

# Contents

- ▶ The video will begin shortly. There are 4 sections and the start times for each are as follows:

- 
- ▶ Section 1 - Overview: Starts around 15 seconds
  - ▶ Section 2 - Accounting Review: Starts around 7:15
  - ▶ Section 3 - FAQ: Starts around 12:30
  - ▶ Section 4 - Miscellaneous: Starts around 20:35

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# Federal Grant Administration & Indirect Costs

the Uniform Administrative Requirements

Also known as the Omni-Circular

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Thanks to OWEB for sharing  
their presentation



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# Agenda

- ▶ Sabrina - Overview
  - ▶ Gerald - Accounting Review, Examples
  - ▶ Mark - Question and Answer
  - ▶ Sabrina - More items!
- ▶ RCO staff will be available for any questions after you complete this training.
- ▶ This presentation is available on the RCO website on the “Documents” then the “Getting paid - Reimbursement Information” page.

[http://www.rco.wa.gov/doc\\_pages/reimbursement.shtml](http://www.rco.wa.gov/doc_pages/reimbursement.shtml)

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"The first order of business is to set a timetable to plan an outline for the agenda."

# Contact Information

## ► Fiscal Contacts

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- Gerald Seed - 360-902-2954, [gerald.seed@rco.wa.gov](mailto:gerald.seed@rco.wa.gov)
  - Gerald processes payments for sponsors A-M
- Sabrina Subia - 360-725-3938, [sabrina.subia@rco.wa.gov](mailto:sabrina.subia@rco.wa.gov)
  - Sabrina processes payments for sponsors N-Z



# What is the Omni-Circular

- ▶ Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards
- ▶ Combines several previous federal circulars in one place

## ELECTRONIC CODE OF FEDERAL REGULATIONS

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**e-CFR data is current as of August 19, 2015**

[Title 2](#) → [Subtitle A](#) → [Chapter II](#) → [Part 200](#)

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Title 2: Grants and Agreements

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**PART 200—UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS**

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# Disclaimer

- ▶ This presentation is RCO's attempt to present information about the omni-circular. It is not intended to replace the omni-circular or to be definitive information.
- ▶ Treat this as a start to information.
- ▶ We recommend you read the omni-circular and understand how it relates to your organization.



# Overview

- ▶ The Federal Government released the omni-circular which combines eight grant related circulars into one document (§200.110).
- ▶ Applies to awards received on or after December 26, 2014.
- ▶ Non-federal entities must comply with the omni-circular whether they are recipients or sub-recipients.
- ▶ RCO continues to work with its federal funding agencies to clarify the omni-circular rules as they relate to RCO and its grantees for the treatment of indirect costs.



**Rules - Rules  
More Rules  
& More Rules**



# Treatment of Indirect Costs for federal and state used as match

1. RCO must accept all federally negotiated indirect rates (FNIR).
  2. If your entity has never had a FNIR and is a non-profit, there is a 10% *de minimis* indirect rate that can be elected.
  3. RCO may also negotiate the indirect rate with your organization upon request.
- Omni-Circular §200.414



# Matching Funds

- ▶ RCO's state funds are used as match to the federal awards it receives. Therefore RCO must follow the omni-circular rules for funds that are used as match.
- ▶ Because not all of RCO's state funds will be used as federal match, those grants types will not follow the omni-circular rules.
- ▶ Omni-Circular §200.306



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# These programs follow all federal rules - Allow Indirects

- ▶ If any RCO grant programs are being used by RCO as federal match, the omni-circular rules will apply.
- ▶ As of 09/2015 we anticipate that the omni-circular rules will apply consistently to the following grant programs:


RCO Grant Program	Federal Circulars Apply?
Boating Infrastructure Grant - BIG	Yes - Federal Program
Environmental Protection Agency - Exchange Network	Yes - Federal Program
Land & Water Conservation Fund - LWCF	Yes - Federal Program <b>NOTE: No indirect allowed for sponsors</b>
Puget Sound Acquisition and Restoration - PSAR	Yes - when used as federal match by RCO
Pacific States Marine Fisheries Council - PSMFC	Yes - Federal Program
Recreational Trails Program - RTP	Yes - Federal Program
Pacific Coast Salmon Recovery Fund - PCSRF	Yes - Federal Program
State Funded Salmon Recovery	Yes - when used as federal match by RCO
WA Coastal Restoration Initiative - WCRI	Yes - when used as federal match by RCO

