



SUPERINTENDENT OF PUBLIC INSTRUCTION

Randy I. Dorn Old Capitol Building · PO BOX 47200 · Olympia, WA 98504-7200 · <http://www.k12.wa.us>

January 9, 2015

() Action Required
(X) Informational

MEMORANDUM NO. 007-15M Office of Management and Budget – Uniform Grant Guidance

TO: Educational Service District Superintendents
School District Superintendents
School Principals
School Public Relations Professionals

FROM: Randy I. Dorn, State Superintendent of Public Instruction

RE: *New* Office of Management and Budget Guidance Governing Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards

CONTACT: Jennifer Carrougher
(360)725-6280
jennifer.carrougher@k12.wa.us

Background

On December 26, 2013, the federal Office of Management and Budget (OMB) issued rules that combine several OMB Circulars into one document titled “Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.” The document is also referred to as the Uniform Grant Guidance, Omni Circular, and Super Circular. It supersedes several OMB circulars, including A-87 (Cost Principles), A-102 (Administrative Requirements), and A-133 (Audits).

This new guidance provides significant changes to the way we administer federal funds. The main purposes for releasing new guidance were to: 1) ease the administrative burden on grantees by incorporating all Federal Administrative Requirements, Cost Principles, and Audit Requirements into one comprehensive document, and 2) reduce the risk of fraud, waste, and abuse.

The guidance can be found at <https://www.federalregister.gov/articles/2013/12/26/2013-30465/uniform-administrative-requirements-cost-principles-and-audit-requirements-for-federal-awards>.

This memorandum highlights some significant changes that may impact your work. Further information and training will be provided as changes are implemented. OSPI will be providing training through WASBO.

January 9, 2015

Effective Date

Administrative requirements and cost principles are effective for new awards *after* December 26, 2014, which will impact the 2015–16 school year. Existing federal awards to your district will continue to be governed by requirements in place at the time of the award.

Audit requirements are not effective until fiscal years starting on or after December 26, 2014, which affects school district audits of school year 2015–16. Since those audits typically occur in the winter/spring months, many districts will not be audited under these new requirements until 2017.

Changes

Administrative Requirements

Certification and Disclosures

There is a new mandatory certification regarding any violations of Federal criminal law involving fraud, bribery, or gratuity violations potentially affecting the Federal award.

“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.”

There is also a new mandatory requirement to disclose in writing, in a timely manner, to the awarding agency, *all violations of Federal criminal law involving fraud, bribery, or gratuity violations* potentially affecting a Federal award.

Additionally, grantees must disclose in writing any potential conflict to the awarding agency in accordance with applicable Federal awarding agency policy.

Policies and Procedures

New policies and procedures are required to be implemented by grantees, such as cash management and the determination of allowability of costs. OSPI will be working with WSSDA and WASBO to develop sample policies and procedures for use by grantees.

Internal Controls

There is a significant emphasis on “strengthening accountability” for the use of federal funds by improving policies that protect against waste, fraud, and abuse. Internal controls are a theme mentioned throughout the new guidance. Specifically, grantees must establish and maintain effective internal control over the Federal award that provides reasonable assurance of compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Property

Property Definitions - A new category, “Computing Devices”, was added to the previous two property definitions, Equipment and Supplies. Computing Devices are defined as machines used to acquire, store, analyze, and process public data and other information electronically. They include accessories for printing, transmitting and receiving, or storing electronic information. If the cost of a computing device is less than \$5,000 (or district’s capitalization level is lower than \$5,000), it is considered a supply.

Shared Use – The Guidelines clarified that shared use is allowed if such use will not “interfere” with carrying out the program activities for which the property was purchased:

- 1st preference – programs/projects supported by Federal awarding agency
- 2nd preference – programs/projects funded by other Federal agencies
- 3rd preference – use for non-Federally funded programs/projects

Trade-ins - When acquiring replacement equipment, the equipment to be replaced may be used as a “trade-in” to offset the cost of the new equipment without recourse to the federal agency.

Insurance Coverage - At a minimum, grantees must provide equivalent insurance coverage on equipment purchased with Federal funds as provided to equipment purchased with non-Federal funds. Actual losses which could have been covered by permissible insurance are unallowable.

Record Retention

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 submitted through the use of duplication or other forms of electronic media provided the records:

- Are subject to periodic quality control reviews;
- Provide reasonable safeguards against alteration; and
- Remain readable

January 9, 2015

Procurement

The Uniform Grant Guidance added a new procurement method called “Micro-Purchase”, and increased the Small Purchase Procedures threshold from \$100,000 to \$150,000. However, districts must comply with the more restrictive of federal, state, and district requirements.

