



## Understanding the New OMB Uniform Guidance

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### The Forbes Funds

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## Overview

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### Agenda

- Introductions & Overview
- Reforms to **Cost Principles**
  - Personnel and Non-Personnel Costs
  - How We Understand Our Costs Internally
  - Calculating an Indirect Cost Rate
- Reforms to **Administrative Requirements**
- Reforms to **Audit Requirements**
- Next Steps & Wrap-up

# OVERVIEW

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## New OMB Uniform Guidance

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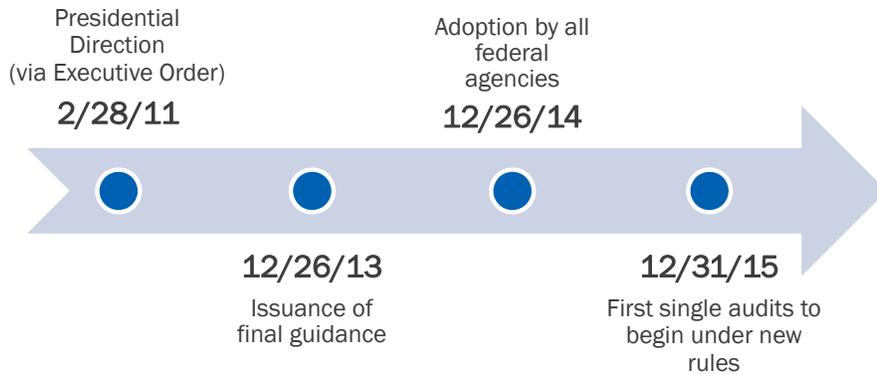
### Objectives of grant reform

- Streamline rules governing federal funds
- Reduce administrative burden for recipients of federal awards
- Strengthen accountability for federal dollars by improving policies that protect against waste, fraud, and abuse
- Reorient recipients toward achieving program objectives
- Refocus single audit to make it a more effective tool



## New OMB Uniform Guidance

### Grant reform timeline



5



## New OMB Uniform Guidance

### Combines and streamlines eight OMB circulars

- **A-21**, Cost Principles for Educational Institutions
- **A-50**, Audit Follow-Up (related to Single Audit)
- **A-87**, Cost Principles for State, Local, and Indian Tribal Governments
- **A-89**, Federal Domestic Assistance Program Information
- **A-102**, Grants and Cooperative Agreements w/ State & Local Governments
- **A-110**, Uniform Administrative Requirements for Grants and Other Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations
- **A-122**, Cost Principles for Non-Profit Organizations
- **A-133**, Audits of States, Local Governments, and Non-Profit Organizations

6



## Effective Dates

### Cost Principles & Administrative Requirements

- Nonprofits must implement administrative requirements and cost principles for all **new awards** and **additional funding increments of existing awards** made after **December 26, 2014**
  - Could have contracts under old circulars and new guidance within the same fiscal year
  - Organizations that choose to implement entity-wide system changes to comply with the new guidance in this transition year will not be penalized\*
- Grace period of **one year** allowed for new procurement rules

\*COFAR FAQ: 200.110 – 13: <https://cfo.gov/wp-content/uploads/2014/11/2014-11-26-Frequently-Asked-Questions.pdf>

7



## New OMB Uniform Guidance

### The Final Guidance: 2 CFR 200

Part	Contents	Reference
Subpart A	Acronyms & Definitions	200.0 – 200.99
Subpart B	General Provisions	200.100 – 200.113
Subpart C	Pre-award Federal Requirements	200.200 – 200.211
Subpart D	Post-Federal Award Requirements	200.300 – 200.345
Subpart E	Cost Principles	200.400 – 200.475
Subpart F	Audit Requirements	200.500 – 200.521
Appendices		

8



## New OMB Uniform Guidance

### Key areas of change

#### *Subpart E*

Reforms to  
Cost Principles

#### *Subparts A-D*

Reforms to  
Administrative  
Requirements

#### *Subpart F*

Reforms to  
Audit  
Requirements

9

## PERSONNEL COSTS

Reforms to Cost Principles



## Personnel Costs

### Time and effort reporting

- Purpose of changes is to **reduce administrative burden** of documenting time and effort
- Greater focus on having **internal controls** in place to ensure salaries and wages are based on records that accurately reflect work performed

Section 200.430

11



## Personnel Costs

### Time and effort reporting

- Personnel activity reports (i.e. timesheets) not specifically required; more flexibility in process used to meet standards
- Time and effort reporting cannot be based on budget estimates alone

Section 200.430

12



## Personnel Costs

Summary of Changes	Uniform Guidance	A-122
Documented payroll supported by personnel activity reports	X	✓
Signed by employee or responsible official with firsthand knowledge of employee's activity	X	✓
After the fact determination (budgets alone are not allowed)	✓	✓
Prepared at least monthly and coincide with one or more pay periods	X	✓
Be incorporated into official records	✓	X
Must track 100% of activity (federal and non-federal)	✓	✓
Supported by system of internal control	✓	Not specified but presumed
Comply with accounting policies of entity	✓	Not specified but presumed

Source: David Ashenfarb, Government Accounting & Auditing Update – Uniform Guidance for Federal Awards, January 2015.  
Retrieved from: <http://www.schallandashenfarb.com/webinars.php>



## Personnel Costs

### Some ambiguity

- Who needs to sign effort report?
- What type of effort report needs to be prepared?
- How often does effort report need to be prepared?