# RCO Fiscal Data Collection Sheet

- ▶ Before we can finalize your agreements (federal and state federal match) we need some fiscal information.
  - ▶ Organization information
  - ▶ Indirect information
  - ▶ Audit information
  - ▶ Fiscal information
- ▶ Information used for your agreement
- ▶ Information used for RCO fiscal monitoring



Fill out Form



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**RCO Fiscal Data Collection Sheet - Indirect, Audit and Fiscal Information**

RCO is collecting additional fiscal information on every federal pass-through grant that is awarded. This additional information is required to be in compliance with Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (new Omniscircular). This information will help RCO to understand the indirect cost information for each grant and the financial history of each sponsor. If there are questions about this information RCO will contact sponsors directly.

See page 3 and 4 for definitions and an indirect example

Sponsor Name: \_\_\_\_\_

Data Universal Numbering System (D & B Number): \_\_\_\_\_

Date Prepared: \_\_\_\_\_

Approved by: \_\_\_\_\_

Contact Name: \_\_\_\_\_

Contact Person's Phone Number: \_\_\_\_\_

**1. Indirect costs**  
Indirect costs are costs that are not directly accountable to a cost object, such as a particular project. Indirect costs include administrative and personnel costs.

Our organization (Choose one)

- Does not wish to charge any indirect rate for this RCO subgrant for any RCO subaward. (PLEASE SKIP TO SECTION 4.)
- Has been approved by a federal agency
- Uses a de minimus rate (10% of Modified Total Direct Costs (MTDC)) as defined by 2 CFR 200.414 (f) - eligible for non-profits and private individuals only. (For a definition of MTDC, see 2 CFR 200.68)
- Has an indirect rate negotiated between the pass-through entity (RCO) and our organization.

**2. Indirect rate**

Our organization's indirect rate (percent) is \_\_\_\_\_

Our organization's indirect base is \_\_\_\_\_

Our organization's indirect rate was approved by \_\_\_\_\_

The effective dates of indirect rate is Start Date \_\_\_\_\_ End Date \_\_\_\_\_

Please include a copy of your organization's approved indirect cost rate agreement

**\*\* If your indirect rate changes, please update this form and send the form and the updated indirect cost rate agreement to RCO (see page 2).**

**3. Indirect rate and costs - For each RCO agreement**

	RCO#	RCO#	RCO#	RCO#
Indirect rate applied	_____	_____	_____	_____
Total (\$) direct cost base for this RCO grant	_____	_____	_____	_____
Projected indirect charge (\$)	_____	_____	_____	_____
Other non-base, non-indirect costs (\$)	_____	_____	_____	_____
Total (\$) (this should equal the RCO agreement total)	0	0	0	0

(If there are more than four RCO grants, please complete an additional sheet)

**4. Audit information**

Please summarize the past three (3) years of audits that your organization has received. Specify the audit types. List all of the findings and address the resolution of the finding.

Year	Audit Type	Findings
_____	_____	_____
_____	_____	_____
_____	_____	_____





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"Run the numbers, then crunch them just to be sure."

# Accounting review

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# First things first - a word of caution

▶ An organization must not make a profit through charging an indirect rate.

\* See §200.400 (g)



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Indirect  
Costs

Grant Costs

# What are direct costs?

▶ Direct costs are those costs which can be identified and assigned to a specific project or grant activity. These include:

- Salaries or wages of employees
- Employee benefits
- Consulting services and engineering fees
- Travel costs
- Materials and supplies
- Permits
- Property Acquisition
- Equipment



Depending on how your indirect rate was determined, these costs may or may not be part of your indirect base.

\* See §200.413





# What are indirect costs?

▶ Indirect costs are overhead or administrative costs that cannot be readily identified to a specific project or function:

- Office Rent
- Administration
  - Supplies, postage, internet (IT)
- Utilities
  - Electricity, telephone, water
- Ancillary costs (insurance, etc.)

▶ These are actual costs of the organization.

\* See §200.414



# What is an indirect cost rate?

▶ An indirect cost rate is a tool for determining the proportion of indirect costs each program should bear. It is the ratio (expressed as a percentage) of the indirect costs to a direct cost base.

