



**Presentation to the
National Association of HBCU Title III Administrators, Inc.**

An Overview of the Super Circular

**Dawn Alston
Director, Budget and Contracts
Spelman College
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COMPELLING REASONS TO STAY AWAKE THROUGH THIS PRESENTATION

S|C

All Publicity *ISN'T* Good Publicity!



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A CHOICE TO CHANGE THE WORLD



THE ROAD TO REFORM

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This Video Of GSA Workers Rapping About Wasteful Spending Is A Disaster For Federal Employees...*Business Insider, April 2012*

GSA conference went 'over the top'...*Washington Post*

New Oversight Report Highlights Billions in Waste, Fraud at National Science Foundation

In Wake of GSA Scandal, Senate Passes Agency Travel Reforms... *Roll Call, April 2012*

Feds probe MCCCCD grant spending ...*East Valley Tribune*

Lawmakers call for sweeping reforms at GSA...*USA Today, April 2012*

RI Did Not Properly Monitor \$2.6 Billion in Federal Grants...*golocalprov*

Academic Grants Foster Waste and Antagonism, Not Scholarship... *The Chronicle of Higher Education*



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THE ROAD TO REFORM



What is the purpose of reform?

To improve performance and outcomes of federally funded programming

- Performance based vs. Compliance based focus
- Eliminate waste, fraud, and abuse in Federal programs, while decreasing administrative burden for both grant recipients and government agencies
- Mitigate risk associated with wasteful spending of federal dollars across all sectors
- Wasted \$ = Poor Performance and Limited Results



How will reform be achieved?

- Streamline federal government guidance for Administrative Guidance, Cost Principles and Audit Requirements by consolidating:
 - ✓ OMB Circulars **A-21**, **A-87**, **A-110**, and **A-122** Circulars **A-89**, **A-102**, and **A-133** and the guidance in Circular **A-50** on Single Audit Act to create the new OMB guidance document or “Super-circular”
- New OMB guidance document: 2 CFR 200
 - ✓ <http://www.gpo.gov/fdsys/pkg/FR-2013-12-26/pdf/2013-30465.pdf>
- Applicable to **Colleges and Universities**, States, Local Governments, Tribal Governments, and Nonprofit Organizations
- All government agencies must adopt new guidance by 12.26.14
- Grantee policies and procedures must be in accordance with new regulations by the beginning of the Grantee’s fiscal year after 12.26.14 (likely **FY 2016**)

SIGNIFICANT IMPACTS TO PRE-AWARD PROCESS



What remained the same?

- Each awarding agency may have their own process for design, execution and review of proposals, however...

What changed?

- Increased uniformity in awarding process:
 - ✓ Federal agencies are not permitted to impose additional or inconsistent requirements which are not put forth in the "Super Circular"
- Standardized data set requirements for award letters
 - ✓ 15 standard data sets which include the timing and scope of work , expected performance and outcomes
- Risk analysis of grantees
 - ✓ Awarding agencies must have a process in place to determine eligibility and risk associated with applicant
 - ✓ Defined risk factors
 - ✓ Financial stability
 - ✓ Quality of management systems
 - ✓ Performance history

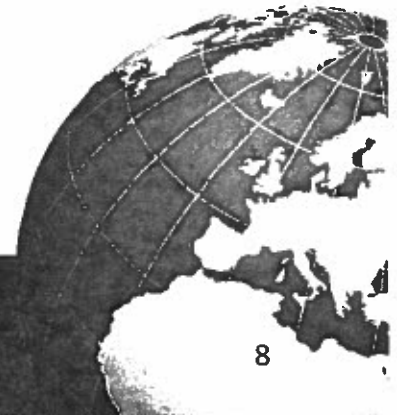
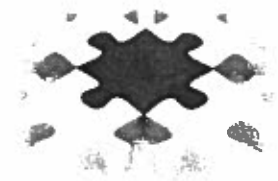
SIGNIFICANT IMPACTS TO PRE-AWARD PROCESS - *SUBPART C*



- ✓ Defined risk factors (con't)
 - ✓ Audit findings
 - ✓ Applicant effectiveness in implementation of statutory and regulatory requirements

How pre-award changes may impact the processes and procedures for award receipt in higher education institutions:

- ✓ With standardization of award letters across agencies, offices responsible for award set-up and processing may be able to “mirror” uniform award notification to PI
- ✓ Inclusion of set performance goals, scope and timeline of reporting due dates in internal award notifications may improve performance and outcomes



