



N A S C S P

NATIONAL ASSOCIATION FOR STATE COMMUNITY SERVICES PROGRAMS

CSBG Orientation

OMB Basics

Agenda

- Uniform Administrative Requirements
- Cost Principles
- Cost Allocation
- Audit

Format

2 CFR Part 200

- Chapter I – Office of Management and Budget Governmentwide Guidance for Grants and Agreements
- Chapter II – Office of Management and Budget Guidance
 - Part 200 – Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards
 - Subpart A – Acronyms and Definitions (200.1)
 - Subpart B – General Provisions (200.100)
 - Subpart C – Pre-Federal Award Requirements and Contents of Federal Awards (200.200)

Format

- Subpart D – Post Federal Award Requirements Standards for Financial and Program Management (200.300)
- Subpart E – Cost Principles (200.400)
- Subpart F – Audit Requirements (200.500)
- **APPENDICES**
 - I. Full Text of Notice of Funding Opportunity
 - II. Contract Provisions for Non-Federal Entity Contracts Under Federal Awards
 - III. Indirect (F&A) Costs Identification and Assignment and Rate Determination for Institutions of Higher Education

Format

- APPENDICES, Continued
 - IV. Indirect (F&A) Costs Identification and Assignment and Rate Determination for Nonprofit Organizations
 - V. State/Local Government and Indian Tribe-wide Central Service Cost Allocation Plans
 - VI. Public Assistance Cost Allocation Plans
 - VII. States and Local Government and Indian Tribe Indirect Cost Proposals
 - VIII. Nonprofit Organizations Exempted From Subpart E – Cost Principles of Part 200
 - IX. Hospital Cost Principles
 - X. Data Collection Form
 - XI. Compliance Supplement



N A S C S P

NATIONAL ASSOCIATION FOR STATE COMMUNITY SERVICES PROGRAMS

UNIFORM ADMINISTRATIVE REQUIREMENTS

**Federal Government
(Awarding Agencies)**

```
graph TD; A[Federal Government (Awarding Agencies)] --> B[State Government (Pass-through Entities)]; B --> C["CAPs, Tribes, ..."]; C --> D[Sub-recipients (Delegates)];
```

**State Government
(Pass-through Entities)**

**CAPs,
Tribes,
...**

**Sub-recipients
(Delegates)**

Subpart B – General Provisions

- Purpose
 - To establish **uniform** cost principles and audit requirements
- Statutes govern, where conflict exists
- Applies to all non-Federal recipients
 - Direct recipients
 - Sub-recipients of a pass-through entity

Subpart C – Pre-award Requirements

- Type of Agreement:
 - Contract
 - Grant
 - Cooperative Agreement
 - Fixed Amount Award
- Requirements for awards:
 - CFDA number
 - How awarded
 - Eligibility requirements
 - Selection criteria, if discretionary

Subpart C – Pre-award Requirements

- Awarding agency must design and execute a merit review process for applications
 - *Unless* prohibited by Federal Statute
- Must evaluate **risk** to the program posed by each applicant
 - Financial stability
 - Quality of management systems
 - Ability to meet the management standards
 - History of performance
 - Reports and findings from single audits

Subpart C – Pre-award Requirements

- When awarding agency review of risk posed by applicant or recipient history indicates potential failure to comply with performance goals:
 - Payments as reimbursements, rather than advances
 - Withholding authority to proceed to next phase
 - More detailed financial reports
 - Additional project monitoring
 - Receipt of technical assistance
 - Establishing additional prior approvals

Subpart D – Post Award Requirements

- States must follow state law
- Financial management system must provide:
 - Identification, in its accounts, of all Federal awards received and expended (CFDA title & number, etc.)
 - Accurate, current and complete disclosure of financial results for each award
 - Source and application of funds
 - Effective control over all funds, property and other assets (safeguarding of assets)
 - Comparison of expenditures with budget
 - Written procedures on payments
 - Written procedures for determining allowability of costs

