OMB Facts Circular A-110

Uniform Administrative Requirements for Grants and Other Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations

OMB Circular A-110 covers important administrative regulations governing Federal grants and cooperative agreements. Sub-parts A through D address general, pre-award, post-award, and after-the-award requirements related to financial and program management, reporting and record keeping, procurement, sub-awards, matching funds, budget revisions, award close-out and other topics. Nonprofits are expected to be familiar with and adhere to these regulations. In fact, OMB Circular A-110 regulations are so important that auditors verify compliance with A-110 requirements and expect to find most A-110 regulations restated in the awardee's internal control and fiscal policies and procedures manual as an indication of understanding and compliance. OMB Circular A-110 is lengthy and detailed. Federal Award recipients

General and Pre-Award Key Requirements

Sub-part A, covering general provisions of the Circular, establishes that sub-recipients of Federal awards must also adhere to OMB regulations and provides a useful and comprehensive glossary of Federal award terms. Sub-part B: Pre-award Requirements mandates use of the Standard Form 424 (SF-424) series of forms to apply for Federal funding; prohibits disbarred and suspended applicants and sub-contractors from receiving Federal funds; and authorizes applicant certifications addressing Drug Free Workplace Requirements and Lobbying with each Federal award application and annually, thereafter. Federal award applicants should already be familiar with Sub-part B requirements as they are an integral component of funding applications submitted through the Federal grants portal: www.grants.gov.

Forms and Certifications Required for Non-Construction Federal Funding Applications

- Standard Form No. 424 Application for Federal Assistance
- Standard Form No. 424A Budget Information for Non-Construction Programs
- Standard Form No. SF-424B Assurances for Non-Construction Programs
- Document CD-511 Certifications Regarding Debarment, Suspension, and other Responsibility Matters, Drug Free Workplace Requirements and Lobbying

Post-Award Key Requirements

Financial and Program Management

To safeguard public dollars, the Federal government imposes restrictions and regulations on awards to ensure that funds are spent for legitimate purposes, that funds are drawn only as needed, and that award recipients have systems in place to execute programs and manage Federal funds. Circular A-110 Sub-part C mandates the following minimum standards for an award recipient's financial management system:

(a) Award recipients must keep an accurate accounting of all Federal funds received and expensed, including funds passed-through to sub-recipients and contractors; and must report this information on a regular basis using Federal reporting formats and systems.

(b) To facilitate reporting and audits, each individual Federal award must be tracked separately within the award recipient's accounting system; a method known as fund accounting.

> Use Fund Accounting Software to Meet a-110 Accounting Requirements
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> Did you know that fund accounting software is specifically designed to meet A-110 requirements to separately track and reconcile revenues and expenses for individual Federal programs? Fund accounting can also be accomplished with accounting software like QuickBooks, must not as easily or efficiently.

(c) Awardees must compare and report on budgeted versus actual expenditures to demonstrate funds are being spent as authorized.

(d) All assets purchased with Federal funds must be accounted for and used solely for authorized purposes.

(e) Award recipients authorized to receive electronic cash advances of Federal funds through the Federal Payment Management System (PMS), shall draw down only those funds needed to cover immediate needs; typically expenses and personnel related costs payable and due within the next 3-days.

(f) Award recipients not authorized to use the Federal Payment Management System may submit advance and reimbursement requests monthly with payment made within 30 days.

(g) Federal funds must be deposited into a Federally-insured bank; but segregating Federal funds into a separate depository account is not required. Awards in excess of $120,000 must be deposited and maintained in interest bearing accounts.

(h) Award recipients may keep up to $250 per year in interest earned on Federal funds as compensation for administrative costs; however, interest earned in excess of this amount must be returned to the Federal awarding-agency at the end of the grant period.

(i) As part of its financial management system, Federal award recipients must have written policies and procedures covering:

- Internal controls to safeguard Federal funds and assets purchased with Federal funds;
- Consistent methods for allocating shared and indirect costs;
- Allowed and unallowed uses of Federal funds;
- Federal procurement procedures;
- Documentation and valuation processes for volunteer time and donated goods and services to be used a Federal matching funds.

If financial reports are frequently delayed or if other indicators of an inadequate financial system emerge, the awarding Federal agency may impose additional requirements, designate the awardee as high-risk, and/or switch the awardee from a cash advance to a cost reimbursement payment method.

