internal Controls - effective control and accountability must be maintained over all funds, property, and other assets. Substantially expands the discussion on internal controls and adds requirement that prompt action must be taken when instances of noncompliance are identified.
- Budget control – actual expenditures must be compared with budgeted amounts for each grant or subgrant



Financial Management (cont.)

- New requirements:
 - Entity must identify in its accounts all federal awards received and expended and the federal programs under which they were received
 - Grantees and subgrantees must have written procedures regarding financial management (cash management; determining the allowability of costs)



Cash Management

- New general rule for program income: shall be deducted from total allowable costs to determine the net allowable costs

Requirements for SEAs

- Pre-award process – evaluating the risk associated with a potential recipient prior to making an award; evaluating risk of noncompliance for the purposes of determining appropriate level of monitoring
- Subaward conditions – may continue to impose specific subaward conditions on a subrecipient as appropriate



Requirements for SEAs (cont.)

- Data elements – lengthy list of all information that must be included in the award
- Monitoring – includes a new section on suggested monitoring tools to ensure proper accountability and compliance (on-site reviews, training and technical assistance, “agreed upon procedures.”)
- Enforcement – continues current enforcement actions



Risk Factors

- Results of previous audits
 - New subrecipient
 - New personnel or substantially changed system
 - Extent of federal monitoring
 - Financial stability
 - Quality of management system
 - History of performance
 - Implementation capacity
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Audits

- Increases the single audit threshold to \$750,000



Audits

- Historically, auditors have focused on determining whether a grantee is compliant or non-compliant. Auditors are trained to assess source documentation to reach a black and white conclusion (either the entity complied or it did not).
- Omni circular states that the “final guidance includes provisions that focus on performance over compliance to provide accountability for federal funds.



Shift From Compliance to Performance

- Importance cannot be overstated
 - OMB instructing the audit community to focus on the outcomes of grants rather than the processes
 - May take years for auditors to effectively gauge grantee performance
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Procurement

- Circular creates one uniform set of procurement requirements applicable to all non-federal entities.
- One of the most significant changes is the requirement that all grantees and subgrantees maintain written procurement procedures
- Also must maintain a written code of conduct governing the performance of employees engaged in the award and administration of contracts



Procurement (cont.)

- Introduces that concept of micro-purchases (less than \$3,000). To the extent possible must distribute such purchases equitably among qualified suppliers.
 - Specifies circumstances under which sole-sourcing is permitted:
 - Only available from one source
 - Emergency will not permit delay
 - After solicitation of a number of sources, competition is deemed inadequate
 - Awarding agency authorizes a noncompetitive proposal
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Other Interesting Tidbits

- Encourages family-friendly policies (provide flexibilities to better allow for employees, especially women, to balance personal responsibilities while maintaining successful careers, i.e., child care costs)
- Uses term “contractor” rather than “vendor”
- Federal agencies must require recipients to use OMB-approved standard government-wide information collections



Other Interesting Tidbits

- Recipients must be required to relate financial data to performance accomplishments and must also provide cost information to demonstrate cost effective practices
 - Definition of supplies includes computing devices and accessories falling under the threshold for equipment, shall be treated consistent with all other items/supplies that fall below that level
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Other Interesting Tidbits

- Conference hosts/sponsors required to exercise discretion and judgment in ensuring that conference costs are appropriate, necessary, and managed in a manner that minimizes costs to the federal award (temporary dependent care costs that result directly from travel to conferences and meet specified standards are allowable)



Florida Plans

- Revisions to Green Book (release final version in January, 2015)
 - Training for subrecipients (September – November, 2014)
 - Significant technical assistance on development of written policies and procedures
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One More Issue: Terminal Leave

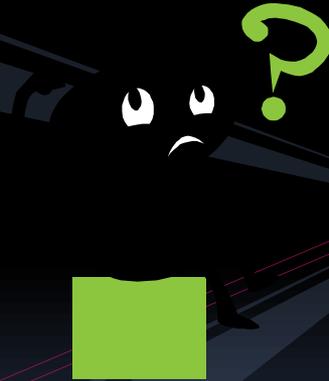
- Can payments of unused leave be charged as a direct cost to a federal funding source?

Yes, but only if the entity is using an accrual basis of accounting. If the entity is using a cash basis of accounting, payment of unused leave is allowable provided it is allocated as an indirect cost.

- Is there a difference between unused leave and severance payments?

Yes, they are two separate costs

Questions





Thank You!

Contact Information:

Martha K. Asbury

Assistant Deputy Commissioner

Finance and Operations

850/245-0420

martha.asbury@fldoe.org