Subpart D – Post Award Requirements

- Internal Controls
 - Establish and maintain effective internal control over Federal awards
 - In compliance with:
 - “Standards for Internal Control in the Federal Government” (Comptroller General of the United States)
 - “Internal Control Integrated Framework” (COSO)
 - Comply with Federal statutes, regulations and the terms and conditions of the awards
 - Evaluate and monitor compliance
 - Take prompt action when instances of noncompliance are identified in audit findings

COSO Framework



- Key Concepts:
 - Internal control is process
 - Internal control is impacted by people, not just policies and manuals
 - Internal control provides reasonable assurance, not absolute
- Definition
 - A process, effected by an entity's board of directors, management and other staff, designed to provided reasonable assurance regarding achievement of objectives:
 - Effectiveness and efficiency of operations
 - Reliability of financial reporting
 - Compliance with applicable laws and regulations
 - Safeguarding of assets

Subpart D – Post Award Requirements

- Internal Control Framework
 - **Control Environment** – Organization’s culture that influences ethical behavior.
 - **Risk Assessment** – Process of identifying risks that threaten achievement of goals.
 - **Control Activities** – Processes and procedures to support compliance and mitigate risk.
 - **Information and Communication** – Providing right information to the right people at the right time.
 - **Monitoring** – Process to verify that the controls are working as intended.

Green Book



- Same 5 Components
- Adds 17 principles

Subpart D – Post Award Requirements

- Payment
 - Minimize time elapsing between the transfer of funds from the US Treasury or pass-through entity and the ultimate disbursement
 - Non-Federal entity must be paid in advance, provided it maintains written procedures for control and accountability
 - Must be allowed to submit requests for funds at least monthly

Subpart D – Post Award Requirements

- Program Income
 - Income generated through program activity
 - Nonprofit may retain
 - Considered non-Federal match
 - No obligation to Federal government for program income earned after end of the project period
 - Use of program income
 - Deduction
 - Addition, *when authorized*

Subpart D – Property Standards

- Insurance coverage
- Title vests in recipient – sort of.....
- May use for a fee
- May transfer to other Federal programs
- May trade in or sell and apply to replacement equipment

Subpart D – Property Standards

- Equipment records requirements
 - Description
 - Serial, model number
 - Source, including award number
 - Acquisition date
 - Federal percentage
 - Location and condition
 - Unit acquisition cost
 - Ultimate disposition data

Subpart D – Property Standards

- Physical inventory
 - At least every two years
 - Reconcile records to physical inventory
 - Verify:
 - Existence
 - Utilization
 - Need
- Control system to prevent loss or damage
- Adequate maintenance procedures

Subpart D – Procurement Standards

- Written procurement procedures
- Written standards of real or apparent conflict of interest
- Must maintain a contract administration system
- Must avoid unnecessary or duplicative acquisitions
- Goal is full and open competition
- Affirmative steps for small, minority and women owned businesses

Subpart D – Procurement Standards

- Methods of procurement:
 - 1. Micro-purchase
 - \$3,500 or less
 - Distribute equitably among qualified suppliers
 - No solicitation necessary
 - 2. Small purchase
 - \$150,000 or less
 - Simplified Acquisition Threshold
 - Price or rate quotations from an adequate number of qualified sources

Subpart D – Procurement Standards

- Methods of procurement:
 - 3. Sealed bid
 - Lowest price
 - Publicly advertised and opened
 - 4. Competitive proposal
 - Publicly advertised and opened
 - Written method for conducting technical evaluation
 - Solicited from an adequate number of qualified sources
 - Most advantageous to the program, price and other factors considered

