



DATE: July 8, 2016

DIRECTIVE NO: 37-16

TO: All La Cooperativa Subrecipients

SUBJECT: OMB Uniform Guidance: Administrative Requires, Cost Principles, and Audit Requirements for Federal Grants

PURPOSE:

The purpose of this directive is to provide La Cooperativa subrecipients with information from the Office of Management and Budget (OMB) which has issued revised guidance for Federal award programs, OMB Uniform Guidance: Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, referred to as the Uniform Guidance. The revised guidance is a key component of a larger Federal effort to more effectively focus Federal grant resources on improving performance and outcomes while ensuring the financial integrity of taxpayer dollars. By streamlining eight Federal regulations into a single, comprehensive policy guide, the government believes it can better administer grants and other types of financial assistance by decreasing the administrative burden for recipients and reducing the risk of waste, fraud and abuse.

APPLICATION:

This directive applies to all federally funded subrecipients as defined in the Uniform Guidance.

REFERENCES:

- 2 CFR Chapter I and Chapter II, Parts 200, 215, 220, 225, and 230 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards; Final Rule

BACKGROUND:

On December 26, 2013, the Office of Management and Budget revised the Uniform Guidance for Federal grants. These regulations are codified at 2 CFR Chapter I and Chapter II, Parts 200, 215, 220, 225, and 230 and become effective December 26, 2014.

The Uniform Guidance will combine eight previously separate sets of OMB guidance:

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- Circular A-133, Audits of States, Local Governments and Non-Profit Organizations
- Circular A-21, Cost Principles for Educational Institutions
- Circular A-87, Cost Principles for State, Local and Indian Tribal Governments
- Circular A-102, Grants and Cooperative Agreements with State and Local Governments
- Circular A-110, Uniform Administrative Requirements for Awards and Other Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations
- Circular A-122, Cost Principles for Non-Profit Organizations
- Circular A-50, Audit Follow up
- Circular A-89, Federal Direct Program Assistance Information

For federal agencies the requirements must be implemented and effective by December 26, 2014. Administrative requirements and cost principles apply to new awards/subawards and to additional funding (funding increments) to existing awards/subawards made after December 26, 2014.

Audit requirements will apply to audits of the fiscal years of non-federal entities that begin on or after December 26, 2014. The revised audit requirements do not apply to fiscal years beginning prior to that date.

The objectives of the Uniform Guidance are as follows:

1. Eliminate duplication and conflicting guidance
2. Focus on performance over compliance for accountability
3. Encourage efficient use of information technology and shared services
4. Provide for consistent and transparent treatment of costs
5. Limit allowable costs to make the best use of federal resources
6. Set standard business processes using data definitions
7. Encourage non-federal entities to have family-friendly policies
8. Strengthen oversight
9. Target audit requirements on risk of waste, fraud, and abuse

DEFINITIONS:

Contractor means an entity that receives a contract which is defined as a legal instrument by which a non-Federal entity purchases property or services needed to carry out the project or program under a Federal award. The term as used in this Part does not include a legal instrument, even if the non-Federal entity considers it a contract, when the substance of the transaction meets the definition of a Federal award or subaward.

Pass-through entity means a non-Federal entity that provides a subaward to a subrecipient to carry out part of a Federal program.

Subrecipient means a non-Federal entity that receives a subaward from a pass-through entity to carry out part of a Federal program; but does not include an individual that is a beneficiary of such program. A subrecipient may also be a recipient of other Federal awards directly from a Federal awarding agency.

Subaward means an award provided by a pass-through entity to a subrecipient for the subrecipient to carry out part of a Federal award received by the pass-through entity. It does not include payments to a contractor or payments to an individual that is a beneficiary of a Federal program. A subaward may be provided through any form of legal agreement, including an agreement that the pass-through entity considers a contract.

POLICY:

All Federally funded subrecipients of La Cooperativa shall comply with the requirements set forth in this circular.

The circular can be obtained at the OMB website at www.whitehouse.gov/omb/grants_docs.

A summary of some of the significant requirements are listed below.

Audit Requirements

The Uniform Guidance raises the threshold for compliance audits of entities that receive Federal award money from \$500,000 per fiscal year to \$750,000 per fiscal year. The audit requirements are applicable to audit periods beginning after December 26, 2014.

- **Fewer expenditures are required to be tested.** The new percentage-of-coverage rule decreases the level from 25 percent to 20 percent of total federal awards expended for low-risk auditees and from 50 percent to 40 percent for all others.
- **The Uniform Guidance** increases the threshold for reporting known or likely questioned costs from \$10,000 to \$25,000.

Grant Management

Subawards may only be made to entities that possess a Data Universal Number from Dunn & Bradstreet and each award must specifically be identified in the subgrant agreement as a subaward instead of a contract.

Internal Controls

The internal controls section of the Uniform Guidance is highlighted as "extremely

important." Organizations must establish and maintain effective internal controls over federal awards to provide reasonable assurance that awards are being managed in compliance with laws and regulations. Non-federal entities and their auditors will need to exercise judgment in determining the most appropriate and cost effective internal control in a given circumstance. Non-federal entities must also take measures to safeguard personally identifiable information.

Machine Readable Information

The Uniform Guidance implements the May 2013 Executive Order making open and machine readable the new default for Government Information.

Whenever practicable, the Uniform Guidance states that Federal Award-related information that is collected or transmitted should be in open and machine readable formats rather than in closed formats or on paper.

Pass-through entities must always provide or accept paper versions of Federal award-related information to and from subrecipients upon request.

If subrecipients submit paper copies, the pass-through entity must not require more than an original and two copies. When original records are electronic and cannot be altered, there is no need to create and retain paper copies.

When original records are paper, electronic versions may be substituted through the use of duplication or other forms of electronic media provided that they are subject to periodic quality control reviews, provide reasonable safeguards against alteration, and remain readable.

Cost Principles

The cost principles and selected items of cost have been revised in countless ways so that they are much closer to the Federal Acquisition Regulations (FAR) applicable to government contracts at 48 CFR Part 31. Now, all types of recipient organizations must certify their costs, as has been the case with contracts under the FAR for many years. This required certification places greater compliance and business risk on all grant recipients.

Indirect Costs

Pass-through entities must include (at the time of a subaward) an approved, federally recognized indirect cost rate negotiated between the subrecipient and the federal government. If no such rate exists, pass-through entities must either negotiate a rate or award a 10 percent de minimis rate.

ACTION:

La Cooperativa and its subrecipients shall follow this policy. This policy shall remain in effect until such time that a revision is required.

INQUIRIES:

If you have any questions regarding this Directive, please contact Marina Tapia at (916) 388-2224 or e-mail at mtapia@lacooperativa.org .



Marco Lizarraga
Executive Director