

Administrative Requirements

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would have been exempted from disclosure under the federal Freedom of Information Act; or when the records would be kept confidential as controlled unclassified information under Executive Order 13556 if they had belonged to the federal awarding agency. In general, records that remain under a non-federal entity's control will not be subject to the federal Freedom of Information Act. Unless required by federal, state or local statute, non-federal entities are not required to permit public access to their records.

Remedies for Noncompliance (§ 200.338)

In addition to the sanctions for noncompliance that already exist under current OMB Circulars, the Super Circular specifies that noncompliance may lead to suspension or debarment proceedings as authorized in 2 C.F.R. Part 180.

Termination (§ 200.339)

The federal awarding agency or pass-through entity may also now terminate an award for cause. Keep in mind that federal program statutes and regulations (such as the federal CSBG Act and regulations and the Head Start Act and regulations) often specify additional termination procedures and requirements.

Opportunities to Object, Hearings and Appeals (§ 200.341)

Federal awarding agencies must comply with any requirements for hearings, appeals, or other administrative proceedings which the grantee may be entitled to under any applicable law or regulation.

Closeout (§ 200.343)

A federal awarding agency or pass-through entity is required to complete all closeout actions no later than one year after receipt and acceptance of all required final reports.

Post-Closeout Adjustments and Continuing Responsibilities (§ 200.344)

Federal awarding agencies and pass-through entities must now make any cost disallowance determinations and notify the non-federal entity within the existing three-year record retention period.⁴

Collection of Amounts Due (§ 200.345)

The federal government may collect amounts due to it at any time.

See endnotes on page 23



Cost Principles Analysis

By Allison Ma'luf, Esq., CAPLAW

The cost principles part of the Super Circular is based primarily on language from OMB Circular A-122 and therefore will be more familiar to nonprofit organizations in the CSBG network and less so to state and local government entities.

General Provisions

Policy Guide (§ 200.400)

The cost principles now begin with a Policy Guide which is general, introductory language that is mostly from OMB Circulars A-87 and A-21 and new for nonprofits currently covered by OMB Circular A-122. This language sets the tone for the revised cost principles and emphasizes the implementation of a framework to better mitigate the risk of waste, fraud and abuse. All non-federal entities will be responsible for:

- Administering federal funds efficiently and effectively using sound management practices;
- Complying with funding source requirements;
- Maintaining internal accounting policies and practices consistent with cost principles;
- Supporting costs charged with adequate documentation; and
- Not earning or keeping any profit unless expressly authorized by award terms and conditions.

"The Policy Guide... assumes that most non-federal entities have been following these principles and that their continued application should not require any significant changes..."

The Policy Guide also assumes that most non-federal entities have been following these principles and that their continued application should not require any significant changes in the non-federal entities' internal accounting policies and practices. For instance, guidance from COFAR explains that the inclusion of the prohibition against earning a profit is intended only to make long-standing requirements

explicit for purposes of accountability and oversight.¹ Moreover, in recognizing each non-federal entity's unique combination of staff, facilities and experience, the Policy Guide refrains from dictating the exact organizational and management techniques necessary to meet the cost principle requirements.

The Policy Guide explains that, in reviewing, negotiating and approving indirect cost proposals (or, for state and local governments, cost allocation plans), the cognizant agency for indirect costs is charged with generally assuring that a non-federal entity is applying the cost principles on a consistent basis. The definition of the term "cognizant agency for indirect costs" is included in the new definitions section of the Super Circular and refers to the Federal agency responsible for reviewing, negotiating, and approving cost allocation plans or indirect cost proposals on behalf of all Federal agencies.²

Basic Considerations

Similar to the individual OMB Circulars, the Super Circular describes the general factors that all non-federal entities must consider when determining whether and how a cost may be paid for with federal funds. One major change to these factors, which will be discussed in greater detail below, is the treatment of indirect costs.

Allocable Costs (§ 200.405)

The analysis for determining if a cost is allocable to a federal award is from OMB Circular A-122 and thus generally the same for a nonprofits, but new for government entities such as states and public CAAs. When determining if the cost of a good or service is chargeable to a federal award or cost objective in accordance with the relative benefits received, a non-federal entity must consider if the cost (1) is incurred specifically for a federal award; (2) can be properly distributed using reasonable methods when it benefits both federal awards and other work; and (3) is necessary

for overall operations and assignable in part to the federal award in accordance with the cost principles.