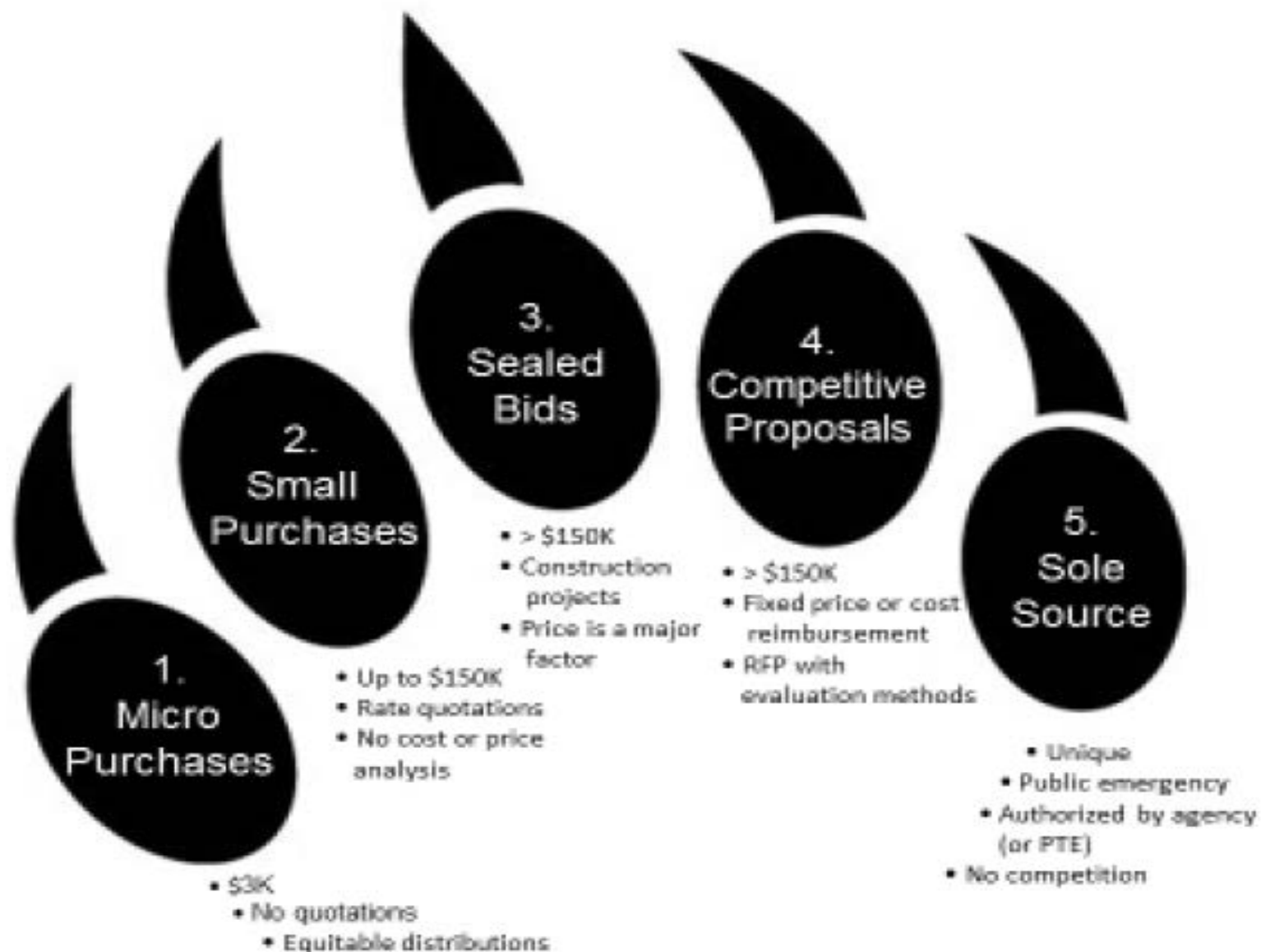
Subpart D – Procurement Standards

- Methods of procurement:
 - 5. Noncompetitive proposals
 - Single source
 - Emergency requirement
 - Pre-approval

Procurement "Claw" (Sections 200.317-326)