SIGNIFICANT IMPACTS TO POST AWARD MANAGEMENT

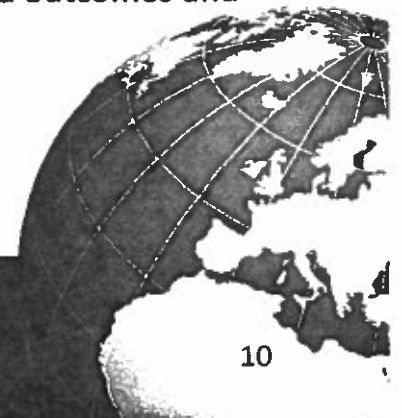
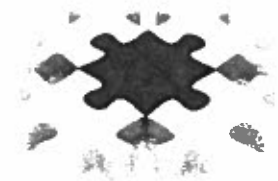


Significant overall emphasis placed on internal controls

- Manifests as:
 - Changes to audit requirements
 - Adoption of stricter conflict of interest terms
 - Changes to time and effort reporting guidelines
 - Expansion of procurement guidelines (in comparison to existing A-110 terms) which may require institutional policies to increase levels of approvals, bids, record retention, etc
 - Changes to some cost allowability (A-21)

Take home message is:

- Effective internal policies and procedures surrounding fiscal and programmatic management will lead to improved outcomes and performance



AUDIT REQUIREMENTS



SIGNIFICANT IMPACTS TO POST-AWARD PROCESS: AUDIT



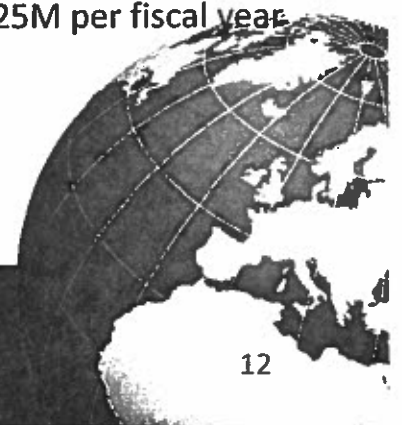
- Super Circular Citation: 200.501 – 200.518

What remained the same?

- A-133 audit requirements adopted in Super Circular

What changed?

- Threshold for compliance audits increased from \$500k to \$750k per fiscal year
 - ✓ Intended to mitigate biggest risks
 - ✓ OMB estimates 5k organizations will be relieved of audit requirement
- Major program threshold (Type A) increased from \$300k to \$750k for organizations with federal expenditures below \$25M per fiscal year
- Type B program threshold increased from \$100k to \$187.5k for organizations with federal expenditures below \$25M per fiscal year



SIGNIFICANT IMPACTS TO POST-AWARD PROCESS: AUDIT



What changed?

Low Risk Auditee Criteria

- Unmodified opinion on major program
- Auditor's report did not include a going concern

Percentage of Coverage

- Lowered percentage for low risk auditee from 25% to 20%
- Lowered percentage from 50% to 40% for all other auditees
- Threshold for reporting questioned costs raised from \$10k to \$25k, however more detailed information required



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CONFLICT OF INTEREST

- Super Circular 200.112

What remained the same?

- Agencies are allowed to tailor conflict of interest policies to meet the needs of their programs

What changed?

