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**February 2013 COGR Meeting Thursday Afternoon Presentation - Danny Werfel**

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# Improving Management of Federal Grant Dollars: Council On Financial Assistance Reform (COFAR) Priorities for FY13-15

February 21, 2013

*The Council on Financial Assistance Reform was established in 2011 as a governance body to provide policy level leadership for the Federal grants community. For more information please visit [cfo.gov/cofar](http://cfo.gov/cofar).*

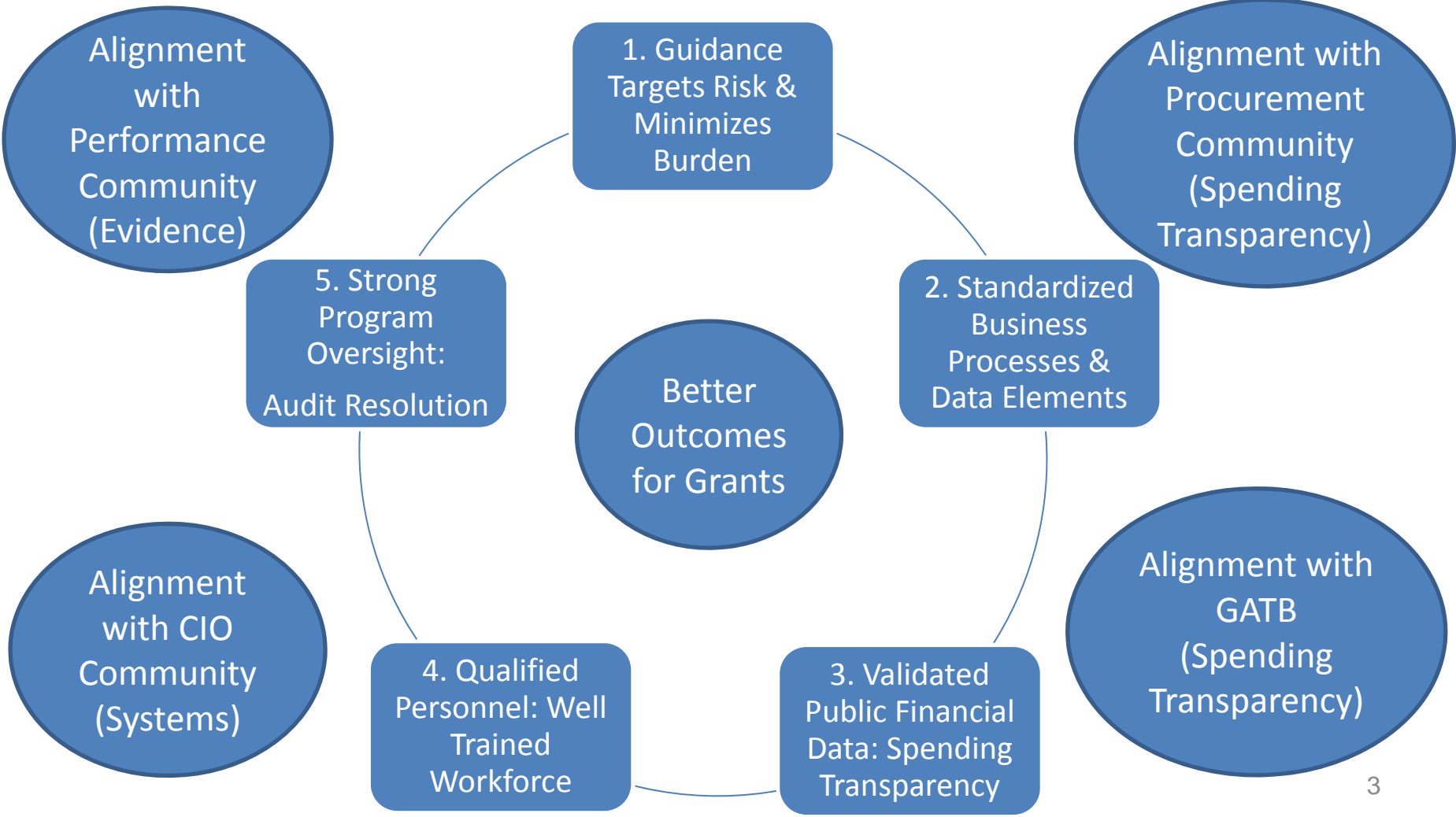
# Discussion Items

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- Budget Update
- COFAR Priorities
- Grant Reform Proposal
- How to Engage with the COFAR

# COFAR Priorities: Strong Controls Yield Better Outcomes

How do we ensure that Federal grant dollars are being used efficiently?