Even though non-federal entities still may not shift costs to overcome funding deficiencies or avoid restrictions, the Super Circular permits costs that are allowable under two or more federal awards to be shifted if allowed by existing federal statutes, regulations or award terms and conditions.

Another change is the addition of direct cost allocation principles which clarify how a non-federal entity allocates direct costs. If a cost benefits two or more projects or activities in determinable proportions, it should be allocated based on proportional benefit; if a cost benefits two or more projects or activities in non-determinable proportions, it may be allocated or transferred on any reasonable documented basis.

Costs associated with equipment or other capital assets are assignable to the authorizing federal award regardless of how they are used when they are no longer needed for their original purposes.

Prior Written Approval (§ 200.407)

A list of costs for which prior approval is required for the costs to be allowable is now in one section, making it easier for a non-federal entity to determine if prior approval from a funding source is required before incurring a particular cost.

"A list of costs for which prior approval is required is now in one section, making it easier for a non-federal entity to determine if prior approval from a funding source is required..."

Adjustment of Previously Negotiated Indirect (F&A) Cost Rates Containing Unallowable Costs (§ 200.411)

New for both nonprofit and state and local government entities is the treatment of unallowable costs included in negotiated indirect cost rates (FNICR). A FNICR must be adjusted and/or a refund made if an unallowable cost is included in the rate. Adjustments are not considered to be a reopening of the rate negotiation.

Direct Costs (§ 200.413)

A significant change for both nonprofits and state and local governments is the added requirement to treat salaries of administrative and clerical staff as indirect (F&A) costs unless certain conditions are met. Direct charging of such costs is only allowed if all of the following exist:

- Administrative or clerical services are integral to a project or activity;
- Individuals involved can be specifically identified with the project or activity;
- Such costs are explicitly included in the budget or have the prior written approval of the federal awarding agency; and
- The costs are not also recovered as indirect costs.



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Cost Principles (continued from page 15)

Indirect (F&A) Costs (§ 200.414)

In an effort to encourage a more transparent and consistent approach to indirect costs, OMB made several key changes to the way entities treat such costs. New for both nonprofit and governmental entities is the requirement that FNICRs must be accepted by all federal awarding agencies. A federal agency may only use different negotiated rates when required by federal statute or regulation or when approved by the federal agency head based on documented justification. The federal agency must notify OMB of approved deviations and make publicly available policies, procedures and general decision making criteria to justify deviations.

Additionally, if a non-federal entity has a FNICR, it may apply for a one time extension of that rate for up to four years. The rate must be a current FNICR, which means that it is in effect when a rate extension request is made, and is a “predetermined” or “final” rate. The extension does not apply to “provisional” or “fixed” rates.³ Extensions are subject to review and approval and, if applied, an entity may not request a rate review until the end of an extension period, at which time it must re-apply to negotiate a rate. Because the intent behind allowing extensions is to minimize the administrative burden for the non-federal entity, documentation requirements to support an extension should be kept to a minimum.⁴ The extension period was limited to four years to ensure that rates continue to be based on actual costs. Additional information on extension of a FNICR may be found in the [COFAR FAQ](#).

Another notable addition that applies to nonprofits is a clarification regarding how to identify indirect costs. A determining factor in distinguishing direct and indirect costs is the identification of a cost with a federal award rather than with the nature of the goods and services involved.

Thus, a cost that is identified with a federal award, such as compensation for an employee who facilitates a job training program funded with CSBG dollars, would more than likely be considered a direct cost where as a cost associated with a good or service, such as a copier that is used by multiple programs funded by different sources, would more than likely be an indirect cost.

Moreover, non-federal entities that have never received a FNICR now have the option to charge a de minimis rate of 10% of modified total direct costs (MTDC), which may be used indefinitely. It is important to note that MTDC is still defined as all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and subawards and subcontracts up to the first \$25,000 of each subaward or subcontract (regardless of the period of performance of the subawards and subcontracts under the award). MTDC excludes equipment, capital expenditures, charges for patient care, rental costs, tuition remission, scholarships and fellowships, participant support costs and the portion of each subaward and subcontract in excess of \$25,000.⁵ If a nonprofit chooses the de minimis rate, it must use the rate consistently for all federal awards until it chooses to negotiate a rate, which it may apply to do at any time.