The Federal Payment Management System (PMS) is an automated online system administered by the Division of Payment and Management that allows awardees to draw down advance payments on Federal awards. Awardees can obtain additional information on PMS, register to attend free training seminars, or request a training CD at www.dpm.psc.gov

Cost Sharing and Matching Funds

Federal applications for funding sometimes require the applicant to demonstrate capacity to share program costs through either a cash or in-kind contribution. When the cost share is not required to be cash, the Federal government allows matching funds to be provided in the form of third-party in-kind contributions of goods and services to help cash-strapped nonprofits. Nonprofits with Federal indirect cost rates may include unrecovered indirect costs as part of cost sharing or matching funds with the prior approval of the awarding agency.

OMB Circular A-110 requires that both cash and in-kind contributions meet all of the following criteria to be accepted as matching funds:

(a) Must be verifiable from the award

Examples of In-Kind Contributions Allowed as Federal Matching Funds

- Volunteer hours and mileage
- Loaned equipment
- Donated land and buildings
- Guest speakers
- Educational literature
- Training services
- Donated space for meetings and events
- Donated food and clothing
- Donated office and laboratory supplies
- Transportation of clients
- Borrowed employees
- Free publicity e.g., newspaper, radio,

recipient's records.

(b) Cannot be included as contributions for any other Federally-assisted project or program.

(c) Are reasonable and needed to accomplish project/program objectives.

(d) Are allowable under OMB cost principles.

(e) Were not previously paid for by any other Federal award, except where authorized by Federal statute to be used for cost sharing or matching.

(f) Are identified in the approved program/project budget.

Valuing Donated Goods and Services

OMB Circular A-110 provides guidance to help nonprofits compute the value of donated goods, property, and equipment; and donated professional and non-professional volunteer services to be offered as matching funds. OMB-approved valuation methods should be clearly stated in the award recipient's fiscal policies and procedures manual.

OMB Approved Valuation Methods

In-Kind Contribution	Value shall not exceed:
Donated supplies	Fair market value at time of the donation.
Donated land and buildings	Fair market value at the time of donation as established by an independent appraiser.
Donated equipment	Fair market value of equipment of the same age and condition at the time of donation.
Loaned equipment	Fair market rental value.
Donated space	Fair rental value as established by an independent appraisal of comparable space and facilities in a privately owned building in the same locality; or the value of depreciation or fair market use charge.
Services donated by non-professional and professional and technical personnel, consultants, and other service providers	Hourly rate paid for similar work performed by employees in the benefiting organization, or if not applicable; the hourly rate for similar work in the local, regional, or national labor market in which the award recipient competes. Hourly rates may include the value of reasonable and allowable fringe benefits. Volunteer service hours must be documented.

National Volunteer Rate at $20.85 is Worth Tracking

Did you know non-professional volunteer services may be valued at the national hourly volunteer rate developed annually by the Independent Sector? The national volunteer rate is based on the average hourly wage for nonagricultural workers published in the annual Economic Report of the President plus 12% for fringe benefits. In 2009 the value of nonprofessional volunteer services was $20.85 per hour. Documenting volunteer hours can quickly add up at this rate. *Visit http://www.independentsector.org/volunteer_time for local and regional hourly values.*

Program and Budget Revisions

OMB Circular A-110 requires award recipients to notify the awarding Federal agency of planned and unplanned changes to approved program objectives or the budget and to seek authorization prior to implementation. Changes in key personnel identified in the funding application or award documents must be reported and approved. OMB Circular A-110 also specifically requires award recipients to report the absence of the project director when the absence is for more than 3 months or 25% of the time commitment approved in the program budget.

If justified, program budgets may be modified with approval from the Federal awarding-agency. Budget modifications are typically driven by implementation delays, changes in personnel, unanticipated costs or events, and/or unspent funds remaining at the end of the award period. If an awardee anticipates that it will need additional Federal funding or will spend less than the budgeted award amount, the Federal awarding agency should be notified immediately. Budget modification requests should be submitted using the same budget format included in the original application, unless other directed by the awarding agency. Awardees should expect a response within 30 days. Be sure modification requests and approvals are documented in writing and are on file for review by program auditors.

Procurement

OMB Circular A-110 outlines requirements and procedures for purchasing goods and services with Federal funds with the objectives of ensuring purchases are necessary and reasonable; and to the extent possible, procured through open and fair competition. Awardees should avoid potential conflicts of interest, such as purchasing from relatives. The procurement process requires documented cost analysis for each purchase. Where appropriate, an analysis of lease and purchase alternatives should be conducted to

determine which is the most economical and practical procurement option. Procurement selection should consider all relevant factors such as availability, quality, service, cost, etc. If the selected vendor is other than the lowest bidder or if a “sole source” agreement is awarded, reasons for the selection must be well documented.