Procurement "Claw" (Section 200.320)



Subpart D – Performance and Financial Monitoring and Reporting

- Performance reports must be submitted
 - Performance vs. objective
- Pass-through entities must monitor activities of sub-awards:
 - Analyze financial and programmatic reports of sub
 - Ensure subs take timely action on deficiencies
 - Issue management decisions for audit findings
 - Consider whether adjustments are needed on pass through books

Subpart D – Record Retention, Access & Closeout

- Retain records 3 years from date of submission of the final expenditure report
- All reports due 90 days after end date of performance, unless extended
- All obligations must be liquidated 90 calendar days after the end date of the period of performance

90 Day Rule

- Funds must be obligated by the last day of the grant period.
- Obligations must be liquidated within 90 days of the end of the grant period.



Obligation

- Obligation is a transaction that requires payment
- Obligation is **not**:
 - An encumbrance
 - A commitment
 - A contract
 - A concept
- The funds must be *spent* in the period to be allowable!



N A S C S P

NATIONAL ASSOCIATION FOR STATE COMMUNITY SERVICES PROGRAMS

COST PRINCIPLES

Subpart E - Cost Principles

- Total Federal Cost = Allowable Direct + Allocable Indirect – Credits
- Elements of costs
 - Be necessary and reasonable
 - Conform to any limitations
 - Be consistent with policies and procedures to other activities of organization
 - Be accorded consistent treatment
 - Be determined in accordance with GAAP
 - Not included as cost of another award
 - Be adequately documented

Subpart E - Cost Principles

- Indirect (F & A) Costs
 - Indirect costs are those incurred for a common or joint purpose benefitting more than one cost objective
 - May be necessary to establish a number of pools of indirect costs
 - “Major” nonprofit organizations (receive more \$10 million in direct Federal funding) must have at least 2 categories:
 - Facilities – depreciation, interest, operation & maintenance
 - Administration – director’s office, accounting, personnel

Subpart E - Cost Principles

- Negotiated Indirect (F & A) Costs
 - Negotiated rates must be accepted by all Federal agencies
 - Any entity that has *never received* a negotiated indirect cost rate may elect a de minimis indirect cost rate of 10% of modified total direct costs (MTDC)
 - May be utilized *indefinitely*
 - If chosen, this methodology once elected must be used consistently for all Federal awards until such time as it chooses to negotiate for a rate
 - ***Modified Total Direct Costs (MTDC)*** – All direct wages, fringe benefits, materials and supplies, services, travel and subawards and subcontracts up the first \$25,000 of each. MTDC excludes equipment, capital expenditures, charges for patient care, rental costs, tuition remission, scholarship, and participant support costs



N A S C S P

NATIONAL ASSOCIATION FOR STATE COMMUNITY SERVICES PROGRAMS

COST ALLOCATION

Cost Allocation

- **What is “Cost Allocation”?**
 - Cost Allocation is a Process to Determine the “Total Cost” of a “Cost Objective”
 - Cost Objective is a particular award, contract, grant, project, service or other activity of an organization for which cost data is desired
 - Achieved By Distributing or Apportioning Costs to a Benefiting “Cost Objective”...
 - Using Statistical Data or Metrics that Measure the Usage of a Service or the Relative Benefit Received

Indirect Cost Options

- Cost Allocation
 - Direct costs are charged to specific grants
 - Indirect costs are pooled then allocated to benefitting grants
- Negotiated Indirect Cost Rate
 - Direct costs are charged to specific grants
 - Each grant receives the approved indirect cost rate
 - Indirect costs are coded to one fund
- DeMinimus Indirect Cost Rate
 - Same as above, but rate = 10% of MTDC

Indirect Cost Options



Cost
Allocation

Indirect Cost Options



Cost
Allocation



De
Minimus

Indirect Cost Options



Indirect Cost Options



Cost Allocation

Total Costs = Direct + Indirect

- Direct costs = identified with a *final cost objective*
- Indirect costs = incurred for common or joint objectives
 - *Cannot* be identified with a final cost objective
- Joint costs = benefits more than one program, but not all programs

