Overview of the Omni Circular

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2015 WASBO Federal Funding Conference

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What is the Omni Circular?

- Federal Uniform Grant Guidance

- Establishes rules that apply to federal grants

- Streamlines the Office of Management and Budget (OMB) Circulars into one, comprehensive policy guide
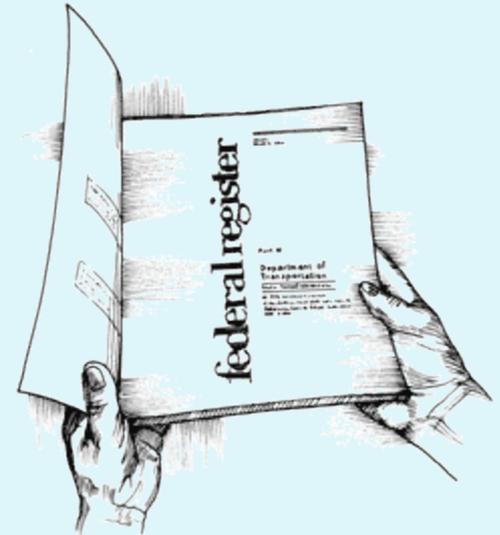
Why the Change?

- Consistency

- Simplicity

- Effectively focus Federal grant resources on improving performance and outcomes while ensuring the financial integrity of taxpayer dollars

Why do I need to know this?

- Applies to all federal grants

- Prevents fraud, waste, and misuse of funds

- Requires increased monitoring by DPI

- Will apply to 2015-16 grants

The New Regulations Impact

Financial Management	**Grant Award Documents**	**Time & Effort Reporting**
Procurement	**Property**	**Allowable Costs**
Claim Documents	**Source Documentation**	**DPI Monitoring**
Corrective Actions	**Single Audits ($750,000 threshold)**	**Performance Reporting**

Timeline

- Everything you hear today and tomorrow is effective for all grants awarded for fiscal year 2015-16

- Unspent funds that are carried over into the new fiscal year will adopt these new rules

- Written procedures must be in place and ready to implement at the start of the fiscal year

§200.331

Requirements for Pass-through Entities

Subaward Document

(a)

- All grants awarded by DPI will have a subaward which includes the new required data elements

- Depending on the program, subaward documents will either be paper or published through the grant's web-based system

WRITTEN PROCEDURES

No longer "best practice" but a REQUIREMENT

~~should~~   <u>must</u>

Procedures / Not Work Stoppages

- Written procedures should ensure claiming of allowable costs without blocking or slowing down activities

- Make the procedures reliable but not onerous

- Accountability is important, but just as important is allowing the program area timely access to Federal funds to implement grant activities

Procedures / Not Mission Impossible

- Written procedures should outline manageable steps

- Everyone involved must know the procedures and implement them, otherwise the procedures do not matter (and there will be a non-compliance finding)

- If the procedure is overly complicated or the people involved in authorizing are never available, the subrecipient is setting the stage for staff to ignore procedures in order to move work along

WRITTEN PROCEDURES

Allowable Costs

Safeguarding Assets

Personnel Compensation

Claim to Approved Budget

§200.302

Financial Management

(b)(4)

The sub-recipient must:

- Have effective control over, and accountability for, all funds, property and other assets

- Adequately safeguard all assets and assure that they are used solely for authorized purposes
  - Computers
  - iPads
  - Instructional materials
  - SMART boards
  - Supplies

Safeguarding Assets

Procedures / Safeguarding Assets

Identify

- How the property purchased with federal funds will be tracked (location / disposal)
- How staff using the property are informed of the purpose
- How property will be safeguarded; and handled in cases of damage or theft

Be able to answer these questions

1) Where is it?
2) How is it being used to meet the program goals?
3) If no longer used by the program, why not?

OMB A-87

Support of Salaries and Wages

(AKA) Time & Effort Documentation

Under the old circular, compensation for staff working under multiple cost objectives was only allowed if supported with documentation that included:

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Super Complicated

Results of Super Complicated Procedures

- Consistently the largest single audit finding

- The prescribed "one size fits all" for local government was not a good fit for local school districts, or any agency that did not operate on a 40 hour week, 12 month year, full-time employee standard.

Results of Super Complicated Procedures

- Even when implemented in good faith, auditors found that subrecipients were unable to consistently meet the numerous requirement

- If non-compliance rested at the procedural level, how could the actual purpose of the compliance standard ever be tested?

§200.430

Standards for Documentation of Personnel Expenses

(i)

Charges to Federal awards must be based on records that accurately reflect the work performed. These records must:

- Be supported by a system of internal control which provides <u>reasonable</u> assurance that the charges are accurate, allowable, and properly allocated

- Be incorporated into the official records of the subrecipient

Personnel Compensation

§200.430

Standards for Documentation of Personnel Expenses

(i)

- **Reasonably** reflect the total activity for which the employee is compensated by the subrecipient, not exceeding 100% of compensated activities

- Include all activities of the employee, both federally and non-federally funded

- Comply with the subrecipient's established accounting policies and practices

§200.430

Standards for Documentation of Personnel Expenses

(i)

- Support the distribution of the employee's salary among cost objectives if the employee works on multiple, unrelated activities (per grant guidelines)

  - *How*, for employees not working on a single cost objective, will the subrecipient determine what amount gets charged to the grant?