### What approach should you take?

- If current system works, you don't need to change it
- If you are thinking of making changes, get approval from funders and discuss with your auditor

Source: David Ashenfarb, Government Accounting & Auditing Update – Uniform Guidance for Federal Awards, January 2015.  
Retrieved from: <http://www.schallandashenfarb.com/webinars.php>

# NON-PERSONNEL COSTS

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## Reforms to Cost Principles



### Cost Principles: Non-Personnel

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#### Equipment and other capital expenditures

- Computers are now defined as supplies, not equipment, if cost is less than organization capitalization threshold or **\$5,000**
- Includes:
  - Tablets
  - Laptops
  - Smartphones
- Consider revisiting your policy if threshold is below \$5,000

Section 200.439



## Cost Principles: Non-Personnel

### Proposal costs

- Now allowable as indirect costs:
  - Costs of preparing bids, proposals, or applications on potential Federal and non-Federal awards or projects (if considered an M&G cost)
  - Includes both successful and unsuccessful bids and proposals

Section 200.460

17



## Cost Principles: Non-Personnel

### Cost principles with significant changes

- Bad Debt – 200.426
- Conferences – 200.432
- Contingencies – 200.433
- Contributions – 200.434
- Depreciation – 200.436
- Entertainment – 200.438
- Intellectual Property – 200.448
- Training – 200.472
- Travel – 200.474

18



## Cost Principles: Non-Personnel

### Cost principles with little or no changes

- Advertising and public relations
- Alcoholic beverages
- Alumni(ae) activities
- Audit services
- Commencement and convocation costs
- Goods and services for personal use
- Lobbying
- Organization costs
- Plant and homeland security costs
- Professional service costs
- Selling and marketing costs
- Student activity costs

19



## Reflection Tool

### Questions 1 & 2

Understanding the OMB Uniform Guidance: Reflection Tool

1. Reforms to Cost Principles: Personnel	
a) Do you currently use timesheets at your organization?	
b) Do staff record their time according to the programs / projects they are working on?	
c) Based on what you've learned today, what are the action steps needed in the area of personnel timekeeping, if any?	

2. Reforms to Cost Principles: Non-Personnel	
a) Based on what you've learned today, what are the action steps you may need to take in the area of non-personnel costs?	<i>Equipment &amp; Other Capital Expenditures:</i>  <i>Proposal Costs:</i>
b) Are any of the other following areas of change	<i>Bad Debt:</i> <span style="float: right;"><i>Entertainment:</i></span>

20

# HOW WE UNDERSTAND OUR COSTS INTERNALLY

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## Reforms to Cost Principles

21



## How We Understand Our Costs Internally

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### Natural and functional expenses

#### Natural Expenses

- Expenses classified by the *nature* of the expense such as salaries, rent, utilities, supplies, etc.

#### Functional Expenses

- Expenses classified by the *type of activity* for which the expense was incurred: programmatic, management and general, or fundraising

22

**NONPROFIT ORG, INC.**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	Program Services				Supporting Services			Total
	Program A	Program B	Program C	Program D	Program Expenses	Management and General	Fundraising	
Salaries	\$168,189	\$ 67,710	\$247,474	\$129,323	\$612,696	\$ 74,120	\$ 75,697	\$ 762,513
Payroll taxes and Employee benefits	34,037	13,703	49,962	26,120	123,822	15,228	15,263	154,313
Rent	97,288	8,215	24,436	13,271	143,210	7,162	6,530	156,902
Utilities	2,935	1,180	3,509	1,906	9,530	1,029	938	11,497
Office cleaning	1,797	723	2,149	1,167	5,836	630	574	7,040
Consultants	6,989	3,237	8,668	7,440	26,334	1,887	46,987	75,208
Accounting & Auditing Fees	-	-	-	-	-	19,000	-	19,000
Office expense	6,123	2,462	7,248	3,945	19,778	2,122	1,921	23,821
Supplies	7,907	2,500	3,355	2,514	16,276	-	-	16,276
Telephone	7,591	3,052	9,078	4,930	24,651	2,661	2,426	29,738
Postage and messengers	1,500	750	600	1,584	4,434	1,784	4,000	10,218
Photocopying	135	145	80	2,565	2,925	390	-	3,315
Equipment leasing	3,535	1,421	4,227	2,296	11,479	1,239	1,130	13,848
Insurance	2,848	1,145	3,406	1,849	9,248	998	910	11,156
Local transportation	667	268	798	434	2,167	234	213	2,614
Meals and entertainment	1,798	723	1,371	125	4,017	1,000	2,026	7,043
Seminars and training	500	250	750	2,500	4,000	3,698	1,000	8,698
Fees	560	3,247	1,003	-	4,810	219	-	5,029
Data processing	496	199	593	322	1,610	174	158	1,942
Dues and subscriptions	385	532	130	653	1,730	375	185	2,290
Advertising	5,017	3,838	3,245	5,979	18,079	432	393	18,904
Depreciation	2,284	918	2,731	1,483	7,416	800	730	8,946
Miscellaneous	522	210	625	16,275	17,632	176	4,328	22,136
<b>Total expenses</b>	<b>\$357,953</b>	<b>\$118,378</b>	<b>\$381,238</b>	<b>\$229,861</b>	<b>\$1,087,430</b>	<b>\$118,058</b>	<b>\$168,959</b>	<b>\$1,372,447</b>