Cost Allocation

- STEP 1 – Identification of ‘pools’ (costs with like characteristics)
 - Depreciation
 - Interest
 - Operation and maintenance expenses
 - General administrative:
 - Planning and Executive
 - Human Resources
 - Finance and Accounting
 - Information Technology

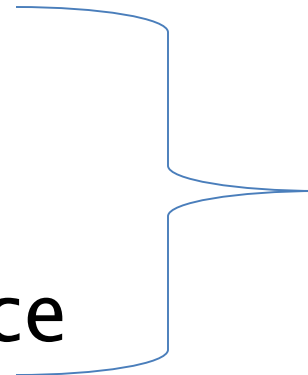
Cost Allocation

Step 2 – Determine allocation bases

Depreciation

Interest

Repairs/Maintenance



Square feet,

of rooms,

FTE employee

General Administrative – Direct labor hours or costs

Step 3 – Prepare Cost Allocation Plan

Cost Allocation

EXAMPLE COMMUNITY ACTION AGENCY

	PROGRAMS				INDIRECT POOLS	
	A	B	C	Corporate	Facilities	Admin.
Salaries and Wages	\$ 400,000	\$ 200,000	\$ 100,000	\$ 50,000	\$ 25,000	\$ 750,000
Fringe Benefits	120,000	60,000	30,000	15,000	7,500	225,000
Supplies	10,000	8,000	5,000	20,000	2,500	15,000
Communications	5,000	12,000	5,000	15,000	-	10,000
Direct Client Services	65,000	20,000	10,000	-	-	-
Sub-Total	\$ 600,000	\$ 300,000	\$ 150,000	\$ 100,000	\$ 35,000	\$ 1,000,000

Cost Allocation

EXAMPLE COMMUNITY ACTION AGENCY

	PROGRAMS			Corporate	INDIRECT POOLS	
	A	B	C		Facilities	Admin.
Salaries and Wages	\$ 400,000	\$ 200,000	\$ 100,000	\$ 50,000	\$ 25,000	\$ 750,000
Fringe Benefits	120,000	60,000	30,000	15,000	7,500	225,000
Supplies	10,000	8,000	5,000	20,000	2,500	15,000
Communications	5,000	12,000	5,000	15,000	-	10,000
Direct Client Services	65,000	20,000	10,000	-	-	-
Sub-Total	\$ 600,000	\$ 300,000	\$ 150,000	\$ 100,000	\$ 35,000	\$ 1,000,000
Allocate Facilities Pool	9,767	4,884	2,442	1,628	(35,000)	16,279
					<u>\$ -</u>	

Total Facilities cost = \$35,000 / Base Total of \$2,150,000 = 1.628%

Cost Allocation

EXAMPLE COMMUNITY ACTION AGENCY

	PROGRAMS				INDIRECT POOLS	
	A	B	C	Corporate	Facilities	Admin.
Salaries and Wages	\$ 400,000	\$ 200,000	\$ 100,000	\$ 50,000	\$ 25,000	\$ 750,000
Fringe Benefits	120,000	60,000	30,000	15,000	7,500	225,000
Supplies	10,000	8,000	5,000	20,000	2,500	15,000
Communications	5,000	12,000	5,000	15,000	-	10,000
Direct Client Services	65,000	20,000	10,000	-	-	-
Sub-Total	\$ 600,000	\$ 300,000	\$ 150,000	\$ 100,000	\$ 35,000	\$ 1,000,000
Allocate Facilities Pool	9,767	4,884	2,442	1,628	(35,000)	16,279
Sub-Total	\$ 609,767	\$ 304,884	\$ 152,442	\$ 101,628	\$ -	\$ 1,016,279
Allocate Admin Pool	530,233	265,116	132,558	88,372		(1,016,279)
FINAL PROGRAM COST	\$ 1,140,000	\$ 570,000	\$ 285,000	\$ 190,000		\$ (0)

