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Prepare for Significant Changes to OMB's Uniform Guidance

September 25, 2024



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Session CPE Requirements

- You need to attend 50 minutes to receive the full 1 CPE credit.
- There will be 4 knowledge check questions throughout the presentation. You must respond to a minimum of 3 to receive the full 1 CPE credit.

****Both requirements must be met to receive CPE credit****



Introductions



Ben Aase
Principal
Digital



Rebecca Field
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Learning Objectives



Recall the upcoming changes to the Office of Management and Budget (OMB) updated and revised guidance for federal financial assistance



Recognize how to update grants management policies and procedures in response to the changes



Background and Implementation



Background



Every 5 years OMB reviews the Guidance for Federal Financial Assistance, located in title 2 of the Code of Federal Regulations (CFR)



Part 1, 25, 170, 180 182, 183, 184



Part 200 (Uniform Guidance)

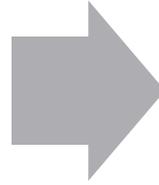
2024 Revisions

- On April 22, 2024, the Office of Management and Budget (OMB) published revisions to Title 2 of the CFR (2024 Revisions), including 2 CFR part 200 in the Federal Register. This revised OMB Guidance for Grants and Agreements, is now called the “OMB Guidance for Federal Financial Assistance”.
 - [Federal Register :: Guidance for Federal Financial Assistance](#)
- OMB also issued guidance in OMB Memorandum M-24-11, Reducing Burden in the Administration of Federal Financial Assistance, which included a section on implementation of Title 2 of the CFR discussed below.
 - [M-24-11-Revisions-to-2-CFR.pdf \(whitehouse.gov\)](#)
- Pre-Publication Version of Updated Guidance:
 - [Microsoft Word - Final 2 CFR Guidance - 4.3.2024 - Pre-Publication Version \(cfo.gov\)](#)



2024 Revisions

In this update, there were significant changes made to 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, commonly known as the “Uniform Guidance”.



Noted as the most significant update to the Uniform Guidance since it was released in 2013.



OMB's Revision Objectives

1

Incorporate statutory requirements and administrative priorities

2

Reduce agency and recipient burden

3

Clarify sections that have been interpreted differently

4

Use plain language, improving flow, and addressing inconsistent use of terms



Revised Guidance Is Effective For:



Subpart A – E: New awards issued on or after October 1, 2024.



Subpart F: – Fiscal years beginning on or after October 1, 2024



Council on Federal Financial Assistance Guidance (8/15/24)
FY2024 Revisions to 2 CFR helped provide some clarification



[FY-2024-Revisions-to-2-CFR-Supplementary-Information-for-Federal-Agency-Implementation.pdf \(cfo.gov\)](#)



Federal Agency Adoption and Implementation

Federal agencies must implement the changes in their own agency regulations in the Code of Federal Regulations.

Federal agencies must take appropriate steps to ensure the 2024 Revisions are effective for all Federal awards entered into on or after October 1, 2024.



New Awards

Federal agencies should ensure that award templates, terms and conditions, NOFO templates, policies and procedures, and other program documents and policies, including those that support Federal financial assistance oversight, are updated to reflect the 2024 Revisions for all Federal awards for which the revisions will be effective.



Existing Awards

For existing awards entered into before October 1, 2024, Federal agencies are strongly encouraged to apply the 2024 Revisions to any amendments agencies enter into on or after October 1, 2024



OMB also encourages agencies to amend existing awards for this purpose if the awards will extend into FY 2025 or beyond.



Amended Existing Awards



2024 Revisions will generally apply prospectively to activities on or after the date of the amendment.



Agencies may never retroactively apply the 2024 Revisions to past activities that preceded the effective date of the amendment if doing so would impose additional substantive requirements on recipients (such as requirements increasing burden).

Amended Existing Awards



An agency may provide written approval to recipients allowing them to apply specific provisions of the 2024 Revisions that reduce burden on recipients to activities that preceded the amendment.