\* See §200.414



"I kept a small percentage of your allowance for administrative costs."

There are three methods in determining an indirect rate.



# A. Federally Negotiated Indirect Cost Rate

► Organizations that have an approved indirect cost rate with a federal cognizant agency will be allowed to use it for their grants that are eligible for indirect costs.

\* See §200.414

Budget Category	Unit Rate	Amount
Salaries, Wages & Benefits		\$50,000
Contracted Services (not a sub-award)		\$50,000
Rent (not office rent)		\$2,500
	<b>Subtotal</b>	<b>\$102,500</b>
Federally Negotiated Indirect Cost Rate Base = all direct costs	15%	\$15,375
	<b>Total</b>	<b>\$117,875</b>



## B. 10% *de minimis* indirect rate

► Organizations (non-profits) that have **never** received a federally negotiated indirect cost rate may charge a flat *de minimis* indirect cost rate of 10% of Modified Total Direct Costs (MTDC).

\* See §200.414

Budget Category		Amount
Salaries, Wages & Benefits		\$50,000
Contracted Services (not a sub-award)		\$50,000
	<b>Subtotal</b>	<b>\$100,000</b>
10% <i>de minimis</i> indirect rate Base - MTDC	10%	\$10,000
Rent (not office rent)		\$2,500
	<b>Total</b>	<b>\$112,500</b>

What is MTDC?



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# Modified Total Direct Costs

Below are the handling of costs to be used as the base of the 10% de minimis.

- ▶ Allowed to use on:
  - ▶ Salaries/Wages - including applicable fringe benefits
  - ▶ Supplies
  - ▶ Services
  - ▶ Travel
  - ▶ First \$25,000 of each sub-award
- ▶ Not allowed on:
  - ▶ Equipment
  - ▶ Capital Expenditures
  - ▶ Patient Care
  - ▶ Rental costs
  - ▶ Tuition, scholarships, and fellowships
  - ▶ Excess costs over \$25,000 of each sub-award

*SAY  
WHAAAAAT?*



\* See **§200.68**

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# C. RCO Negotiated Indirect Cost Rate

► Organizations that do not currently have a federally negotiated indirect rate may negotiate a rate with RCO.

\* See §200.414

Budget Category	Unit Rate	Amount
Salaries, Wages & Benefits		\$50,000
Contracted Services (not a sub-award)		\$50,000
Rent (not office rent)		\$2,500
	<b>Subtotal</b>	<b>\$102,500</b>
RCO Negotiated indirect cost rate Base: all direct costs	5%	\$5,125
	<b>Total</b>	<b>\$107,625</b>



# Indirect costs additional issues

- ▶ Selecting a higher indirect cost rate will not necessarily increase the indirect cost recovered for your organization.
  - ▶ It is the relationship between the base and the rate.
- ▶ There will be occasions where grants receive different amounts of indirect. This is not a one size fits all and each grant's detail will determine the outcome.



# Frequently asked questions

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# Why doesn't RCO just pick one rate for everyone?

- ▶ The omni-circular requires RCO to accept federally-negotiated indirect cost rates, a 10% *de minimis* rate, or negotiate a rate with sponsors.
- ▶ \* See §200.414

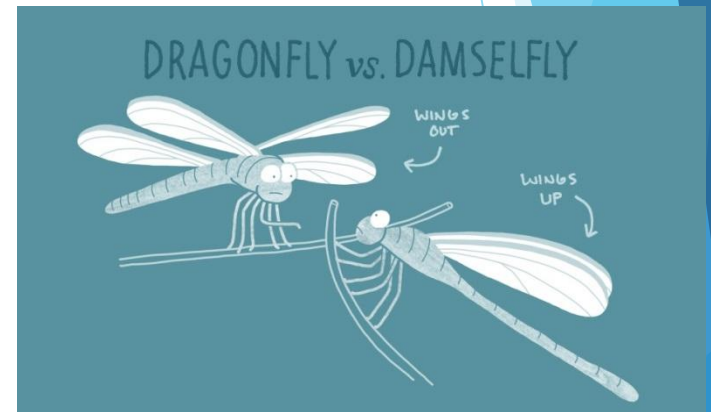
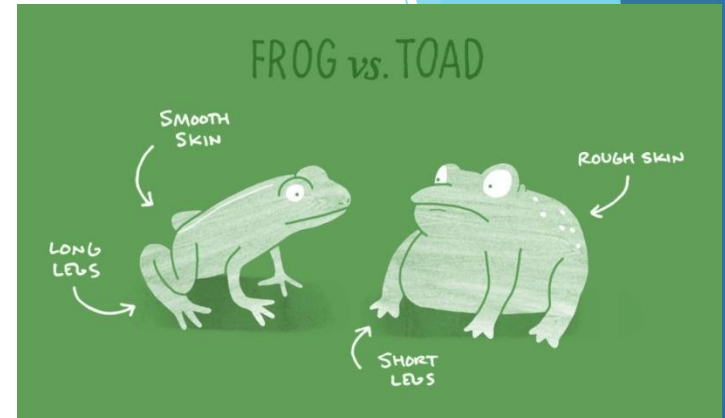