Total Administrative cost = \$1,016,279 / Base Total of \$1,168,721 = 86.957%

Cost Allocation

- Types of Negotiated Indirect Cost Rates:
 - Predetermined
 - not subject to adjustment
 - Fixed Rate
 - a predetermined rate, but the difference between actual and estimate carries forward as an adjustment
 - Provisional
 - temporary indirect rate used during the year until a final rate is established at year end

Cost Allocation

- Tricks and Traps of cost allocation
 - Cost allocation and indirect costs are not the same thing
 - Costs **cannot** be allocated on budget!
 - Costs **cannot** be allocated on available resources!
 - Cost allocation requires a plan and following it.
 - Cost allocation must produce **reasonable** results.

Cost Allocation

- Tricks and Traps, *Continued*
 - Indirect costs can be a home to **FRAUD!!**
 - Cannot allocate *unallowable* costs.
 - Allocate indirect costs to ALL functions:
 - Corporate
 - Political/Informational
 - Fund raising
 - Member services
 - Have an approval process for allocations

Subpart E – Selected Items of Cost

- **Compensation – Personal Services**
 - PAR's *not* required
 - Punishment for not following – PARs
 - Focus = system, not specific requirements
 - Internal controls are the key
 - Reasonable – consistent with that paid for similar work
 - Consistent – must follow organization-wide policies/practices
 - Incentive compensation
 - Overall compensation must be reasonable
 - Paid or accrued pursuant to an agreement entered into in good faith before services were rendered

Subpart E – Selected Items of Cost

- **Compensation – Personal Services**

- Standards for Documentation of Personnel Expenses

- Must be based on records that accurately reflect the work performed

- » Must be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable and properly allocated

- » Must be incorporated into the official record of the entity

- » **Reasonably reflect the total activity for which the employee is compensated, not more than 100%**

- » Support the distribution of the employee's salary or wages among specific activities or cost objectives

- » Budget estimates alone do not qualify as support for charges to Federal awards, but may be used for interim accounting purposes

- If all the above are met, nothing additional is required!

Subpart E – Selected Items of Cost

- **Compensation – Fringe Benefits**
 - Must be reasonable and required by law, entity-employee agreement or an established policy
 - Leaves
 - Under written leave policies
 - Equitably allocated to all related activities
 - Determined by GAAP, when leave is earned
 - Lesser of the amount accrued or funded
 - Insurances and pensions must be granted under a written policy



N A S C S P

NATIONAL ASSOCIATION FOR STATE COMMUNITY SERVICES PROGRAMS

SINGLE AUDIT

Subpart F – Audit Requirements

- Required for non-Federal entities that expend \$750,000 or more in Federal awards in a year
- The auditee shall:
 - Prepare appropriate financial statements
 - Procure or otherwise arrange for the audit
 - Follow up and take corrective action on audit findings
- Audit Reporting
 - Opinion on financial statements
 - Report on internal control over financial reporting and on compliance with laws, regs and provisions of awards
 - Report on compliance and internal control over compliance applicable to each major program
 - Schedule of findings and questioned costs
 - Summary of audit results

Subpart F – Audit Requirements

- Conducting a Single Audit
 - Step 1 – Determine Type A programs
 - Generally, \$750,000 or larger
 - Step 2 – Determine which Type A are low risk
 - Generally, audited in last 2 years without issue
 - Step 3 – Determine which Type B are high risk
 - Auditor’s professional judgment
 - Step 4 – Determine major programs
 - Type A & B High Risk Programs

Subpart F – Audit Requirements

- Conducting a Single Audit
 - Percentage of Coverage Rule
 - If low risk auditee – 20% of expenditures
 - If other – 40% of expenditures