The following table outlines procurement requirements *when using federal funds*.

Procurement Method	Goods (includes books)		Services
Micro-Purchase - No required quotes. However, must consider price as reasonable, and, to the extent practical, distribute equitably among suppliers.	<p>\$3,000 or less</p> <p>Must use more restrictive \$3,000 federal threshold instead of \$40,000 state threshold</p>		\$3,000 or less
Small Purchase Procedures (Informal) – Obtain/document quotes from a reasonable number of qualified sources (at least three).	<p>\$3,000 - \$75,000</p> <p>Must use more restrictive \$75,000 state threshold instead of \$150,000 federal threshold</p>		\$3,000 - \$150,000
Sealed Bids / Competitive Bids (Formal)	<p>\$75,000 or more</p> <p>Must use more restrictive \$75,000 state threshold instead of \$150,000 federal threshold</p>		\$150,000 or more
Non-competitive proposals		<p>Appropriate only when:</p> <ul style="list-style-type: none"> - Available only from a single source (sole source) - Public emergency - Expressly authorized by awarding or pass-through agency in response to written request from district - After soliciting a number of sources, competition is deemed inadequate 	

January 9, 2015

Cost Principles

General

The criteria for determining whether costs are allowable have not changed from the previous guidance contained in OMB Circular A-87. Costs are still required to be necessary, reasonable and allocable, as well as meet a list of other previously required principles.

Direct vs Indirect Costs

There is new language in the Guidance that discusses salaries of administrative and clerical staff. They should be treated as indirect, unless all of the following are met:

- 1) Such services are integral to the activity,
- 2) Individuals can be specifically identified with the activity,
- 3) Such costs are explicitly included in the budget, and
- 4) Costs not also recovered as indirect

Personnel - Time and Effort

Time and effort documentation has some significant changes in language, but there is not the flexibility that was expected. The reference to “semi-annual certifications” and “personnel activity reports” has been replaced with the requirement to have “records that accurately reflect the work performed”. It also requires salaries to “be supported by a system of internal control which provides *reasonable assurance* that the charges are accurate, allowable, and properly allocated”. It further states the records must “Reasonably reflect the total activity for which the employee is compensated...”

As noted above, there is an emphasis on having a strong system of internal controls rather than on whether or not a specific document with specific components was maintained.

Until we have additional guidance from OMB and the Department of Education (ED), OSPI will continue to use the current system for documenting time and effort. OSPI will provide more information as it becomes available.

Travel

Documentation must be retained to support that participation of the individual in the activity is necessary to the Federal award.

January 9, 2015

Audit Requirements

The following table depicts key changes made to single audit requirements that were previously contained in OMB Circular A-133.

Changes	Uniform Grant Guidance	Circular A-133
Higher threshold for single audit, which may mean fewer districts need an audit of federal programs.	\$750,000	\$500,000
Lower percentage-of-audit coverage of <i>total</i> federal expenditures, which may mean fewer federal programs are audited.	40% for high-risk districts 20% for low-risk districts	50% for high-risk districts 25% for low-risk districts
Higher threshold for reporting questioned costs (known or likely) in an audit finding, which may result in fewer findings and recovery of funds.	\$25,000	\$10,000

Reminder: Changes are not effective until FY16 (2015–16) school district audits. To determine if your district will need a single audit for school year 2015–16, identify the total federal expenditures (school year 2014–15 Schedule of Expenditures of Federal Awards) and anticipate any increases/decreases.

The initially proposed guidance indicated a reduction in the number of compliance areas the auditor would be required to audit, from fourteen to seven. Unfortunately, the Uniform Grant Guidance did not include this change, which would have significantly reduced the number of audit hours to complete a single audit.

MEMORANDUM NO. 007-15M

Page 7

January 9, 2015

Please do not hesitate to contact staff at OSPI with questions about these changes in federal guidance. If you have questions, please contact Jennifer Carrougher in Financial Services at 360-725-6280 or jennifer.carrougher@k12.wa.us. OSPI's TTY line is (360) 664-3631.

EXECUTIVE SERVICES

Ken Kanikeberg
Chief of Staff

FINANCIAL RESOURCES

JoLynn Berge
Chief Financial Officer

OSPI provides equal access to all programs and services without discrimination based on sex, race, creed, religion, color, national origin, age, honorably discharged veteran or military status, sexual orientation including gender expression or identity, the presence of any sensory, mental, or physical disability, or the use of a trained dog guide or service animal by a person with a disability. Questions and complaints of alleged discrimination should be directed to the Equity and Civil Rights Director at (360) 725-6162 or P.O. Box 47200 Olympia, WA 98504-7200.