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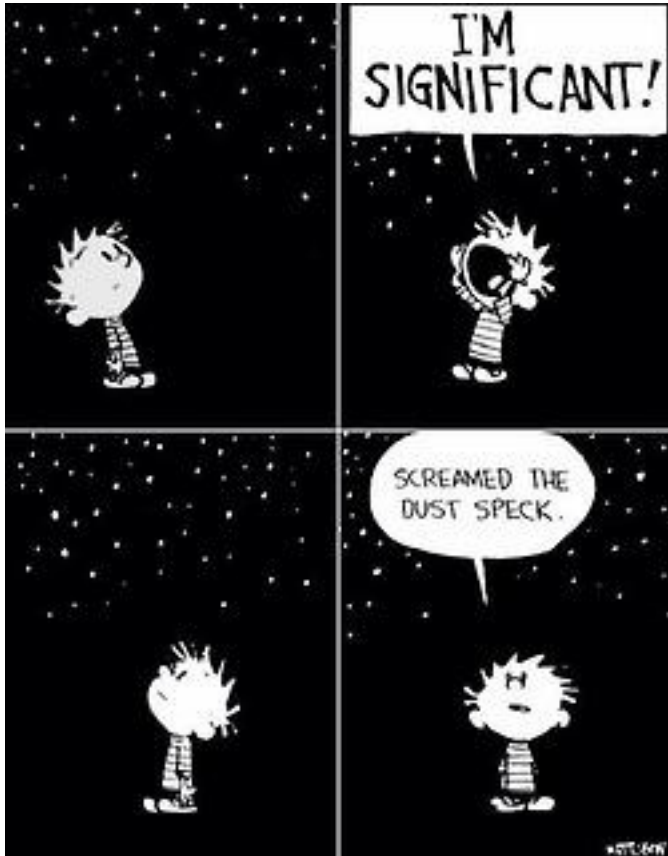


# Why are there different rates?

- ▶ All organizations are different.
- ▶ Different bases and indirect amounts make a huge difference.



# What does *de minimis* mean?



- ▶ Webster's defines *de minimis* as: "lacking significance or importance: so minor as to merit disregard".
- ▶ In the omni-circular it is used to mean the minimal rate of 10% of MTDC.
- ▶ \* See §200.414

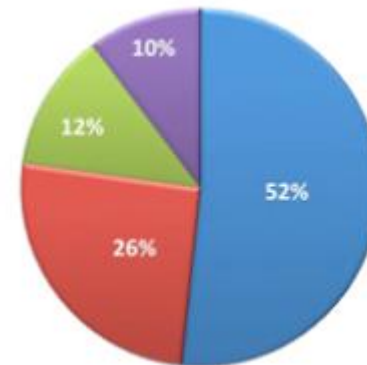
De Minimis

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# Why Does The Omni-circular Apply To Some RCO Programs And Not All RCO Programs?

▶ RCO administers state funds as well as federal funds. With state funds, we are not obligated to follow the omni-circular rules... unless we are using those funds to match federal dollars.



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# Must RCO honor a grantee's federally-negotiated indirect cost rate?

- ▶ Yes, if requested.
- ▶ The provision of §200.414 requires programs to accept federally-negotiated indirect costs rates for federal dollars.



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# Are there any exceptions to RCO paying indirect rates on federal projects?