This flexibility to provide written approval reducing burden for past activities does not apply to revisions of indirect cost rates or de minimis rates.

Full Application of Revision



After October 1, 2024 unless different provisions are required by statute or approved by OMB, when the 2024 Revisions are applied to new or existing awards, the revisions must be applied in full to activities following the effective date of the new award or amendment.



Federal agencies cannot selectively apply some revisions but not others to such activities

Exception to Full Application

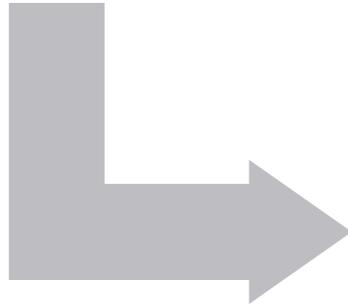
If the federal agency and recipient seek to apply only one or more, but not all, provisions of the 2024 Revisions to an existing award, the federal agency may consider using its case-by-case exception authority under 2 CFR 200.102(c) as an alternative to formally amending the award.

Example: Through a properly documented case-by-case exception, a federal agency may allow a recipient to use the new de minimis indirect cost rate for an existing award, which is now available under the 2024 Revisions. This would also include using the new definition of modified total direct cost (MTDC).



Subawards

If a Federal agency amends an existing award issued prior to October 1, 2024 to apply the 2024 Revisions, then the 2024 Revisions must apply to subawards issued under that award as well.



Thus, when a Federal agency amends an award to apply the 2024 Revisions, the pass-through entity must also amend any subawards already issued under that award.



Subawards



If a Federal agency has not applied the 2024 Revisions to an existing award, the pass-through entity must not apply the 2024 Revisions to a subaward issued under that Federal award—even if the subaward itself is executed on or after October 1, 2024.



Application of the 2024 Revisions to subawards does not prevent pass-through entities from applying more stringent requirements to their subrecipients as permitted by the 2024 Revisions and the prior version of the guidance.

Implementation

In certain circumstances, especially during the transition period, recipients may simultaneously be implementing multiple Federal awards some of which were issued under the previous guidance in 2 CFR and other Federal awards that were issued under the 2024 Revisions.



Implementation

While it may be necessary for recipients to implement certain systematic changes across their organization to implement new awards incorporating the 2024 Revisions



Recipients should also keep in mind that not all flexibilities provided by the 2024 Revisions will be available through existing Federal awards issued prior to the effective date of the 2024 Revisions



Implementation – Federal Agencies

Federal agencies should work closely with recipients during this transition period to clearly communicate the requirements applicable to a given federal award.

Federal agencies may also engage with recipients to address questions on whether systematic changes made by a recipient (e.g., internal controls, mandatory disclosure procedures, etc.) could impact compliance with the terms and conditions of existing federal awards.



Polling Question

When do the 2024 Revisions become effective?

- December 31, 2024
- May 21, 2025
- October 1, 2024
- March 31, 2025





Revisions



Terminology Update

Throughout Subparts A – E, the use of non-federal entity was replaced with recipient and/or subrecipient.

Subpart F retained the use of a non-federal entity to maintain alignment with the statutory provisions of the Single Audit Act.



Notice of Funding Opportunity (NOFO)

Updates within Subpart B contained several changes to align with OMB's objective of reducing administrative burden on recipients.



For example, the Notice of Funding Opportunity (NOFO) must:

Include an executive summary

A limit on the length of the published NOFO



Modified Total Direct Costs

Updated definition of MTDC to include up to \$50,000
(previously \$25,000) of each subaward



Negotiated Indirect Cost Rate Agreements

Negotiated Indirect Cost Rate Agreements (NICRA) negotiated prior to October 1, 2024 must continue to be honored by both Federal agencies and recipients.

Cognizant agencies for indirect costs may—but are not required to—renegotiate existing NICRAs (i.e., issue revised or amended agreements) to reflect the new MTDC base.