## How We Understand Our Costs Internally

### Two categories: specific and shared

**Specific expenses:** Expenses that can be specifically *assigned* to one or more program(s) or function(s), based on time or money spent directly in each program or function

- Salaries for program personnel
- Salaries for fiscal staff
- Fundraising expenses

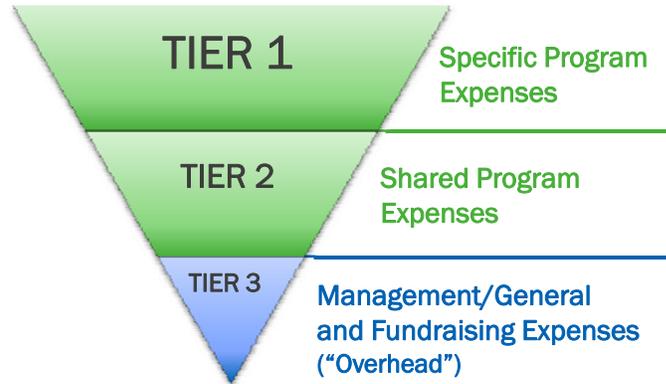
**Shared expenses:** Expenses that are shared among some or all programs and functions. These expenses must be *allocated* among functional areas on the basis of an appropriate methodology

- Rent and utilities in a common space
- Office supplies
- Depreciation



## How We Understand Our Costs Internally

We see our own expenses in three categories



25



## Allocation Methodology

### Allocation methodology

#### Definition

A method by which costs associated with more than one program or support area (administrative or fundraising) are distributed across functions.

#### Purpose

To allocate expenses in order to determine the true costs of programs and cost per unit of services

26



## Allocation Methodology

### Allocation of personnel expenses

- Personnel expenses (for full time and part time staff) are allocated based on **Staff Level of Effort**, can be substantiated by:\*
  - Timesheets
  - Time studies
  - Employee Attestation Statement

\* Method of substantiation is often dictated by funder

27



## Allocation Methodology

### Allocation of non-personnel costs

Types of Non-personnel	Can be allocated based on
Occupancy <ul style="list-style-type: none"><li>• Rent</li><li>• Utilities</li><li>• Cleaning</li><li>• Maintenance</li></ul>	% of salary dollars Headcount ( <i>F.T.E</i> ) Facilities use studies (%) Square footage
Interest Insurance Depreciation	Asset use (for debt to acquire property) Loan use (for working capital loans)

28



## How We Understand Our Costs Internally

### Staff level of effort: FTE calculations

	Program A	Program B	M&G	Fundraising	Total
<b>Personnel</b>					
Executive Director	35%	22%	25%	18%	100%
Program Director	50%	50%			100%
Teacher A	100%				100%
Teacher B		100%			100%
Bookkeeper			30%		30%
Grantwriter				25%	25%
<b>Total</b>	<b>185%</b>	<b>172%</b>	<b>55%</b>	<b>43%</b>	<b>455%</b>
<b>Rounded # of FTEs</b>	<b>1.9</b>	<b>1.7</b>	<b>0.6</b>	<b>0.4</b>	<b>4.6</b>
<b>Allocation based on FTEs</b>	<b>41%</b>	<b>38%</b>	<b>12%</b>	<b>9%</b>	<b>100%</b>

29



## How We Understand Our Costs Internally

### Personnel: salaries

	Program A	Program B	M&G	Fundraising	Total
<b>Personnel</b>					
Executive Director	25,900	16,280	18,500	13,320	74,000
Program Director	34,000	34,000			68,000
Teacher A	55,000				55,000
Teacher B		50,000			50,000
Bookkeeper			25,000		25,000
Grantwriter				20,000	20,000
<b>Total Salaries</b>	<b>114,900</b>	<b>100,280</b>	<b>43,500</b>	<b>33,320</b>	<b>292,000</b>

Tier 1: Specific Program Expenses

Tier 3: Specific M&G and Fundraising expenses

30



## How We Understand Our Costs Internally

### Personnel: salaries + fringe

	Program A	Program B	M&G	Fundraising	Total
<b>Personnel</b>					
Executive Director	25,900	16,280	18,500	13,320	74,000
Program Director	34,000	34,000			68,000
Teacher A	55,000				55,000
Teacher B		50,000			50,000
Bookkeeper			25,000		25,000
Grantwriter				20,000	20,000
<b>Total Salaries</b>	<b>114,900</b>	<b>100,280</b>	<b>43,500</b>	<b>33,320</b>	<b>292,000</b>

Effective Fringe Rate: 

20%	20%	20%	20%
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Fringe	22,980	20,056	8,700	6,664	58,400
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<b>Total Personnel</b>	<b>137,880</b>	<b>120,336</b>	<b>52,200</b>	<b>39,984</b>	<b>350,400</b>
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## How We Understand Our Costs Internally