Required Certifications (§ 200.415)

The concept of providing certifications regarding expenditures and indirect costs is not a new one for entities previously covered by OMB Circular A-87 but is for those nonprofits currently covered by OMB Circular A-122. All non-federal entities must now provide the following two certifications:

“The concept of providing certifications regarding expenditures and indirect costs is not a new one for entities previously covered by OMB Circular A-87...”

- One, which is to be provided with a non-federal entity’s annual and final fiscal reports or vouchers requesting payment under a federal award, certifies that expenditures are proper and in accordance with the terms and conditions of the Federal award and approved project budgets, annual and final fiscal reports, or vouchers request payments. This certification must be signed by an official who is authorized to legally bind the non-federal entity.
- The other certifies that the non-federal entity’s indirect cost rate proposal (or, if applicable to a state or local government entity, its cost allocation plan) include only costs that are allowable under the Super Circular and are allocable to the non-federal entity’s federal awards. This certification must be signed on behalf of the non-federal entity by an individual at a level no lower than vice president or chief financial officer.

If an entity neither elects the 10% de minimis rate nor submits a certified rate or plan proposal, the federal government may either disallow all indirect costs or unilaterally establish a plan or rate. However, the COFAR FAQ notes that claiming reimbursement for indirect costs



is never mandatory; a non-federal entity may conclude that the amount of indirect costs it would recover would be immaterial and not worth the effort needed to recover those costs.⁶

Selected Items of Cost

The Super Circular reaffirms that the list of selected items of cost is not an exhaustive one. A particular cost's absence from the list is not intended to imply that the cost is either allowable or unallowable. A determination of allowability in the case of such costs should be based on how similar or related items of cost are treated.⁷

Advertising and Public Relations (§ 200.421)

The list of allowable advertising costs has been slightly expanded to include program outreach and other specific purposes necessary to meet the requirements of the federal award.

Audit Services (§ 200.425)

Costs associated with the following types of audits are now specifically designated as unallowable: (1) audits not conducted in accordance with Single Audit requirements and (2) audits that fall below the Single Audit threshold.

Pass-through entities may also charge for the cost of agreed-upon-procedures to monitor subrecipients exempt from the Single Audit Act as long as such procedures are:

- Conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS);
- Paid for and arranged by the pass-through entity; and
- Limited in scope to one or more of the following types of compliance requirements: activities allowed or unallowed, allowable costs/cost principles, eligibility, and reporting.

Collections of Improper Payments (§ 200.428)

New for all non-federal entities is the allowability of costs, as either direct or indirect charges, incurred to recover improper payments. "Improper payments" is a newly defined term that includes any payment that either:

- Should not have been made;

- Was made in an incorrect amount (including overpayments and underpayments) pursuant to a legal requirement (i.e, statute, contract, etc.);
- Duplicates another payment;
- Was made to an ineligible party;
- Was made for an ineligible good or service;
- Was made for a good or service not received (except for such payments where authorized by law);
- Does not account for credit for applicable discounts; or
- Is not determinable by a reviewer as proper because of insufficient or lack of documentation.⁸

Amounts collected may be used in accordance with cash management standards set forth in section 200.305.

Compensation – Personal Services (§ 200.430)

The Super Circular includes changes that could significantly impact how states and local governments and nonprofits assess, track and allocate employee compensation costs for purposes of their federal awards. Charges for employee compensation still must be based on records accurately reflecting work performed. However, no specific type of documentation – such as personnel activity reports (PARs) currently prescribed in Circulars A-122 and A-87 – is required. Rather, non-federal entities' records must meet the following standards:

- Supported by a system of internal controls which provides reasonable assurance that the charges are accurate, allowable and properly allocated;
- Incorporated into the non-federal entity's official records;
- Reasonably reflect the total activity for which the employee is compensated;
- Encompass all activities – those that are federally assisted and those that are not;
- Comply with the established accounting practices and policies of the non-federal entity; and
- Support the distribution of the employee's salary or wages among specific activities or cost objectives.

"...a non-federal entity may adopt incremental or more significant changes... that reduce the burden associated with its current processes."