Still some unresolved questions on how that will coincide when an award is not updated for 2024 Revisions



Negotiated Indirect Cost Rate Agreements

Provisional Rates:

- Recipients with provisional rates in effect prior to October 1, 2024 must finalize those rates using the provisional rate's approved MTDC base.

Predetermined and Fixed Rates:

- Recipients with predetermined or fixed rates must use the new MTDC base beginning with the first proposal that is required on or after October 1, 2024.

Negotiating New Rates:

- Recipients preparing indirect cost rate proposals must apply the new MTDC base for proposals that are submitted to the cognizant agency for indirect costs on or after October 1, 2024.



De Minimus Rate

Recipients and subrecipients that do not have a current Federal negotiated indirect cost rate (including provisional rate) may elect to charge a de minimis rate of up to 15% of modified total direct costs (MTDC).

- The recipient or subrecipient is authorized to determine the appropriate rate up to this limit.



Federal agencies and pass-through entities may not require recipients and subrecipients to use a de minimis rate lower than the negotiated indirect cost rate or the rate elected pursuant to this subsection (15%) unless required by Federal statute or regulation.



De Minimus Rate – New Awards



Recipients may elect to use the new 15% de minimis indirect cost rate for any award executed on or after October 1, 2024.



All Federal agencies must honor the new de minimis rate after this date unless a different rate is required by law (such as Federal statute or regulation) or otherwise allowed by 2 CFR part 200.



Recipients submitting applications to Federal agencies before October 1, 2024 for programs with an anticipated award date that occurs on or after October 1, 2024 may use the 15% de minimis rate in calculating the budget in that application even if the NOFO does not yet indicate that the 2024 Revisions will apply.

De Minimis Rate – Existing Awards



Federal agencies may allow a recipient to apply the 15% de minimis rate to an existing award if the agency determines that there are sufficient funds to support the 15% de minimis rate.



In these instances, the recipient must charge the 15% de minimis rate only to costs incurred after the effective date of the amendment to implement the 15% de minimis rate.



Recipients may not retroactively apply the de minimis rate to costs incurred prior to the effective date of the amendment.

Mandatory Disclosure

Modifications were made to the mandatory disclosure requirements to more closely align with Federal Acquisition Regulation (FAR) 48 CFR 52.203-13.

Previously, an entity was required to report violations of Federal criminal law involving fraud, bribery or gratuity violations.

As revised, the requirement now reads that an applicant, recipient or sub-recipient of a federal award must promptly disclose whenever it has **credible evidence** of a commission of a violation of Federal criminal law involving fraud, conflict of interest, bribery, or gratuity violations under the false claims act.



Fixed Amount Awards and Subawards

A type of grant or cooperative agreement under which the Federal agency or pass-through entity provides a specific amount of support without regard to actual costs incurred under the Federal award.

This type of Federal award reduces some of the administrative burden and record-keeping requirements for both the recipient and Federal agency or pass-through entity.

Accountability is based primarily on performance and results.



Fixed Amount Subawards Updates

Increased the threshold for when fixed amount subawards can be made from \$250,000 to \$500,000



Expanded guidance to clarify certain requirements for fixed amount subawards including that unexpended funds may be retained if the program objectives and milestones have been achieved



Internal Controls – PII

200.303(e) added a requirement that a recipient/subrecipient take “reasonable cybersecurity and other measures to safeguard information including protected personally identifiable information (PII) and other types of information”.

OMB did not provide a relevant framework for “cybersecurity and other measures”

OMB indicated that they would consider the need to implement a government-wide specific framework in the future but in the interim, will leave it to the Federal agencies to consider providing more specific guidance on the topic, as appropriate.



Equipment and Unused Supplies Thresholds

Increased capitalization threshold from \$5,000 to \$10,000 minimum for Federally funded equipment.

Increased threshold from \$5,000 to \$10,000 regarding the requirement in 200.314(a) to remit unused supplies



Polling Question

What is the capitalization threshold for equipment increasing to?