### Tiers 1 & 3: specific expenses

	Program A	Program B	M&G	Fundraising	Total
<b>OTPS</b>					
Classroom supplies	12,200	14,600			26,800
Snacks	2,200	3,000			5,200
Bus rental	2,000				2,000
Audit fees			9,500		9,500
Conference travel			800		800
Event space rental				1,000	1,000
Event catering				3,200	3,200
<b>Total</b>	<b>16,400</b>	<b>17,600</b>	<b>10,300</b>	<b>4,200</b>	<b>48,500</b>

Tier 1: Specific Program Expenses

Tier 3: Specific M&G and Fundraising Expenses



## How We Understand Our Costs Internally

### Tiers 2 & 3: shared expenses

Percentages derived using staff level of effort calculation

	Program A	Program B	M&G	Fundraising	Total
<b>Allocation Percentage</b>	41%	38%	12%	9%	
Rent	13,011	12,097	3,868	3,024	32,000
Utilities	2,440	2,268	725	567	6,000
Office Supplies	1,952	1,815	580	454	4,800
Depreciation	6,262	5,822	1,862	1,455	15,400
<b>Total</b>	<b>23,664</b>	<b>22,001</b>	<b>7,035</b>	<b>5,500</b>	<b>58,200</b>

Tier 2: Shared Costs Allocated to Programs

Tier 3: Shared Costs Allocated to M&G and Fundraising



## How We Understand Our Costs Internally

### Tier 1 +2: specific and shared expenses for Program A

	Program A
<b>Personnel</b>	
Executive Director	25,900
Program Director	34,000
Teacher A	55,000
Fringe	22,980
<b>OTPS</b>	
Classroom supplies	12,200
Snacks	2,200
Bus rental	2,000
Rent	13,011
Utilities	2,440
Office supplies	1,952
Depreciation	6,262
<b>Total</b>	<b>177,944</b>

Specific Program Expense  
 Total: \$154,280

Shared Expenses Allocated to Program  
 Total: \$23,664



## How We Understand Our Costs Internally

### Tier 3: supporting services (overhead)

	M&G	Fundraising
<b>Personnel</b>		
Executive Director	18,500	13,320
Bookkeeper	25,000	
Grantwriter		20,000
Fringe	8,700	6,664
<b>OTPS</b>		
Audit fees	9,500	
Conference travel	800	
Event space rental		1,000
Event Catering		3,200
Rent	3,868	3,024
Utilities	725	567
Office Supplies	580	454
Depreciation	1,862	1,455
<b>Total</b>	<b>69,535</b>	<b>49,684</b>

Specific M&G and Fundraising Expenses

Shared Expenses Allocated to M&G and Fundraising

## Bringing Together Tiers 1, 2, and 3

	Program A	Program B	Tier 3: "Overhead"		Total
			M&G	Fundraising	
<b>Personnel</b>					
Executive Director	25,900	16,280	18,500	13,320	74,000
Program Director	34,000	34,000	-	-	68,000
Teacher A	55,000	-	-	-	55,000
Teacher B	-	50,000	-	-	50,000
Bookkeeper	-	-	25,000	-	25,000
Grantwriter	-	-	-	20,000	20,000
Fringe	22,980	20,056	8,700	6,664	58,400
<b>OTPS</b>					
Classroom supplies	12,200	14,600	-	-	26,800
Snacks	2,200	3,000	-	-	5,200
Bus rental	2,000	-	-	-	2,000
Audit fees	-	-	9,500	-	9,500
Conference travel	-	-	800	-	800
Event space rental	-	-	-	1,000	1,000
Event catering	-	-	-	3,200	3,200
Rent	13,011	12,097	3,868	3,024	32,000
Utilities	2,440	2,268	725	567	6,000
Office supplies	1,952	1,815	580	454	4,800
Depreciation	6,262	5,822	1,862	1,455	15,400
<b>Total</b>	<b>177,944</b>	<b>159,937</b>	<b>69,535</b>	<b>49,684</b>	<b>457,100</b>

Tier 1: Specific Program Expense

Tier 2: Shared Costs Allocated to Programs



## Strategy for Funding Tier 3 Costs

### Examples

1. Raise unrestricted dollars
2. Indirect cost recovery
3. Develop an earned revenue stream the covers the full cost of the associated program or more
4. Build an overhead rate into requests for restricted program funding from foundation/corporate funders

MIND THE GAP

37



## Reflection Tool

### Question 3

Understanding the OMB Uniform Guidance: Reflection Tool FMA

1. Reforms to Cost Principles: Personnel	
a) Do you currently use timesheets at your organization?	
b) Do staff record their time according to the programs / projects they are working on?	
c) Based on what you've learned today, what are the action steps needed in the area of personnel timekeeping, if any?	