As a result, a non-federal entity may adopt incremental or more significant changes (including complete elimination of its current system for documenting and charging compensation costs to its federal awards) that reduce the burden associated with its current processes.⁹ Although the Super Circular provides for more

flexibility in documenting staff time and effort spent on federal awards, it is not clear exactly what documentation

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Cost Principles

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will be sufficient. Therefore, many organizations are taking a wait-and-see approach and choosing to continue using PARs until more information is available.

Budget estimates (estimates determined before services are performed) still do not qualify as support for charges to a federal award but now may be used for interim accounting purposes by nonprofit CAAs as they have been previously used by state and local governments. If budget estimates are used, the non-federal entity must:

- Have a system that produces a reasonable approximation of actual activity;
- Enter significant changes into records in a timely manner; and
- Follow processes to review after-the-fact interim charges to estimates and ensure that the final amount charged is accurate, allowable and properly allocated.

For the first time, the cost principles address blended funding. For federal awards of similar purpose activity or approved blended funding, a non-federal entity may submit performance plans that incorporate funds from multiple federal awards and account for their combined use based on performance-oriented metrics as long as the plans are approved in advance by all federal awarding agencies involved. A non-federal entity must submit a request for waiver of the documentation standards. The waiver must be based on documentation that describes the method of charging costs, relates the charging of costs to the specific activity that is applicable to all funding sources, and is based on quantifiable measures of the activity in relation to time charged.

Only if the federal government finds that a non-federal entity has not met the Super Circular's standards for documenting compensation may it require personnel activity reports or equivalent documentation.

Another change applicable to both nonprofits and state and local governments is the consideration of an additional factor when determining if the total compensation of an employee is allowable. The new factor to consider is whether the hiring of the employee is in accordance with an

entity's rules or written policies and meets applicable federal requirements.

In its continued quest to provide a higher degree of accountability without burdensome procedural requirements, OMB removed language previously in Circular A-122 requiring prior approval from an awarding agency to charge to a federal award overtime, extra-shift, and multi-shift premium payments.

Compensation – Fringe Benefits (§ 200.431)

Following OMB Circular A-87's lead, general language, new for nonprofits, explains that the cost of fringe benefits is allowable provided the benefits are reasonable and required by law, employment agreement or an established policy. The following criteria must be met for leave benefits (e.g., annual, FMLA, sick, holidays, court, military, administrative, etc.) to be allowable:

- Benefits are provided for under established written leave policies;
- Costs are equitably allocated to all related activities including federal awards; and
- Accounting basis (cash or accrual) selected for costing each type is consistently followed.

Also costs of pension plans and post-retirement health plans may be computed using a pay-as-you-go method or an acceptable actuarial cost method in accordance with established written policies.

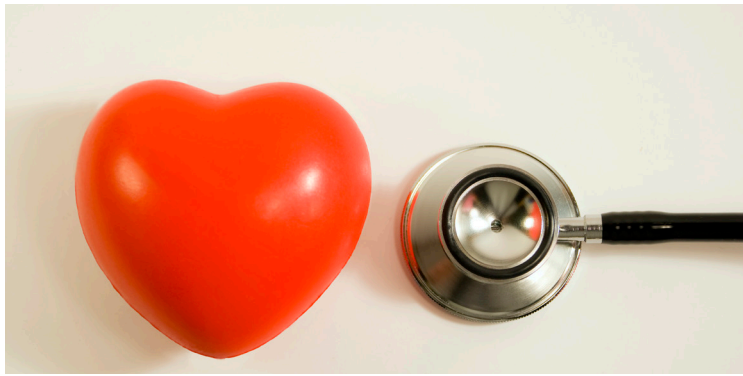
Conferences (§ 200.432)

The Super Circular offers new guidance for non-federal entities that host or sponsor conferences. In an attempt to promote family-friendly practices, the Super Circular allows costs associated with identifying, but not providing, locally available dependent care resources to be charged to a federal award. It also requires conference hosts/sponsors to exercise discretion and judgment in ensuring that conference costs are appropriate, necessary and managed in a manner that minimizes costs to the federal award.