- \$3,333
- \$10,000
- \$13,333
- \$25,000



Procurement Updates

Include “veteran-owned businesses” to the types of businesses that are encouraged to be considered

Updated “affirmative steps must be taken” to “when possible, the recipient or subrecipient should ensure” in relation to using small businesses, minority businesses, women’s business enterprises, veteran-owned businesses, and labor surplus area firms (§ 200.321).

Change “small purchases” terminology to “simplified acquisitions” (§ 200.320(2)).

Remove restrictions related to geographic preference requirements and allow for scoring mechanisms to evaluate bidders committing to U.S. jobs and certain compensation and benefits (§ 200.319).

Prioritize environmentally sustainable products and services (§ 200.323(b)). This includes consideration of reused, refurbished, and recycled products; biobased or energy and water efficient acquisitions; and purchasing compostable items.



Subrecipient Monitoring

Clarification was added to clarify that no single factor or combination of factors contained in subrecipient vs. contractor is necessarily determinative.

Emphasis was noted on the need for the pass-through entity to exercise judgment in classifying each agreement as a subaward or a procurement contract.



Subrecipient Monitoring

Added language to specifically require pass-through entities to verify subrecipients are not excluded or disqualified (suspended or debarred) in accordance with 2 CFR § 180.300.



Subrecipient Required Certifications

- 200.415(b) added requirements for subrecipients to certify to the pass-through entity whenever applying for funds, requesting payment, and submitting reports:
 - “I certify to the best of my knowledge and belief that the information provided herein is true, complete, and accurate. I am aware that the provision of false, fictitious, or fraudulent information, or the omission of any material fact, may subject me to criminal, civil, or administrative consequences including, but not limited to violations of U.S. Code Title 18, Sections 2, 1001, 1343 and Title 31, Sections 3729-3730 and 3801-3812.” Applies to all tiers of subrecipients.



Closeout – Final Indirect Cost Rate

Updated to include that when the recipient does not have a final indirect cost rate covering the period of performance, a final financial report must still be submitted to fulfill the requirements of this section.

The recipient must submit a revised final financial report when all applicable indirect cost rates have been finalized.



Administrative Closeout Costs

Updated to state that administrative closeout costs may be incurred until the final report due dates but must be liquidated prior to the due date and charged to the final budget period.



Prior Approval

OMB removed the following areas as requiring prior written approval:

(a) § 200.201 — Use of grant agreements (including fixed amount awards), cooperative agreements, and contracts, paragraph (b)(5)

(e) § 200.311 — Real property

(f) § 200.313 — Equipment

(h) § 200.413 — Direct costs, paragraph (c)

(k) § 200.438 — Entertainment costs

(r) § 200.454 — Memberships, subscriptions, and professional activity costs, paragraph (c)

(t) § 200.456 — Participant support costs

(w) § 200.467 — Selling and marketing costs

(x) § 200.470 — Taxes (including value added tax)



Fringe Benefits – Unfunded Pension Costs

- 200.431(g)(6)(v) (new) requires :
 - “Payments for unfunded pension costs must be charged in accordance with the allocation principles of this subpart. Specifically, the recipient or subrecipient may not charge unfunded pension costs directly to a federal award if those unfunded costs are not allocable to that award.”
- This requirement was scaled back from initial FR notice that garnered much feedback. As revised, this should not create a significant burden. OMB only sought to clarify that payments for unfunded pension costs must be charged in accordance with the allocation principles of subpart E.
- Specifically, the recipient or subrecipient may not charge unfunded pension costs directly to a Federal award if they are not allocable to that award (e.g., for employees that did not devote time/effort to the grant).



Audit Related Changes



Effective for FY **beginning** after 10/1/2024 (first ones being 9/30/2025)



Increase single audit threshold from \$750,000 to \$1,000,000



Increased the Type A threshold to \$1,000,000 while also increasing the amount of awards expended for which it applies (from \$25 million up to \$34 million).