- ▶ LWCF does not allow indirect
- ▶ If the grantee voluntarily charges less than the full amount of indirect costs allowed under the award.
  - ▶ The election must be voluntary!
  - ▶ Report this on the RCO Fiscal Data Collection Sheet.
- ▶ If indirect cost recoveries exceed the actual indirect costs



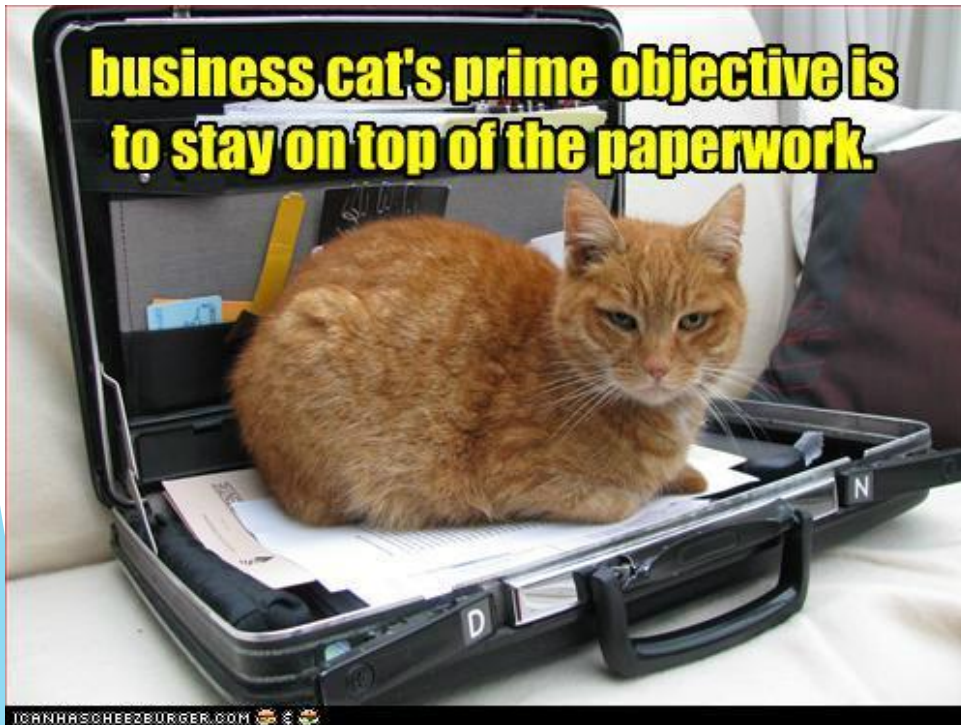
# I don't want to charge an indirect rate. What should I do?

- ▶ Some agencies may decide not to charge for indirects, this is fine.
- ▶ Communicate this information on the RCO Fiscal Data Collection Sheet



# We've decided to negotiate an indirect rate with RCO. What should we do?

- ▶ Review the required indirect documents in the omni-circular.
- ▶ Usually applicable for Non-Profits.
- ▶ RCO has put together an example packet for organizations to review and complete.
- ▶ Then we will take time to review, these need to be submitted six months in advance.
- ▶ Ask RCO for more information, see also Appendix IV to Part 200.



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# How do we know what allocation methods RCO will accept?

- ▶ Allocations are the way indirect costs are spread across the direct costs.
- ▶ In general, RCO will approve any GAAP (Generally Accepted Accounting Procedure) method.
- ▶ The most common methods are:
  - Spread the indirect costs over salaries and benefits
  - Spread the indirect costs over salaries only
  - Spread the indirect costs over modified total direct costs



# What if the cognizant Federal agency delays approval of the indirect proposal?

- ▶ Prior to the RCO grant being released for signature, the grantee must provide a copy of their submitted proposal with the RCO data collection sheet.
- ▶ RCO will not allow the grantee to charge indirect until their negotiated rate is approved.



# What If My Indirect Rate Changes?

- ▶ Rates are usually updated annually, if your rate changes, complete a new RCO Fiscal Data Collection Form.

- ▶ Since the indirect rate is part of the RCO grant agreement, we will amend the agreement and reflect the new rate.

- ▶ Additional funds are not available for these changes.