2. Reforms to Cost Principles: Non-Personnel	
a) Based on what you've learned today, what are the action steps you may need to take in the area of non-personnel costs?	<i>Equipment &amp; Other Capital Expenditures:</i>  <i>Proposal Costs:</i>
b) Are any of the other following areas of change	<i>Bad Debt:</i> <span style="float: right;"><i>Entertainment:</i></span>

38

# DIRECT / INDIRECT COSTS

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## Reforms to Cost Principles

39



## Cost Principles

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### OMB's definition of direct and indirect

- **Direct Costs:** Costs that can be identified specifically with a particular cost objective (i.e. program or grant) or that can be directly assigned to such activities relatively easily with a high degree of accuracy
- **Indirect Costs:** Costs incurred for a common or joint purpose benefitting more than one cost objective and not readily assignable to such cost objective

→ *Costs incurred for the same purposes in like circumstances must be treated consistently as either direct or indirect*

Sections 200.413 – 414

40



### Moved from indirect to direct!!!

- **Program administration costs** (e.g., secretarial staff dedicated to a specific program) can now be counted as direct costs if **all** the following circumstances apply:
  - Such services are integral to the activity
  - The individual can be specifically identified with the activity
  - Costs are included in budget or have prior written approval
  - Costs not also recovered as indirect

Section 200.413

41



### New rules on coverage of indirect costs

- If a nonprofit does not have a negotiated indirect cost rate, it can elect to charge a de minimis **10%** of modified total direct costs
  - Can be used indefinitely
  - Once elected, must be applied to all federal contracts or pass-through funds (until the organization decides to negotiate a rate)
  - Cannot be used in cases where a federal statute expressly caps the rate at which indirect costs can be reimbursed
- If an organization currently has a negotiated rate, it can apply for a one time extension of that rate for a period of 4 years

42



### New rules on coverage of indirect costs

**Pass-through entities** (i.e. state and local governments) must now allow the subrecipient to:

- Use the same indirect cost rate they have negotiated with the federal agencies, or
- Negotiate a rate between the sub-recipient and pass-through entity, or
- If a rate does not exist, use the de minimis 10% rate

Section 200.414

43

## CALCULATING AN INDIRECT COST RATE

### Reforms to Cost Principles

44



## Calculating an Indirect Cost Rate

### Indirect cost rate: definition

The ratio, expressed as a percentage, of an indirect cost pool and a direct cost base

$$\begin{array}{ccc} \text{Indirect Cost Pool} & \rightarrow & \$180 \\ & & \hline & & \$1,000 \\ \text{Direct Cost Base} & \leftarrow & \\ & & = 18\% \\ & & \leftarrow \text{Indirect Cost Rate} \end{array}$$

45



## Calculating an Indirect Cost Rate

### Three methods for calculating indirect cost rates

- **Simplified Method**

- Used whenever the major functions of an organization benefit from its indirect costs to approximately the same degree

- **Direct Allocation Method**

- Used by organizations that elect to charge their programs directly for all costs except those identified as “support services” (i.e. M&G and fundraising) costs

- **Multiple Rate Method**

- Used when a nonprofit organization has several major functions which benefit from its indirect costs in varying degrees

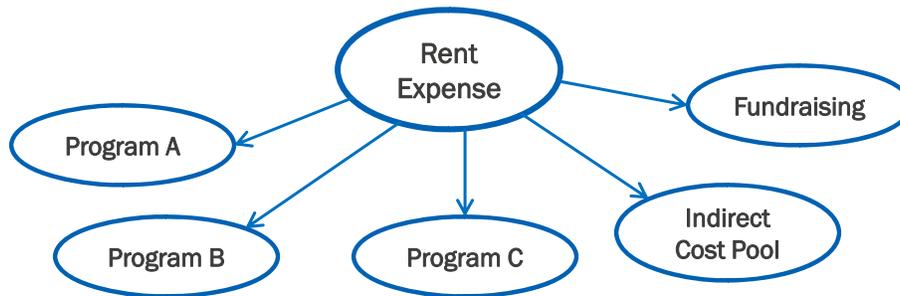
46  
Guide for Indirect Cost Rate Determination, DOL: <http://www.dol.gov/oasam/boc/DCD-2-CFR-Guid-Jan2015.pdf>



## Calculating an Indirect Cost Rate

### The “Direct Allocation” method

Joint costs, such as depreciation, rent, and telephone expense, are prorated individually as direct costs to each category using an appropriate base (i.e. square footage)



<sup>47</sup>  
Guide for Indirect Cost Rate Determination, DOL: <http://www.dol.gov/oasam/boc/DCD-2-CFR-Guid-Jan2015.pdf>



## Calculating an Indirect Cost Rate

### Three steps

1. Determine the direct cost **base** to be used:
  - Modified Total Direct Cost (MTDC)
  - Direct Salaries and Wages
  - Direct Salaries and Wages plus Fringe Benefits
2. Categorize expenses as either **indirect, direct, or unallowable / excluded**
3. Divide total allowable indirect costs by the chosen direct cost base to calculate the indirect cost rate

48



## Calculating an Indirect Cost Rate

### Some important caveats!

- Some costs may be allowable to be reimbursed as **direct costs** as you deliver the program, but are **excluded** from indirect cost rate calculations:
  - Capital expenditures
  - Participant support
  - Subcontracts in excess of \$25,000
- Some costs are **unallowable** for reimbursement, but are included as **direct costs** for purposes of calculating an indirect cost rate:
  - Advertising & public relations
  - Fundraising
  - Lobbying