# Grant Reform Proposal: Efforts To Date

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- **Presidential Directives for Reform:**
  - November 2009 EO 13520 on Reducing Improper Payments
  - February 2011 Presidential Memorandum on Administrative Flexibility for Lower Costs and Better Results for State, Local and Tribal Governments
- **Engagement with Stakeholders:**
  - States and Universities requested OMB consider greater administrative flexibility
  - OMB-led task forces solicited participation and comments in developing ideas for reform
  - February 2011 Advance Notice of Proposed Guidance (ANPG) in Federal Register (over 350 comments received)
  - The Council on Financial Assistance Reform developed this Proposed Guidance reflective of stakeholder feedback
- **Next Steps:**
  - Public comments will be incorporated into final guidance (late 2013)
  - We look forward to working with you to incorporate your feedback as you review the entire proposal.

# Major Reforms: Reduce Risk and Administrative Burden to Improve Outcomes

Type of Reform	Policy Change	Intended Impact of Reform
Streamline Guidance	Integrate and Streamline Eight Overlapping OMB Circulars into One Set of Guidance in Title 2 CFR	<ul style="list-style-type: none"> <li>Easier to read, more user-friendly streamlined guidance with key distinctions by type of entity</li> </ul>
Admin (A-110, A-102, A-89)	Require Pre-Award Consideration of Merit/Risk	<ul style="list-style-type: none"> <li>Ensures all grants are subject to merit review</li> <li>Strengthens agency due-diligence on risk of waste, fraud, or abuse posed by recipients</li> </ul>
	Streamline and Clarify Guidance on Subrecipient Monitoring	<ul style="list-style-type: none"> <li>Drives more consistent and robust oversight of subrecipients to prevent non-compliance, waste, fraud, and abuse.</li> </ul>
Cost Principles (A-87, A-21, A-122)	Provide Consistency on Negotiated Indirect Cost Rates <ul style="list-style-type: none"> <li>Requirement for agency-head approval for deviations from negotiated rates with notification to OMB, transparent documentation of decision process, and inclusion in pre-NOFA outreach as appropriate</li> <li>Allows for one-time 4-year extension of IDC</li> <li>Requires pass-through entities to provide a rate to subrecipients</li> <li>Creates a minimum rate for all recipients</li> </ul>	<ul style="list-style-type: none"> <li>Improved consistency and transparency of cost allocation across awards, with agency flexibility where essential to program success</li> <li>Provides an indirect cost rate to many recipients who did not previously have one</li> </ul>
	Simplify Reporting Requirements for Time and Effort <ul style="list-style-type: none"> <li>Eliminates examples from A-21</li> </ul>	<ul style="list-style-type: none"> <li>Reduced burden on recipients reporting time per award for entities with multiple grants</li> <li>Removes discussion of specific examples or pilots in order to allow entities maximum flexibility in complying with key standards of accountability.</li> </ul>

# Major Reforms Continued: Reduce Risk and Administrative Burden to Improve Outcomes

Type of Reform	Policy Change	Intended Impact of Reform
	<p>Direct Charge Allocable Administrative Costs:</p> <ul style="list-style-type: none"> <li>Clarify that administrative costs may be direct costs if they are allocable directly to one award and included in the budget. Indirect costs are those not easily allocated between awards.</li> </ul>	<ul style="list-style-type: none"> <li>Ensure that guidance remains consistent with long established definitions of direct and indirect costs.</li> </ul>
	<p>Direct Charge Computing Devices as Supplies:</p> <ul style="list-style-type: none"> <li>Clarify that computing devices may be directly charged as supplies as long as they fit beneath the \$5,000 threshold.</li> </ul>	<ul style="list-style-type: none"> <li>Recognizes that as technology evolves, computing devices are often an essential tool for implementing grants, and should be treated similarly with other supplies that fall in the appropriate cost bracket.</li> <li>Entities are still responsible for information security.</li> </ul>
	<p>Utility Cost Rate:</p> <ul style="list-style-type: none"> <li>Replace 1.3% adjustment for select schools with universal ability to meter at sub-building level and apply “effective square footage” calculation to utility use.</li> </ul>	<ul style="list-style-type: none"> <li>Provides a fair and consistent mechanism for reimbursing actual measurable utility costs without introducing a burdensome application and approval process.</li> </ul>
<p>Audit (A-133 &amp; A-50)</p>	<p>Target Audit Resources Based on Risk:</p> <ul style="list-style-type: none"> <li>Raise Threshold From \$500k to \$750k</li> <li>Revise Definition of “Major Programs” to Focus Audits on Material Issues</li> <li>Reduce from 14 to 7 the types of compliance requirements audited</li> <li>Strengthen Audit Follow-up</li> <li>Make audit reports and management decisions public, allow pass-through entities to rely on cognizant entity decisions where applicable.</li> </ul>	<ul style="list-style-type: none"> <li>Removes audit requirement for about 5,000 entities</li> <li>Retains audit oversight of 99.7% of funds</li> <li>Focuses audits on programs and compliance requirements most likely to have improper payments or risk of waste, fraud, or abuse</li> <li>Recipients’ financial weaknesses are corrected</li> <li>Eliminates duplication between pass-through and Federal entities while retaining pass-through responsibility for management of subawards.</li> </ul>

# Next Steps: Engage With COFAR

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