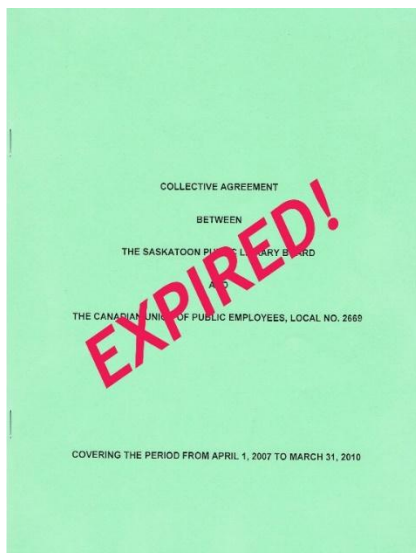


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# What if a grantee has let their indirect rate expire?

- The grantee cannot charge indirect costs to RCO without an approved indirect cost rate.
- For federally negotiated indirect cost rate
  - Federal rules state that once you have received a federally approved indirect cost rate you must continue to negotiate with the federal government. The regulations allow for a one-time four year extension (see 2 CFR 200.414 (g) .)
- Organizations using the de minimis rate of 10% should determine annually whether it is still appropriate to use
- RCO negotiated indirect rates must be renewed annually.



# We have more indirect costs than expected. What should we do?



- ▶ Sponsors are responsible for their project budget.
- ▶ Sponsors that inadvertently fail to include some or all of their allowable indirect costs on their proposed budget run the risk that RCO will not allow the additional costs.
- ▶ Indirect costs cannot be billed in excess of the approved indirect rate.

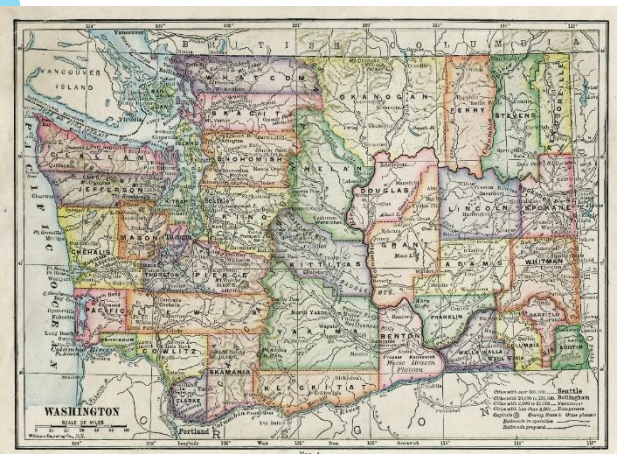
# Are sponsor billed indirect costs eligible for LWCF (Land and Water Conservation Fund) grants?

- ▶ No - we have federal received guidance that indirect costs are not allowed for sponsors for grants funded by LWCF.



# If I Use An Indirect Rate, Can I Also Allocate Administrative Or Overhead Costs?

- ▶ No....
- ▶ RCO expects that if an indirect rate is used, there will not be any other administrative charges to RCO grants.
- ▶ This typically includes accounting service, administrative services, postage, rent, supplies and similar costs.
- ▶ Administrative or overhead costs not included in your indirect may still be charged if there is a direct relationship.
- ▶ We do not allow for “double dipping”.



# How Do I Know If My Rco Grant Agreement Is Subject To Federal Rules?

- ▶ Many RCO programs may be subject to the federal rules. This is true if the funding is directly federal, or if RCO is using the funds as federal match.
- ▶ To tell for sure, look at your RCO agreement.
- ▶ Review Section G - Federal Fund Information.

## G. FEDERAL FUND INFORMATION

A portion or all of the funds for this project are provided through the following federal funding source(s):

Federal Agency: US Dept of Transportation  
Catalog of Federal Domestic Assistance Number and Name: 20.219 - Recreational Trails Program  
Federal Award Identification Number: NRTA-SYMM(020)  
Federal Fiscal Year: 2014  
Federal Award Date: 07/01/2015  
Total Federal Award: \$4,000,000  
Federal Award Project Description: Test test test

If federal funding information is included in this section, this Agreement is funded by a federal subaward from a portion of the total federal award. This funding is not research and development (R & D).

If the sponsor's total federal expenditures are \$750,000 or more during the sponsor's fiscal-year, the sponsor is required to have a federal single audit conducted for that year in compliance with 2 C.F.R. Part 200, Sub Part F - Audit Requirements, Section 500 (2013). The sponsor must provide a copy of the final audit report to RCO within nine months of the end of the sponsor's fiscal year, unless a longer period is agreed to in advance by the federal agency identified in this section.