Contingency Provisions (§ 200.433)

Even though contingency reserves are now generally still unallowable, non-federal entities are allowed to include some contingency amounts in budget estimates to the extent they are necessary to improve the precision of those estimates. Contingency amount estimates must be based on broadly accepted cost estimating methodologies, specified in the federal award budget documentation and accepted by the federal awarding agency. Generally, a non-federal entity will still not be able to build contingency reserves from year to year but may budget for the use of contingency funds within a given grant year if it anticipates having unforeseen costs during the year. If a non-federal entity decides to include contingency funds in the budget for a grant year, it should review its contingency amounts periodically throughout the year. If it seems likely that the contingency





funds will not be used, a budget adjustment, which may require prior funding source approval, may be necessary.

Contributions and Donations (§ 200.434)

The treatment of contributions and donations to nonprofit and public CAAs is basically the same under the Super Circular as it was under OMB Circulars 122 and 87. One notable change is that now depreciation on donated assets is permitted as long as the donated property is not counted toward federal award cost sharing or matching requirements.

Depreciation (§ 200.436)

The Super Circular eliminates the use allowance method of recovering costs associated with the use of buildings, other capital improvements and equipment. When switching from the use allowance to the depreciation method, depreciation must be computed as if an asset has been depreciated over its entire life (i.e., from date acquired to date of disposal or withdrawal from services). The total amount of depreciation (including imputed depreciation covering the period prior to conversion from the use allowance) may not exceed the total acquisition cost of the asset.

Employee Health and Welfare Costs (§ 200.437)

Employee morale costs are no longer allowable. OMB made this change because it concluded that such costs are difficult to distinguish from entertainment costs and potentially result in opportunities for waste, fraud and abuse.

Entertainment Costs (§ 200.438)

Generally, entertainment costs are still unallowable, but now certain costs may be charged to a federal award if they: (1) have a programmatic purpose and (2) are authorized either in the approved budget or with prior written approval from the federal awarding agency.

Equipment and Other Capital Expenditures (§ 200.439)

The Super Circular removed language stating that equipment and other capital expenditures are unallowable as indirect costs. Moreover, non-federal entities now may charge the cost of disposing or transferring equipment to a federal award if the federal awarding agency issues disposal or transfer instructions.

Fines, Penalties, Damages and Other Settlements (§ 200.441)

Based on language from Circular A-87, all costs (not just fines and penalties) resulting from alleged and existing violations and failures to comply with laws and regulations are disallowed. Such costs are allowed; however, when they are incurred as a result of compliance with federal award provisions or with prior written approval from the federal awarding agency. Therefore, CSBG network organizations seeking to settle legal claims alleging violations of laws or regulations (such as employment discrimination claims) will need to obtain written prior approval from the federal awarding agency before using federal award funds to settle those claims.

Fund Raising and Investment Management Costs (§ 200.442)

Now non-federal entities may now charge fundraising costs incurred for meeting federal program objectives to a federal award with prior written approval from the federal awarding agency. Also costs related to the physical custody and control of monies and securities are allowable.

New for nonprofits is language stating that costs of investment counsel and staff and similar expenses incurred to enhance income, while generally unallowable, may be charged to federal awards when those costs are associated with investments covering pension, self insurance or other funds which include federal participation allowed under the Super Circular.

Insurance and Indemnification (§ 200.447)

Key changes to the allowability of insurance costs mostly apply to nonprofits. Contributions to a reserve for some self-insurance programs (including worker's compensation, unemployment compensation and severance pay) are now allowable if certain conditions are met. Also insurance refunds, if received, must be credited against such costs in the year the refund is received.

“Contributions to a reserve for some self-insurance programs... are now allowable if certain conditions are met.”

Interest (§ 200.449)

The Super Circular streamlines the language from OMB Circulars A-122 and A-87 regarding the allowability of interest costs. The interest section now begins with the general statement that financing costs (including interest) to acquire, construct, or replace capital assets are allowable, subject to the following conditions:

- The entity must use the capital assets in support of the federal award;
- Facilities and equipment costs must be limited to fair market value (FMV) available from an unrelated third party;

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- Financing must be obtained via an arm's-length transaction (i.e., a transaction with an unrelated third party);
- Interest cost claims must be limited to the least expensive financing alternative (e.g., if a capital lease is determined to be less costly than purchasing through debt financing, then reimbursement must be limited to the amount of interest determined if leasing had been used);
- Interest costs must be expensed/capitalized in accordance with Generally Accepted Accounting Procedures (GAAP);
- Earnings generated by the investment of borrowed funds must be used to offset current allowable interest costs, whether that cost is expensed or capitalized;
- Conditions for debt arrangements over \$1 million to purchase or construct facilities must be followed, unless the entity makes an initial equity contribution of 25% or more; and
- Interest from fully depreciated assets must be treated as unallowable.