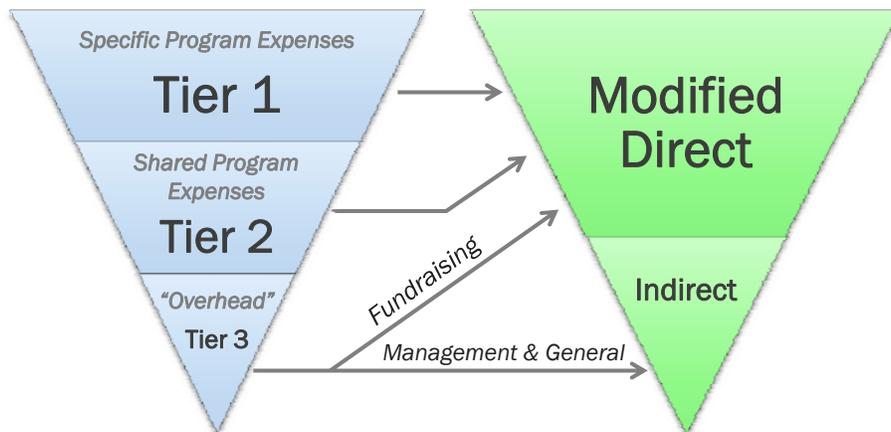
49



## Translating Direct and Indirect

How we see our costs

How OMB sees our costs\*



\*For purposes of calculating an indirect cost rate



## Calculating an Indirect Cost Rate

### Modified Total Direct Costs (MTDC)

- Amounts **included** in MTDC pool:
  - Direct salaries, wages, and fringe benefits
  - Materials and supplies, services and travel
  - Sub-grants / subcontracts up to the first \$25,000
  - Advertising, public relations, fundraising, and lobbying costs
- Amounts **excluded** from MTDC pool:
  - Sub-grants / subcontracts in excess of \$25,000
  - Equipment and capital expenditures
  - Participant support costs
  - Unallowable costs (except as noted above)

51



## Calculating an Indirect Cost Rate

### Indirect cost pool

- Amounts **included** in indirect cost pool:
  - Costs that benefit all activities of the organization and cannot be readily identified to a particular final cost objective
- Amounts **excluded** from indirect cost pool:
  - Equipment and capital expenditures
  - Unallowable costs

→ *In this calculation, depreciation and occupancy costs (e.g. rent, utilities, telephone, insurance, and maintenance expenses) are allowable as either direct or indirect costs.*

52



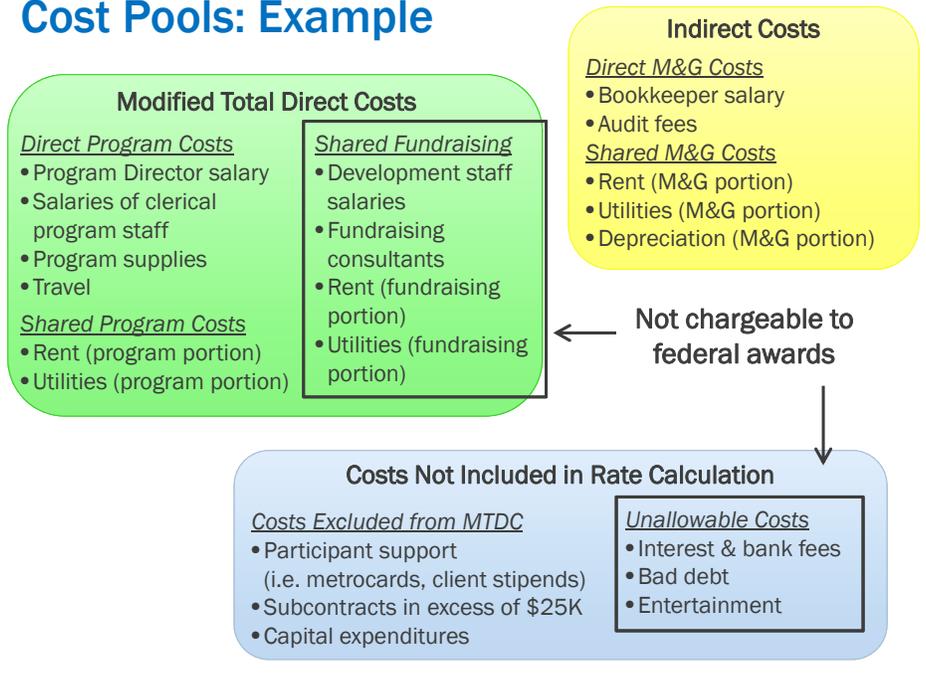
## Calculating an Indirect Cost Rate

### Some examples of unallowable costs

- Entertainment / alcoholic beverages
- Defense claims by or against the Federal Government
- Bad debts
- Lobbying and fundraising\*
- Fines and penalties
- Contributions / donations
- Interest
- Advertising\*

\* For purposes of calculating an indirect cost rate, these are counted as direct costs if such activities include salaries, occupy space, and benefit from the organization's indirect costs

### Cost Pools: Example





## Reflection Tool

### Question 4

**Understanding the OMB Uniform Guidance: Reflection Tool**

1. Reforms to Cost Principles: Personnel	
a) Do you currently use timesheets at your organization?	
b) Do staff record their time according to the programs / projects they are working on?	
c) Based on what you've learned today, what are the action steps needed in the area of personnel timekeeping, if any?	