Audit Effective Date

The 2024 Compliance Supplement issued in May 2024

[Current Compliance Supplement | OMB | The White House](#)

Explained that, although the governmentwide effective date for the 2024 Revisions is not until October 1, 2024, Federal agencies may elect to implement the 2024 Revisions as early as June 21, 2024 to new awards and through amendments to existing awards.



Audit Effective Date

As a result, auditees may be simultaneously managing federal awards under existing guidance and the guidance in the 2024 Revisions.



Auditors should note that some awards may be subject to the 2024 Revisions, while other awards may be subject to the previous guidance.



Auditors must not apply compliance requirements from the 2024 Revisions in circumstances in which the federal agency has not yet applied the 2024 Revisions to a federal award that is undergoing an audit.

Audit Related Changes

Modified the definition of questioned costs

Amount, expended or received from a Federal award that in the auditor's judgement 1) is noncompliant or suspected noncompliant with federal statues, regulations, or the terms and conditions of the federal award 2) at the time of the audit lacked adequate documentation to support compliance or 3) appeared unreasonable and did not reflect the actuations a prudent person would take in the circumstances



When the amount of known questioned costs is “not determinable” or unknown, a description of why the dollar amount was undetermined must be reported.



Audit Report Submission

200.512 updated
to include:

“The cognizant agency for audit or oversight agency for audit (in the absence of a cognizant agency for audit) may authorize an extension when the nine-month timeframe would place an undue burden on the auditee.”





Grant Compliance Considerations



Pros and Cons of Receiving Grant Funding

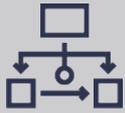
- Additional funding for programs that support mission of your organization
- Functions include:
 - Administrative work
 - Record-keeping
 - Reporting
 - Audits



Grants Management Challenges



Complex requirements, regulations, and reporting standards for each grant program.



Challenging process and workflow management, particularly when multiple departments are involved.



Time consuming manual updates and data entry with challenging resource constraints.

Grants Management Challenges



Single audit preparation. Tracking down necessary documentation and compliance reports.



Lack of understanding or training on various grant requirements.



No central management and documentation repository.

Polling Question

What resources do you feel are missing in your approach to proper Grants Management?

- Financial investment in dedicating resources
- Training and guidance in understanding the requirements
- Technology or automated tools
- None of the above – I'm just here to learn



Effective Grant Management



Single audit preparation. Tracking down necessary documentation and compliance reports.



Lack of understanding or training on various grant requirements.



No central management and documentation repository.

Effective Grant Management



Planning:

- Identifying compliance requirements
- Establish roles and responsibilities
- Designing and implementing strong processes



Compliance and monitoring:

- Confirm expenses are allowable within grant terms and approved budget
- Verifying activities are meeting program objectives
- Procure goods and services properly
- Monitor subrecipient activity



Financial management and reporting

- Maintain current financial records to meet reporting and audit requirements.
- Track detailed budget, expenses, and revenues adequate for reporting