Subpart F – Audit Requirements

- Major Program – Compliance Elements
 - A. Activities Allowed/Unallowed
 - B. Allowable Costs/Cost Principles (combined)
 - C. Cash Management
 - D. Davis–Bacon
 - E. Eligibility
 - F. Equipment and Real Property Management
 - G. Matching, Level of Effort and Earmarking
 - H. Period of Availability of Federal Funds
 - I. Procurement and Suspension and Debarment
 - J. Program Income
 - K. Real Property Acquisition and Relocation Assistance
 - L. Reporting
 - M. Subrecipient Monitoring
 - N. Special Tests and Provisions

Subpart F – Audit Requirements

- ***Audit Findings***

- Significant deficiencies and material weaknesses in internal control over major programs
- Material noncompliance with the provisions of laws, regulations or terms/conditions of awards over a major
- Known questioned costs that are greater than \$25,000
 - Auditor should project potential error
- Known or likely fraud

Subpart F – Audit Requirements

- Elements of a finding
 - Federal program and Federal award identification
 - CFDA number and title
 - Criteria upon which the audit finding is based (citation)
 - Condition found (facts that support the deficiency)
 - Statement of effect
 - Identification of questioned cost and how computed
 - Information on prevalence (# of findings from # in universe)
 - Whether a repeat finding from a previous audit
 - Recommendation to prevent future occurrences
 - View of responsible official of the auditee

Finding Example

Finding: ACCOUNT RECONCILIATIONS – ALL PROGRAMS (2009 – 01)

Questioned Costs: None

Condition: Several asset, liability and net asset accounts contain misstated or unidentified balances. These balances were analyzed and adjusted during audit fieldwork.

Criteria: OMB Circular A-110, *Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations* Subpart C. 21(b)(1) requires recipients to have a financial management system that provides accurate, current and complete disclosure of the financial results of each program. In addition, subpart C.21(b)(3) requires a financial management system that provides adequate control over all funds, property and other assets.

Effect: Failure to timely reconcile and adjust account balances allows errors to be made and not caught and corrected, thus allowing inaccurate financial statements and assets that are not adequately controlled.

Recommendation: We recommend that monthly reconciliation responsibility for each general ledger account be assigned to an appropriate person. Any unknown or misstated balance should be investigated and corrected as soon as possible.

Responsible Official: Ms. Mary Jane Smith, Finance Director

Auditee Response: Twin Cities Community Action Programs agrees with the auditor's recommendation. A schedule with assigned accounts will be developed within 30 days. The Finance Director will review all accounts 30 days after month end to verify that each account has been appropriately analyzed.

Auditor Assessment: The proposed action by the TCCAP should adequately address this finding.

Resources

- Full text of OMB Uniform Guidance for Federal Financial Assistance
 - <http://www.gpo.gov/fdsys/pkg/FR-2013-12-26/pdf/2013-30465.pdf>
- Compliance Supplement
 - http://www.whitehouse.gov/omb/circulars/a133_compliance_supplement_2016
- Data Collection Form
 - https://harvester.census.gov/facweb/files/2013_form_SF-SAC.pdf

Resources

- “Standards for Internal Control in the Federal Government” (Green Book) issued by the Comptroller General
 - www.gao.gov/special.pubs/ai00021p.pdf
- “Internal Control Framework” issued by the Committee on Sponsoring Organizations (COSO)
 - www.coso.org/ic.htm

Resources

- Example Cost Allocation Plan
 - http://www.michigan.gov/documents/mde/Model_Cost_Allocation_Plan_357993_7.pdf
- Indirect Cost Proposal
 - <http://www.muni.org/Departments/budget/indirectCost/2014%20Indirect%20Cost%20Proposals/HS%20ICP%202014.pdf>
 - <http://www.epa.gov/ogd/recipient/sample1.htm>
 - <https://rates.psc.gov/fms/dca/shortform1.pdf>
 - https://rates.psc.gov/fms/dca/np_exall2.html