Written or oral bids should be obtained for procurement of furnishings, equipment, and supplies having a cost of greater than $5,000 but less than $25,000. OMB Circular does not specify the number of bids an award recipient would obtain, but it should be sufficient to demonstrate price analysis and fair completion. Print and Internet-based advertisements are acceptable evidence of price. Multiple bids are also required when Federal funding is used to retain a contractor that will provide services; however, this requirement does not apply when a contractor is a known expert in the field. For purchases of goods or services over the Federal small purchase threshold of $25,000, written competitive bids are required. Your Federal funding agency will determine if “sealed bid” procurement is necessary. "Cost-plus-a-percentage-of-cost" or "percentage of construction cost" methods of pricing are not allowed. The Federal government highly encourages the use of small and minority business vendors.

Award recipients retain title to nonexpendable assets such as vehicles, buildings, and equipment purchased with Federal funds for long as the assets continue to be used for their funded purpose or for another Federally-sponsored program. Award recipients must implement internal control procedures to safeguard Federally-funded assets from theft, loss, or damage and must insure Federally-funded assets to the same degree and in the same manner that they insure non-Federal assets. An inventory of Federally-funded assets should be conducted annually. Property records should include a description of the asset, date of purchase, cost, identifying number, source of funding, *e.g. award number*; and disposition details, if applicable.

Awardees may not encumber property purchased with Federal funds without approval from the awarding Federal agency, *e.g., use as collateral for a loan*. When an asset is no longer needed, the awarding Federal agency should be contacted for disposition instructions. Most assets will remain with the award recipient subject to fair market

compensation to the Federal government. Records for property and equipment purchased with Federal funds must be retained for at least 3 years following disposition of the assets.

Reporting

Award recipients are responsible for managing, monitoring, and reporting on funded projects, programs, sub-awards, and activities supported by their Federal award. Performance and financial status reports comparing goal vs. actual accomplishments and costs, are required at least annually. Quarterly reports are also typically required, but the awarding Federal agency specifies reporting frequency. Annual reports are due 90 calendar days after the award year-end and all other reports are due 30 days after the specified reporting period ends. Award recipients should make every effort to submit reports on time, but extensions can be requested. Federal awarding agencies require the submission of Standard Form 272 and when necessary, its continuation sheet, Standard Form 272a, to monitor cash advances.

After–the Award Closeout Requirements

Award recipients have 90 days following the end the award period to complete close-out requirements including filing of final performance and financial reports, return of unobligated funds, and inventory and disposition of property and equipment purchased with Federal funds.

Federal award recipients must retain these award-related documents for a period of at least three (3) years following closeout of a Federal grant or cooperative agreement:

- Financial records and supporting documentation
- Financial statements
- Performance reports
- Payroll records
- Indirect cost rate proposals and cost allocation plans
- Copies of all Federal reports

For More Information Visit These Websites:

OMB Circulars A-110, A-122, and A-133 at
www.whitehouse.gov/omb/circulars/index.html

U.S. Department of Health and Human Services Grants Policy Statement at
www.ahrq.gov/fund/hhspolicy.htm

Grantee's Financial Reference Guide for Managing CDC Grants and Cooperative Agreements at http://genevasrsp.org/ data/files/Managing_CDC_grants.pdf

Find more information on Federal Indirect Cost Rates through the HHS Division of Cost Allocation Program Support Center at http://rates.psc.gov/

Code of Federal Regulations (CFR) Award recipients can review applicable regulations by federal department and agency by referencing the Code of Federal Regulations on the Internet at http://www.whitehouse.gov/omb/grants/chart.html. Codified regulations are based on OMB circulars and have been adapted to the specific requirements of individual federal agencies and departments. Codified regulations provide details, at the agency level, on terms, requirements, and conditions of funding awards and are an important source of information for all awardees.

Federal Audit Clearing House at http://www.dpm.psc.gov/

HHS Administration for Families and Children has published a series of informative booklets with guidance on topics such as federal grants and sub-awardee management. Booklets are part of the Capacity Building Toolkits for Faith-Based and Community Organizations Intermediary Development Series and can be found at http://www.acf.hhs.gov/programs/ocs/ccf/resources/toolkit.html