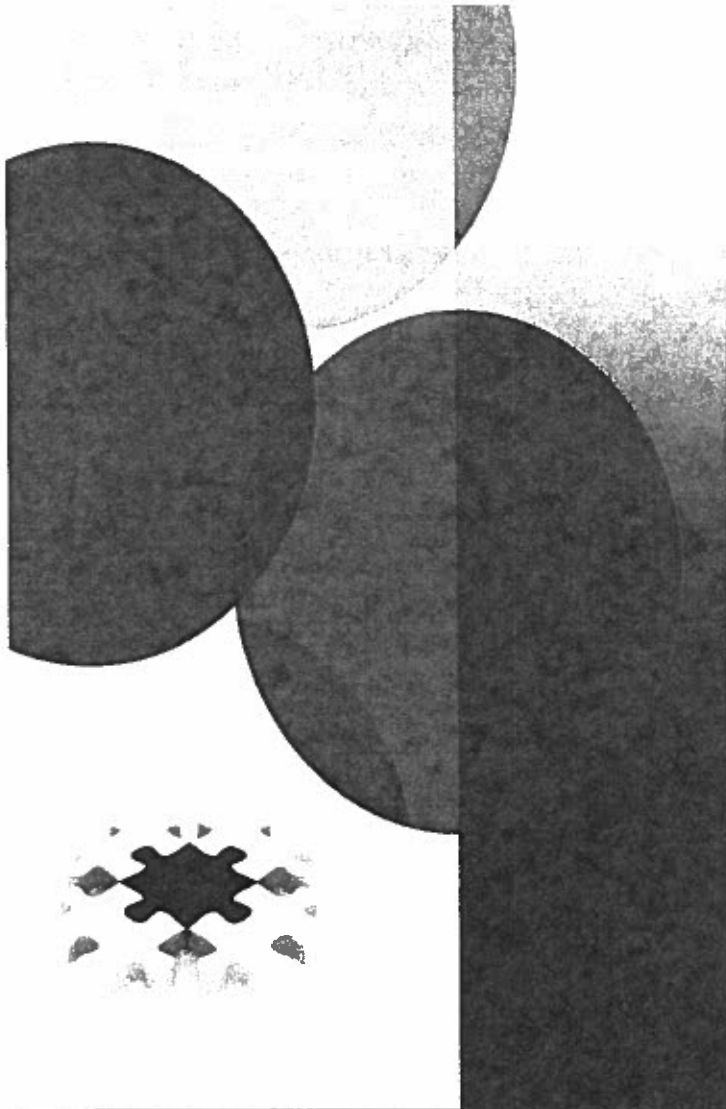
- COI regulations have become more strict by adopting some changes already incorporated in NIH and NSF new COI regulations
 - ✓ Grantees are required to disclose any COI to grantor
 - ✓ Agencies are required to assess COI as part of their risk assessment
- Internal control mechanisms guarding against organizational conflicts of interests must be strong
 - ✓ Institutions adopting conflict of interest policies which are in compliance with NSF and NIH policies should have strong enough policies if adopted to include all grant funding

SIGNIFICANT IMPACTS TO POST-AWARD PROCESS: CONFLICT OF INTEREST



What changed?

- Grantors must disclose COI in writing and in a timely manner
 - ✓ Failure to comply could result in debarment and/or suspension



TIME AND EFFORT REPORTING



SIGNIFICANT IMPACTS TO POST-AWARD PROCESS: TIME AND EFFORT REPORTING S|C

- Super Circular 200.430(h)

What remained the same?

- The expectation that federal dollars granted for compensation to grantee personnel is utilized to pay for the effort put forth towards the completion of that project

What changed?

- In an effort to turn focus towards programmatic outcomes as opposed to program administration, the requirement for specific time and effort documentation has been removed (200.430)
 - ✓ Budget estimates regarding effort put towards grant may be used to charge grant awards
 - ✓ System must produce “reasonable approximations” of activity
 - ✓ Significant changes in work activity must be identified and recorded; and
 - ✓ Reconciliation between budget and adjustments after the fact must occur

SIGNIFICANT IMPACTS TO POST-AWARD PROCESS: TIME AND EFFORT REPORTING S|C

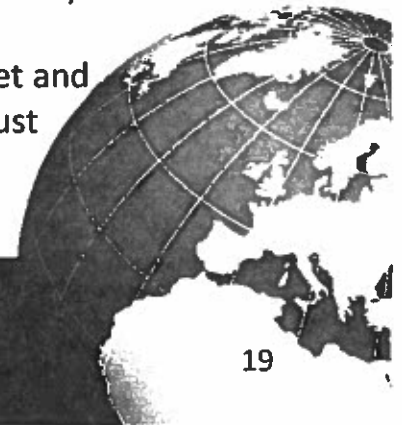
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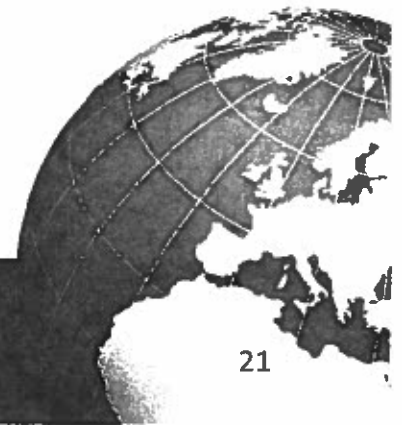


What changed?

- Although prescriptive detailed methods of reporting have been removed (ie after the fact reporting requirements; signed reports; etc), regulations state grantor must have procedures in place to determine and ensure accuracy, reasonableness, allocability and allowability
 - ✓ Emphasis on institutional internal controls
 - ✓ Records must accurately reflect work performed
 - ✓ Be incorporated into the official records
 - ✓ Include all effort (federal and non-federal)
- Institutions may want to consider keeping time and effort reporting systems that are “not broken”



PROCUREMENT



SIGNIFICANT IMPACTS TO POST-AWARD PROCESS: PROCUREMENT - *SUBPART C*



- Super Circular Citation: 200.318 – 200.326

What remained the same?