2. Reforms to Cost Principles: Non-Personnel	
a) Based on what you've learned today, what are the action steps you may need to take in the area of non-personnel costs?	<i>Equipment &amp; Other Capital Expenditures:</i>
	<i>Proposal Costs:</i>
b) Are any of the other following areas of change	<i>Bad Debt:</i>
	<i>Entertainment:</i>

55

# PROCUREMENT

## Reforms to Administrative Requirements



### Updated procurement guidelines

- Applies to goods and services that are directly charged to federal awards
- Replaces guidance in OMB Circular A-110
- Requires use of one of five methods of procurement:
  1. Micropurchases
  2. Small Purchases
  3. Sealed Bids
  4. Competitive Proposals
  5. Sole Source

Sections 200.317 – 325

57



### Updated procurement guidelines

- 1. Micropurchases: less than \$3K**
  - No competitive quotes required if price is deemed reasonable
  - Efforts must be made (to the extent practical) to equitably distribute among qualified vendors
- 2. Small Purchases: up to \$150K**
  - Rate quotes must be obtained from an adequate number of qualified sources (adequate is not defined, but must be more than one quote)
  - Quotes can be written, oral, from an online search or website price list.

Sections 200.317 – 325

58

**Updated procurement guidelines**

**3. Sealed Bids: \$150K or more (for construction projects)**

- Preferable method of procuring construction contracts
- Invitations for bids must be publically advertised
- Lowest price is the primary factor for selection

**4. Competitive Proposals: \$150K or more**

- Used when a sealed bid is not practical. Adequate number of sources (more than 1) submits a bid.
- Public RFP that identifies all evaluation factors and their relative importance
- Must have a written method for conducting evaluations
- Price and other factors can be considered

Sections 200.317 – 325

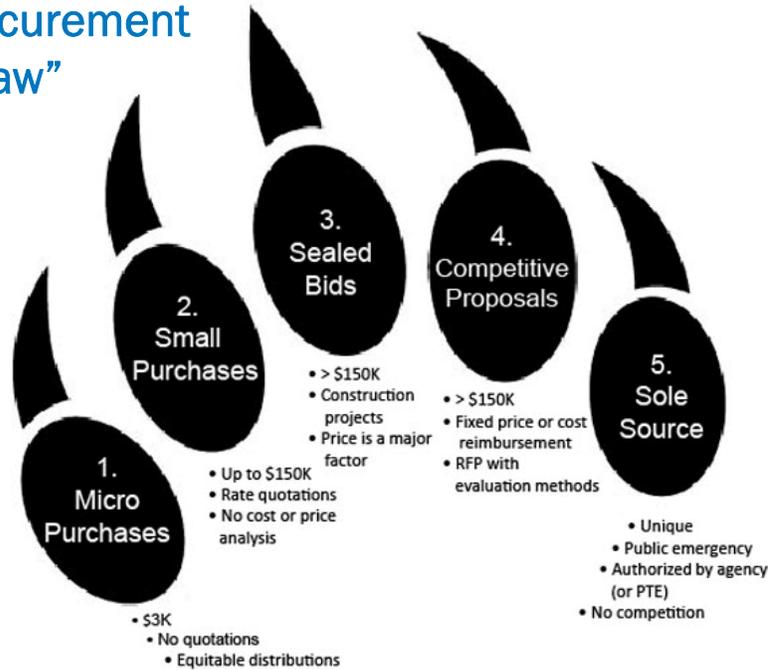
**Updated procurement guidelines**

**5. Sole Source:** can only be used if one or more of the following apply:

- Item is available from only a single source
- Public emergency does not make it possible
- Federal awarding agency authorizes noncompetitive proposal process
- After solicitation of a number of sources, competition is determined to be inadequate

Sections 200.317 – 325

## Procurement “Claw”



## Procurement

### 5 Standards to comply with regardless of procurement method

1. Must comply with your organization's documented procedures
2. Be necessary & reasonable
3. Subject to open competition (to extent required by each method)
4. Must adhere to conflict of interest policies/codes of conduct
5. Contain proper documentation
  - Support for the method of procurement
  - Contractor selected, basis of award and price

Sections 200.317– 325



### Grace period: opting to delay implementation for one year

For the first full fiscal year that begins on or after December 26, 2014, nonprofits must document whether they are in compliance with the old or new procurement rules, and must meet the documented standard

## SUBRECIPIENT MONITORING

### Reforms to Administrative Requirements



## Subrecipient vs. Contractor

### Subrecipient

- Determines who is eligible to receive services
- Has performance measured in relation to whether objectives of the program are met
- Has responsibility for programmatic decisions
- Responsible for following federal program requirements
- Carries out programs using grant funds as opposed to providing goods and services for the benefit of the pass-through entity

### Contractor

- Provides goods and services within normal course of business
- Provides similar goods and services to different purchasers
- Operates in a competitive environment
- Provides goods and services that are not primary to program
- Not subject to compliance requirements of federal program