  - **THIS** is what will be monitored

  - Not any less restrictive than old rule, but now subrecipient determines process

§200.430

Standards for Documentation of Personnel Expenses

(i)

- Budget estimates do not qualify as supporting documentation, but may be used for interim accounting purposes, if:

  o The system for establishing the estimates has a proven track record that budgeted amounts are close to actual amounts

§200.430

Standards for Documentation of Personnel Expenses

(i)

- Documentation records should be adjusted in a timely manner if there are significant changes in the employee's work activity

- Short-term (such as one or two months) fluctuation between workload categories need not be addressed as long as the distribution of salaries is reasonable over the longer term

§200.430

Standards for Documentation of Personnel Expenses

(i)

- The subrecipient's system of internal controls must include processes to review after-the-fact interim charges made to a Federal award based on budget estimates

- All necessary adjustments must be made such that the final amount charged to the Federal award is ACCURATE, ALLOWABLE, and PROPERLY ALLOCATED

Procedures / Personnel Costs

- Subrecipient develops the procedures

- Use same procedure for all federal grants, as it must be incorporated into the official documents

- Identify "single cost objective" staff – meaning 100% of the person's time could be charged to a single grant

- For all others, determine how the business office will know the accurate amount to claim

Procedures / Personnel Costs

Existing semi-annual / PARs (Personnel Activity Report) systems meet this new requirement; however

- Is your system a reliable one?

- Are there written procedures, and are they being followed?

- Are the supporting documents part of the LEA's official records?

- Is the process overly complicated, and could it be simplified under these more flexible requirements?

Procedures / Personnel Costs

Now that the cumbersome detailed requirements have been removed, the pass-through entity (DPI) can focus on actual allowable costs

- Monitoring will likely focus on positions that are typically considered "multiple cost objectives"

- If there is no reliable, reasonable supporting documentation, the statement: "I spend at least 25% of my time working on *fill in program area*" is not acceptable

Procedures / Personnel Costs

Determine if the time necessary maintaining supporting documentation is worth charging as a direct cost onto a Federal grant:

- EASY! – Set schedule outlining a staff person's work (special education in the morning / behavioral interventions for all students in the afternoon)

- EASY! – Time sheets for substitute teachers

- HARD! – Bookkeeper works on 4 different Federal grants plus local budgeting. Individual would need to keep time on each funding type to determine allowable grant charge

- Unsupported costs will need to be returned to DPI (and in most situations put back into subrecipient's available funds).

  - Future claims for the salaries of individuals with multiple cost objectives will be monitored by requiring supporting documentation.

§200.302

Financial Management

(b)(5)(6)(7)

Claim to Approved Budget

The sub-recipient must:

- Be able to match expenditures with approved grant budgeted amounts
  - If it is not approved on the budget, it is not an allowed cost – even if it would be if it was on the budget
  - Claims, even though "rolled up," must align with detailed budget

- Written procedures for determining the allowability of costs prior to claiming grant funds
  - What is the process to ensure that the claim represents approved budget items?

Procedures / Allowable Costs

- Provide training to those who will be authorizing expenditures

  - Technical assistance on a grant program's allowable costs

  - What is actually *in* the approved budget
    - NOTE: an unallowed item nested in an approved budget does not make it allowable
      - Sometimes an unallowed cost is written into a detailed description with a WUFAR combination that does not match (and the reviewer misses it); or
      - The budget does not specify detail, but purchased "supplies" cannot be used for any other purpose than the federal program

§200.415

Required certifications

(a)

To assure that expenditures are proper and in accordance with the terms and conditions of the Federal award and approved project budgets, claims (interment and final) must include a certification, signed by an official who is authorized to legally bind the sub-recipient, which reads as follows:

"By signing this report, I certify to the best of my knowledge and belief that the report is true, complete, and accurate, and the expenditures, disbursements and cash receipts are for the purposes and objectives set forth in the terms and conditions of the Federal award. I am aware that any false, fictitious, or fraudulent information, or the omission of any material fact, may subject me to criminal, civil or administrative penalties for fraud, false statements, false claims or otherwise. (U.S. Code Title 18, Section 1001 and Title 31, Sections 3729–3730 and 3801–3812)."

SUMMARY

- Relying on a subrecipient's internal controls and written (and followed) procedures allows for more flexibility

- Monitoring can shift from procedural focus to results focus (can the subrecipient demonstrate the cost was allowable?)

- Conference sessions will incorporate applicable Omni Circular regulations

EDGAR

- Part 80, Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments, has been eliminated and replaced with references to 2 CFR Part 200

  (the Omni Circular)

EDGAR

- Part 76, State Administered Programs remains intact under 2 CFR Part 3474

  - Identification of when an "obligation" is made
  - Treatment of private schools / charter schools
  - Restricted indirect rates
  - Participant's duty to participate in evaluations

Audience Participation

Have you ever listened to a DPI presentation and thought to yourself, "Whoops"?

Have you ever called the Title I team and received the answer, "It depends"?

Have you ever wondered if there is a DPI jail?

Have you ever been audited by the Office of Inspector General or monitored by the US Department of Education?
Now don't you love DPI?

Have you ever had your entire budget disappear in the ESEA or IDEA grant software?

Have you ever had your entire budget disappear in the ESEA or IDEA grant software?

How about just your allocation?

Has Rachel Zellmer ever answered the phone when you have called?