RCO may suspend all reimbursements if the sponsor fails to timely provide a single federal audit further the RCO

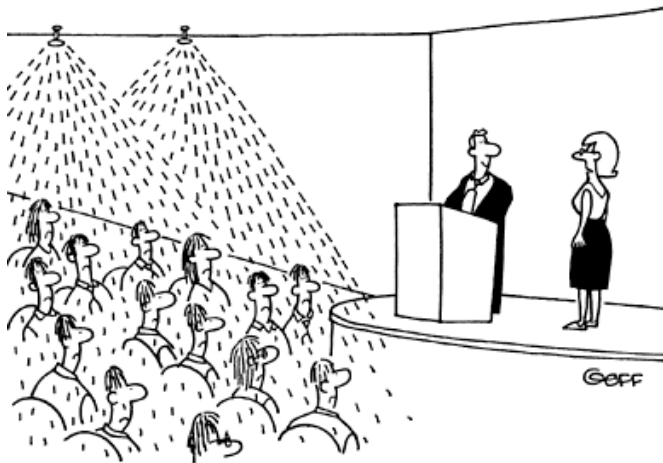
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# Wait, There's More!



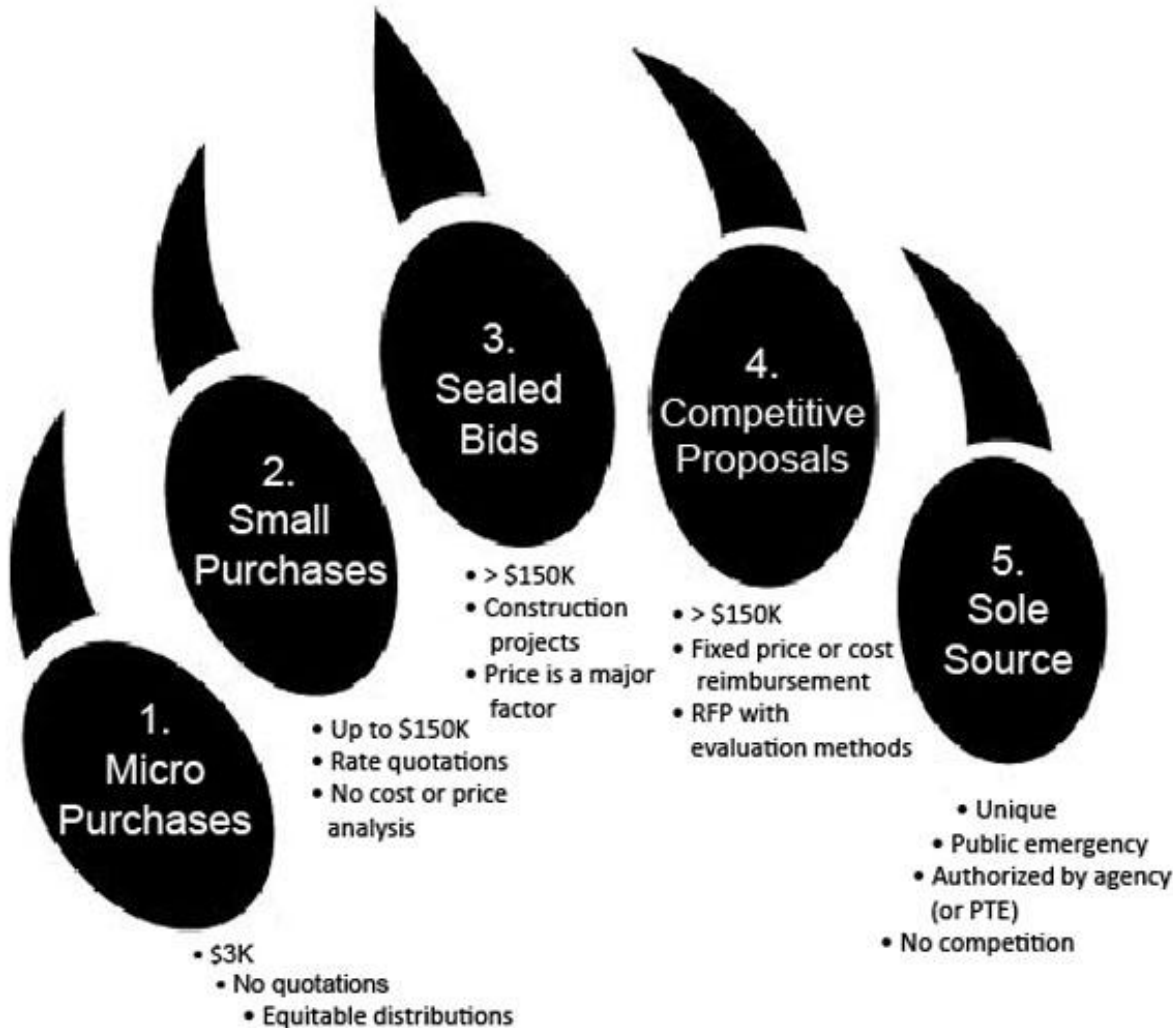
"You're not allowed to use  
the sprinkler system to keep  
your audience awake."