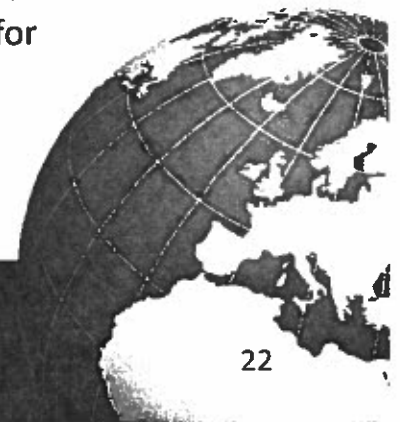
- Grantees are still required to maintain a contract /vendor administration system that ensures contractors/vendors meet deliverables and/or provide delivery orders

What changed?

- Language changed from “maintaining a system” to “maintaining oversight”
 - ✓ onus on grantee to maintain proper internal control processes, policies and procedures
- Grantee required to adopt one of five methods prescribed in detail for procurement, based on type of acquisition:
 - ✓ Procurement by micro-purchase
 - for acquisition of supplies or services not exceeding \$3k (\$2k limit for acquisitions for construction)
 - Micro-purchases should be distributed equitably
 - no bid process required



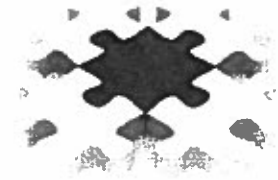
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SIGNIFICANT IMPACTS TO POST-AWARD PROCESS: PROCUREMENT - *SUBPART C*



- ✓ Procurement by small purchase
 - Simple and informal procedures for securing supplies or services that do not exceed the Simplified Acquisition Threshold (\$150k)
 - If method used, price or rate quotes must be obtained from an adequate number of sources
- ✓ Procurement by sealed bids
 - Formal advertising required where bids publicly solicited
 - Firm fixed price contract awarded
 - Contract awarded to responsible bidder with lowest price
 - Preferred method for procuring construction
- ✓ Procurement by competitive proposals
 - Either fixed price or cost reimbursement contract awarded
 - Used when sealed bids not appropriate
 - Grantee must have **written** method for conducting technical evaluations of proposals
 - Qualifications vs Price



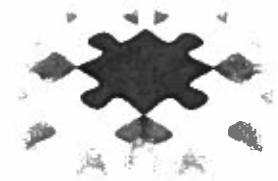
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SIGNIFICANT IMPACTS TO POST-AWARD PROCESS: PROCUREMENT - *SUBPART C*



✓ Procurement by non-competitive proposals

- Only allowable if:
 - Sole source supplier
 - Public exigency
 - Agency authorized (in writing)
 - Competition determined inadequate
- Grantee must maintain records to detail history of procurement for all purchases over the small purchase threshold (\$150k) including rationale for method of procurement , selection of contract type, contractor selection or rejection and basis for contract price
- Price analysis only required when purchase exceeds Simple Acquisition Threshold
- Profit must be negotiated separately when contract exceeds \$150k



COST PRINCIPLES



- 2 CFR 200.400-475

What remained the same?

General Concepts did not change:

- Costs must still be necessary, reasonable, allocable, and allowable
- Grantee responsible for sound fiscal management practices
- Grantee retains right to determine allocability of charge (direct vs. indirect)
- Charges should pass the “prudent person” test
- Adequate documentation
- Costs should be consistently treated
- Costs should be consistent with organizational policies



- 2 CFR 200.400-475

What changed?

The concept of “reasonableness” is more extensively defined:

- Internal controls should exist to promote sound business practice
- Arms length bargaining
- Unjustified exceptions
 - ✓ i.e. cost incurred by circumventing standard practice and procedures

Prior Approvals:

- Section 200.407 consolidates prior approval requirements in list format
- Most written prior approval requirements remain intact from A-21, however, federal agencies were given the authority to waive all prior approval requirements, with the exception of a change in scope or award amount (200.308)

SIGNIFICANT IMPACTS TO PRE-AWARD PROCESS: COST PRINCIPLES- *SUBPART E*



- 2 CFR 200.400-475

Selected costs with no change:

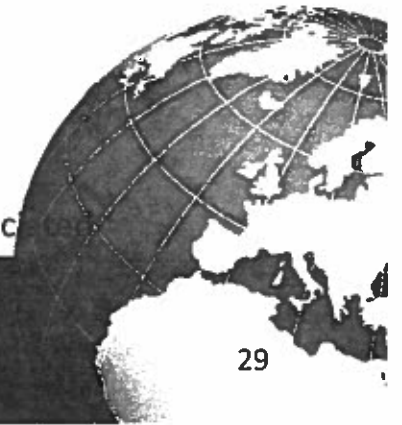
Allowable		Unallowable	
Advertising	Plant and Homeland Security	Advisory Councils	Fundraising
Audit Services	Pre-Award Costs	Alcohol	Goods or Services for personal use
Insurance and Indemnification	Professional Services	Alumni(ae) Activities	Lobbying
Maintenance and Repair	Trustees	Bad Debt	Selling and Marketing
Participant Support		Commencement	Student Activity Costs



- 2 CFR 200.400-475

Selected costs with changes:

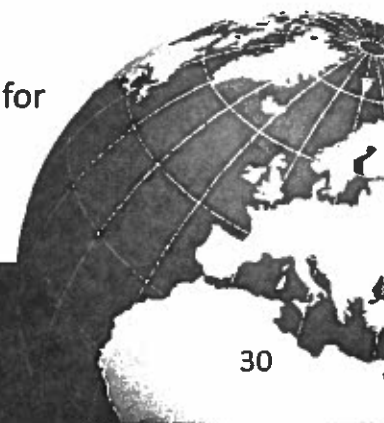
- Bonding
 - ✓ cost of bonding employees is allowable as F & A or only if directly related to the project
- Compensation
 - ✓ Changes to time and effort reporting regulations
 - ✓ Fringe benefit allocation still allowable, however tuition remission is limited to employees only, not relatives
- Contingency
 - ✓ Now allowable as related to construction activity
 - ✓ Should be proposed as contingency
 - ✓ As expensed should be re-allocated to an allowable expense within the project
- Contributions and Donations
 - ✓ Costs of gifts are unallowable
- Depreciation
 - ✓ Is allowable expense, however, no charge can be made for assets that are fully depreciated



- 2 CFR 200.400-475

Selected costs with changes:

- Employee health, morale and welfare
 - ✓ Allowable, however, morale was removed from the language due to “slippery slope” between expenses related to morale and entertainment
 - ✓ Health and welfare only
- Equipment and other Capital Expenses
 - ✓ Language clarified regarding disposition of equipment
 - ✓ “Items with a current fair market value less than or equal to \$5k may be retained, sold or disposed of with no further obligation to the awarding agency”
 - ✓ Items valued over \$5k require federal government written instructions for disposition. If disposition instructions have not been provided within 120 days, items may be retained by the grantee or sold.
- Fines, penalties, damages and other settlements
 - ✓ Unallowable, the government will not pay for poor management



- 2 CFR 200.400-475

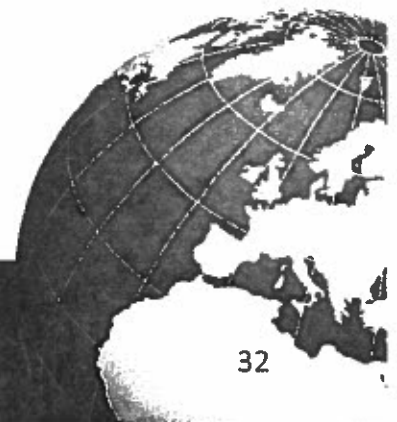
Selected costs with changes:

- Materials and supplies
 - ✓ Clarification which indicates that computing devices costing less than \$5k should be included in this category and prior approval is no longer required for purchase of these items
- Rearrangement and reconversion costs
 - ✓ Allowable as long as not for “decorating” purposes
- Relocation of employees
 - ✓ Allowable, however, if employee leaves institution within 1 year the cost becomes unallowable
- Rental Costs of real property and equipment
 - ✓ Still allowable, however, arms length leases are discussed in detail
 - ✓ “Less than arms length” leases (those in which the lessor and lessee have a relationship such that one party is able to influence the actions of the other) are allowable conditionally
 - ✓ arrangements are allowable only up to the amount that would be allowed had the grantee owned the property

- 2 CFR 200.400-475

Selected costs with changes:

- Rental Costs of real property and equipment (con't)
 - ✓ Due diligence and internal controls are key
 - ✓ COI disclosures
- Travel
 - ✓ Prior approval for foreign travel is no longer required from the agency
 - ✓ Dependent care during conference travel is now allowable



CONCLUSION



Take Home Messages:

- Take the time to perform a detailed review of the Super Circular
- Evaluate existing policies and procedures and compare to new requirements, some of your current policies and procedures will not need to change
- Implementation of new policies and procedures should be a campus wide initiative
- The key to compliance and stellar outcomes are sound internal controls



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QUESTIONS?