Sections 200.330–331

*Nature of relationship trumps what the agreement is called!*



## Subrecipient Monitoring

### Requirements of pass-through entities

- Distinguish between subrecipient and contractor
- Ensure new requirements are contained in sub-agreements
- Evaluate subrecipient risk of non-compliance and determine necessary monitoring activities

Sections 200.330–331

66

## OTHER KEY CHANGES

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### Reforms to Administrative Requirements



### Administrative Requirements: Other Key Changes

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#### Greater focus on internal controls

- Nonprofits **must** establish and maintain effective internal control over Federal awards
- Internal controls **should** be in compliance with guidance in:
  - “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the US (Green Book)
  - “Internal Control Integrated Framework” issued by COSO

Section 200.303



## Administrative Requirements: Other Key Changes

### Conflict of Interest (COI)

- Required to develop COI policies for federal awards, including sub-awards
- Required to disclose in writing any potential COI to federal awarding or pass-through agencies

Section 200.112

69



## Administrative Requirements: Other Key Changes

### Mandatory disclosure

- Requires organizations to disclose “in a timely manner” and in writing “all violations of Federal **criminal** law involving fraud, bribery, or gratuity violations potentially affecting the Federal award”
- An organization’s failure to make the required disclosures can result in a number of actions, including suspension and/or debarment

Section 200.113

70



## Administrative Requirements: Other Key Changes

### Programmatic Exemptions

- On a case-by-case basis, OMB will waive certain compliance requirements and approve new strategies for **innovative program designs** that improve cost effectiveness and encourage effective collaboration across programs to achieve outcomes [Section 200.102](#)
- Additional situations where compliance requirements will be minimized in favor of requirements to meet **performance milestone** [Section 200.201](#)
- Performance measurement provides more robust guidance to federal agencies to measure performance in a way that will help the federal awarding agency **improve program outcomes**, share lessons learned, and spread the adoption of promising practices [Section 200.301](#)

71

## SINGLE AUDITS

### Reforms to Audit Requirements



## Reforms to Audit Requirements

### New single audit threshold

- Increases from \$500,000 to **\$750,000**
- An estimated 5,000 organizations (out of 37,500) will be relieved from the audit requirement as a result
  - 81% of all recipients will still receive a Single Audit
  - Reduces dollars subject to Single Audit by less than 1%

73



## Reforms to Audit Requirements

### Effective dates

- Audit requirements are effective for **fiscal years beginning on or after December 26, 2014**. Effectively, for fiscal years ending:
  - December 31, 2015
  - June 30, 2016
- Early implementation of changes to single audit process is prohibited (i.e. can't apply higher threshold to avoid A-133 audit)

74



## Reforms to Audit Requirements

### Other changes to note

- Type A minimum program threshold has increased
- Determination of high-risk versus low-risk auditee has changed
- Corrective action plan for findings must be presented on a document separate from the auditor's findings
- Full Single Audit reporting package will be made public
- Minimum threshold for reporting questioned costs has increased to **\$25,000** from **\$10,000**

→ Ask your auditor how these changes may impact your organization

75



## Reflection Tool

### Questions 5 – 7

Understanding the OMB Uniform Guidance: Reflection Tool 

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	Proposal Costs:
b) Are any of the other following areas of change	Bad Debt:
	Entertainment:

76

## NEXT STEPS

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### Action Items: Policies & Procedures

Educate yourself on the Uniform Guidance (read it!)



Review your organization's existing policies & procedures



Update policies & procedures, as necessary



Communicate and implement new procedures



Monitor compliance



## Action Items: Indirect Costs

Determine which of your contracts include federal funding

Assess what makes sense for your organization  
10% de minimis rate or negotiated indirect cost rate

Apply for a rate or advocate for your 10% coverage  
If you choose not to negotiate an indirect cost rate, ensure you are getting at least the de minimis rate on all applicable contracts

Adjust how you allocate costs to applicable contracts

## RESOURCES

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## Resources

- OMB Uniform Guidance (2 CFR 200): <http://www.gpo.gov/fdsys/pkg/FR-2013-12-26/pdf/2013-30465.pdf>
- COFAR's Frequently Asked Questions on OMB Uniform Guidance: <https://cfo.gov/wp-content/uploads/2014/11/2014-11-26-Frequently-Asked-Questions.pdf>
- Resources from the National Council of Nonprofits on the Uniform Guidance: <https://www.councilofnonprofits.org/omb-uniform-guidance>
- A Guide for Indirect Cost Rate Determination (U.S. Department of Labor): <http://www.dol.gov/oasam/boc/DCD-2-CFR-Guid-Jan2015.pdf>
- Text Comparison: A-122 Cost Principles and OMB Uniform Guidance: <https://www.whitehouse.gov/sites/default/files/omb/fedreg/2013/uniform-guidance-cost-principles-requirements-text-comparison.pdf>

81

## QUESTIONS?

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## Fiscal Management Associates, LLC

- Established in 1999 to serve not-for-profit organizations around the country
- Provides customized financial management, accounting, software, organizational development, human resources, and other consulting services
- Works directly with organizations or through funder-supported management and technical assistance programs

*FMA's mission is to empower not-for-profit organizations with the knowledge and skills to successfully serve their constituents and fulfill their missions*

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