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# What Are The Procurement Requirements?

## Procurement “Claw” (Section 200.320)



- Look at the Omni-Circular for your specific situation.
- Starts at §200.317.

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# What about PRE-AWARD costs?

- ▶ Pre-award costs are those incurred prior to the effective date of the Federal award.
- ▶ In order for pre-award costs to be valid, the costs must be allowable and have the federal agency approval.
- ▶ Work with RCO in this situation.
- ▶ \* See §200.458.

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"This slide needs work."

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# A Few Definitions:

- ▶ CFDA number
- ▶ Non-profit organization
- ▶ Pass-through entity
- ▶ Sub-recipient
- ▶ All definitions found in:
  - ▶ §200.1-99



# Program Income

- ▶ After federal award is complete, continue to use the program income for grant project activities
- ▶ §200.307 (e)(i)



# Equipment

- ▶ Title with non-federal entity (sponsor)
- ▶ Use equipment for purposes of the project only
- ▶ RCO records on our inventory
- ▶ Federal equipment valued at over \$5,000
- ▶ §200.313



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# Competition

- ▶ Competition must be fair, open, and free from conflict of interest
- ▶ §200.319



# Contracting

- ▶ Affirmative steps for contracting with small and minority businesses, women's business enterprise, and labor surplus area firms
- ▶ You can find the six step process in §200.321



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# Basic Considerations for Costs

- ▶ Factors affecting allowability of costs
- ▶ Reasonable costs
- ▶ Allocable costs
- ▶ Well documented
- ▶ §200.402-405



# General Information

- ▶ Bonding requirements - §200.325
- ▶ Sub-recipient and contractor determinations - §200.330
- ▶ Indirect cost rate proposal requires certification - §200.415



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# General Provisions for Costs (1)

- ▶ §200.421 - Advertising (yes)
- ▶ §200.423 - Alcohol (no)
- ▶ §200.425 - Audit Services (yes)
- ▶ §200.430 - Compensation - Personal Service (yes)
- ▶ §200.431 - Compensation - Fringe Benefits (yes)



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# General Provisions for Costs (2)

- ▶ §200.432 - Conference (yes)
- ▶ §200.434 - Contributions (no)
- ▶ §200.438 - Entertainment (no)
- ▶ §200.441 - Fines, penalties, damages (no)
- ▶ §200.442 - Fundraising (no)



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# General Provisions for Costs (3)

- ▶ §200.449 - Interest (no)
- ▶ §200.450 - Lobbying (no)
- ▶ §200.465 - Rental costs (yes)
- ▶ §200.470 - Taxes (yes)
- ▶ §200.474 - Travel (yes)



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# Audit Requirements

- ▶ \$750,000 of expenditures in federal funds for the fiscal year
- ▶ Expended when the activity occurred, not necessarily when paid
- ▶ §200.501



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# Further Questions?

- ▶ If you have a question about your specific circumstance, please give us a call after the seminars.
- ▶ Fiscal Contacts
  - Mark Jarasitis - 360-902-3006, [mark.jarasitis@rco.wa.gov](mailto:mark.jarasitis@rco.wa.gov)
  - Gerald Seed - 360-902-2954, [gerald.seed@rco.wa.gov](mailto:gerald.seed@rco.wa.gov)
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