Lobbying (§ 200.450)

"The Super Circular adds more detail on the treatment of lobbying costs."

As is currently the case under existing OMB Circulars, lobbying costs are generally unallowable, with several relatively narrow exceptions applicable to nonprofits. However, an exception for nonprofits has been added specifying that costs of certain

activities (such as examinations and discussions of broad social, economic and similar problems) are now allowable.

Losses on Other Awards or Contracts (§ 200.451)

This section is completely new for state and local governments and explains that any excess costs over

income under any other award or contract of any nature are unallowable. Also new for nonprofits is language on specifying that excess costs over authorized funding levels may not be transferred from any award or contract to another award or contract and that all losses are not allowable indirect costs and are required to be included in the appropriate indirect cost rate base for allocation of indirect costs.

Materials and Supplies Costs, Including Costs of Computing Devices (§ 200.453)

As under existing OMB Circulars, materials and supplies used for the performance of a federal award may be charged as direct costs. However, the Super Circular clarifies that charging computing devices as direct costs is allowable for devices that are essential and allocable, but not solely dedicated to, the performance of a federal award.

Memberships, Subscriptions and Professional Activity Costs (§ 200.454)

New for nonprofits is language stating that costs of membership in organizations whose primary purpose is lobbying are unallowable. This language is from OMB Circular A-87 and has been tweaked to refer to organizations whose primary purpose is lobbying rather than to those that are "substantially engaged" in lobbying.

Proposal Costs (§ 200.460)

A welcome addition for nonprofits is the allowability of proposal costs of the current accounting period of both successful and unsuccessful bids. Proposal costs include the cost of preparing bids, proposals, or applications on potential federal and non-federal awards or projects, including the development of data necessary to support the bids or proposals. Proposal costs should normally be treated as indirect (F&A) costs and allocated currently to all activities of the entity. No proposal costs of past accounting periods will be allocable to the current period.

Rearrangement and Reconversion Costs (§ 200.462)

Unlike the current circulars, the Super Circular addresses whether rearrangement and reconversion costs are to be charged as direct or indirect. Now costs incurred for ordinary and normal rearrangement and alteration of facilities are to be charged as indirect costs whereas costs incurred for special arrangements and alterations are allowable as direct costs if prior approval is received from the federal awarding agency or pass-through entity.

Rental Costs of Real Property and Equipment (§ 200.465)

The following definition of "family members" has been added for purposes of determining when a relationship between two parties will result in a less-than-arm's-length lease (i.e., a lease under which one party to the lease agreement is able to control or substantially influence the actions of the other):

- Spouse, and his/her parents;

- Children and his/her spouse;
- Parents and their spouses;
- Siblings and their spouses;
- Grandparents and grandchildren and their spouses;
- Domestic partner and his/her parents; and
- Any individual related by blood or affinity whose close association with an employee is equivalent to a family relationship.



A new example of a less-than-arm's-length lease includes rental by a non-federal entity of any property (including commercial or residential real estate) owned by any individuals or entities affiliated with the non-federal entity for home office workspace.

GAAP provisions must also now be used for determining if a lease is a capital lease.

Training and Education Costs (§ 200.472)

The costs of training and education provided for employee development is now allowable for nonprofits without the extensive analysis that was previously required.

Travel Costs (§ 200.474)

New for nonprofit CAAs is the requirement that method(s) used for charging travel costs must be in accordance with an entity's written travel reimbursement policy. A change for both states and local governments as well as nonprofits is the requirement that, to charge travel costs (including lodging, meals and incidentals) of employees and officers to a federal award, documentation must justify that: (1) participation of the individual is necessary to the federal award; and (2) the costs are reasonable and consistent with the entity's established travel policy.

"New for nonprofit CAAs is the requirement that method(s) used for charging travel costs must be in accordance with an entity's written travel reimbursement policy."