Grants Management Software



Standardize data collection, reporting and approval processes for grants



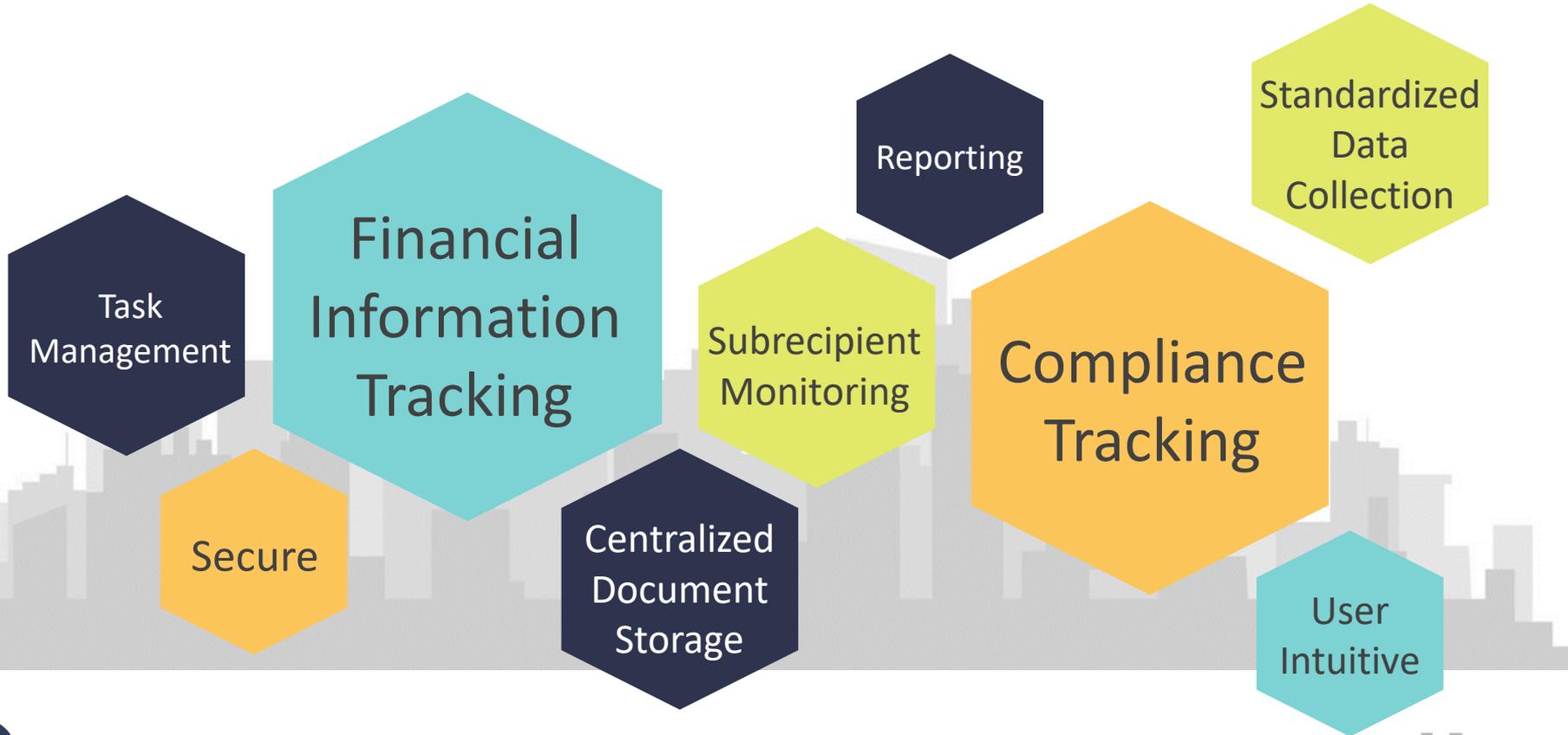
Assist with tracking of grant and project financial information, goals and performance metrics



Streamline the grant lifecycle process, and minimize manual data entry and processing



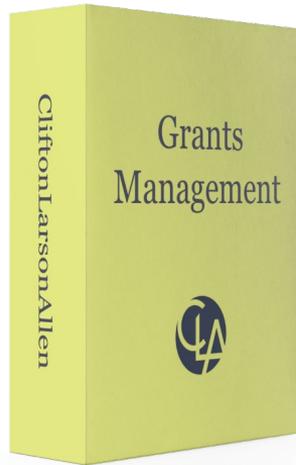
CLA Grants Management Software



CLA Can Help You Navigate The Complexities Of Grants Management:

Whether you need assistance navigating the grant application process, or developing effective strategies, policies and procedures, or would like to see a demo of the grants management software, we can help you through the process.

Visit our [grant compliance services](#) page for additional information.



Grant compliance assessments

Grant management policies and procedures development

Training on understanding compliance requirements

Grant accounting/ report preparation

Subrecipient monitoring assistance

Single audit preparation

Grant application writing or review

Indirect cost rate proposal preparation or review



Polling Question

Did you find the information in this CLA webinar helpful to you and your organization or business?

- Yes
- No



Thank you!

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