Consistent with efforts to promote family friendly policies, non-federal entities will have the option of using federal funds to cover temporary dependent care costs that directly result from travel to conferences as long as the costs are:

- A direct result of the individual's travel for the award;
- Consistent with documented travel policy; and
- Only temporary during the travel period.

Travel costs for dependents are unallowable except for travel lasting six months or more with prior approval from a federal awarding agency.

See endnotes on page 23

Audit Highlights

By Michael Shepsis, Esq., CAPLAW

The audit requirements are contained in the Super Circular's Subpart F. Currently, audit requirements are covered in Circulars A-133 and A-50. The following is a review of Super Circular changes of particular importance to non-federal entities in preparing for an audit.

Audit Requirement (§ 200.501)

A non-federal entity that expends \$750,000 or more in federal award funds must have a single or program-specific audit that meets the requirements of Subpart F. This represents an increase from the current \$500,000 threshold for single audits. A non-federal entity that expends less than \$750,000 in a fiscal year is generally exempt from federal audit requirements for the year but must make its records for that year available for review or audit by appropriate officials of the federal agency, pass-through entity and the federal Government Accountability Office.

Relation to Other Audit Requirements (§ 200.503)

As under existing standards in Circular A-133, a federal agency, Inspectors General, or the U.S. Government Accountability Office may conduct or arrange for additional audits that are necessary to carry out their responsibilities under federal statute or regulation. However prior to starting an additional audit, a federal agency or pass-through entity must first review the Federal Audit Clearinghouse for recent audits and rely on the information there to the extent possible.

Auditor Selection (§ 200.509)

When procuring audit services, a non-federal entity must now request a copy of the auditing firm's peer review reports. Additionally, similar to the requirements in Circular A-133, the non-federal entity must evaluate an auditor's relevant experience, the availability of staff with professional qualifications and technical abilities, the results of peer and external quality control reviews, and price.

Financial statements (§ 200.510)

The schedule of expenditures of federal awards must now include, among other things, notes that describe that significant accounting policies used in preparing the

Article End Notes

Navigating the OMB Super Circular Changes

1. 78 Federal Register (Fed. Reg.) 78590 (Dec. 26, 2013); 2 C.F.R. Part 200.
2. 78 Fed. Reg. 78590, 78590-78594.
3. 78 Fed. Reg. 78590, 78590-78591.
4. 2 C.F.R. § 200.101(b)(1).
5. 2 C.F.R. § 200.101(e).
6. 2 C.F.R. § 200.101(d).
7. 42 U.S.C. § 9916(a)(1)(B).
8. 2 C.F.R. § 200.110(a). The federal agencies were required to submit draft implementing regulations to OMB by June 26, 2014; however, as of press time, the draft regulations had not been released to the public.
9. COFAR FAQ 200.110-12 (updated from previous Q II-1) (Aug. 29, 2014).
10. COFAR FAQ 200.110-7.
11. COFAR FAQ 200.110-11.
12. COFAR FAQ 200.110.110-13 (Previously Q II-2).
13. COFAR FAQ 200.110-6.
14. COFAR FAQ 200.110-1.
15. COFAR FAQ 200.110-2.
16. 2 C.F.R. § 200.110(b); COFAR FAQ 200.110-12 (updated from previous Q II-1).
17. 2 C.F.R. § 200.102.
18. 2 C.F.R. §§ 200.104 and 200.105.
19. 2 C.F.R. § 200.108.
20. 2 C.F.R. § 200.112.

Administrative Requirements Review

1. COFAR FAQ 200.320-1.
2. COFAR FAQ 200.31-6 and 200.331-7.
3. 2 C.F.R. § 200.45.
4. Note that the three-year record retention period will be

extended if any litigation, claim or audit is started before the end of the three-year period or if the non-federal entity is notified by the federal government or the pass-through entity to extend the retention period. 2 C.F.R. § 200.333.

Cost Principles Analysis

1. COFAR FAQ 200.400-3.
2. 2 C.F.R. § 200.19.
3. COFAR FAQ 200.414-2.
4. COFAR FAQ 200.414-3.
5. 2 C.F.R. § 200.68.
6. COFAR FAQ 200.331-5.
7. 2 C.F.R. § 200.420.
8. 2 C.F.R. § 200.53.
9. COFAR FAQ 200.430-1.

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