

What is the “Omni-Circular”?

The *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards; Final Rule*, published by the U.S. Office of Management and Budget on December 26, 2013, provides a single set of cost, audit and administrative requirements for all entities receiving federal funding. These federal requirements, referred to as “the Omni-Circular”, supersede and replace a collection of OMB circulars that governed different aspects of federal funds administration and applied to different types of federal grantees: OMB Circulars A-21, A-87, A-110, A-122, A-89, A-102 and A-133.

What funds are subject to the Omni-Circular?

- Federal grant awards and cooperative agreements and new funding increments thereof issued on or after December 26, 2014.
- Noncompeting renewals are new funding increments.

What are the disclosure requirements under Omni-Circular Section 200.331 Requirements for pass-through entities?

The regulation requires every subaward to include:

- Subrecipient name
- Subrecipient DUNS number
- Federal Award Identification Number
- Federal Award Date
- Subaward Period of Performance Start and End Date
- Amount of Federal Funds Obligated by this action (contract or amendment)
- Total Amount of Federal Funds Obligated to the subrecipient
- Total Amount of the Federal Award
- Federal award project description (title)
- Name of federal awarding agency, pass-through entity and contact information for awarding official
- CFDA Number and Name
- Identification of whether the award is R&D
- Indirect cost rate for the federal award. (Since NC DHHS has an approved cost allocation plan, indicate “N/A”. If the federal award has a specific limitation on administrative costs, state here.)

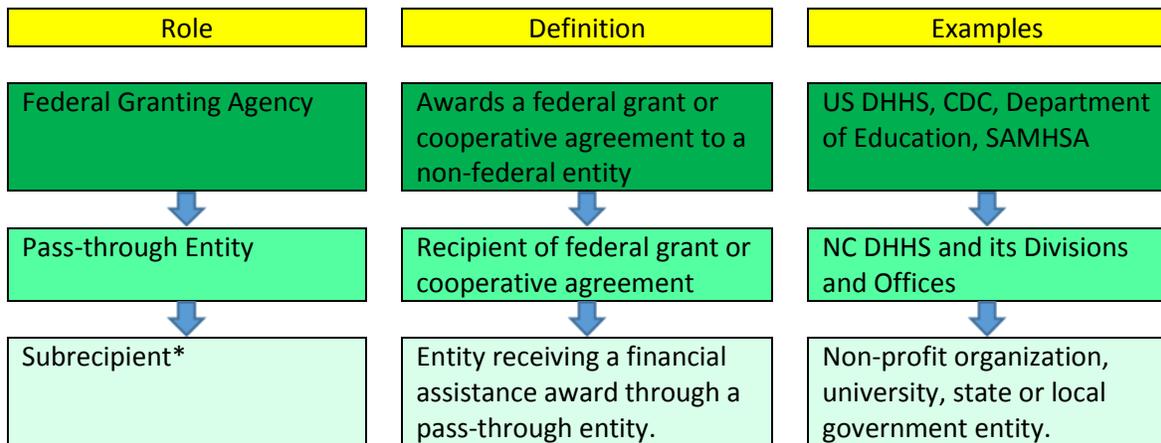
What constitutes a “subaward”?

- Award of any federal dollars to another entity to carry out part of the federal program.
- Financial assistance awards.

These are not subawards:

- Purchase of vendor goods or services.
- Payments to individual beneficiaries of federal programs.

How do I know who the federal awarding agency, pass-through entity and subrecipient are?



*Subrecipients may also be pass-through entities if they issue subawards to other entities using the grant funds they receive from NC DHHS.

What are the financial implications of Omni-Circular Section 200.331 Requirements for pass-through entities?

The new regulation:

- Requires pass-through entities to honor subrecipients’ federally recognized indirect (IDC or F&A) cost rates.
- Where no federal rate exists, pass-through entities may apply the federal de minimis rate (currently 10%) or negotiate a higher rate with the subrecipient.

How do I know what indirect cost rate to use?

- If the subrecipient provides a rate agreement issued by a cognizant federal agency (usually DHHS or ONC), that rate must be used for subawards using federal funds. Rates determined by non-federal entities, such as accountants or consulting firms, are not federally recognized rates.
- If the subrecipient has no federal rate agreement, the 10% de minimis rate must be used, unless a higher rate has been approved by the DHHS Office of the Controller.
- If a federal award limits indirect costs (e.g. administrative costs may not exceed 10% of award), a subaward using that award’s funds may not exceed the award’s limits, regardless of the subrecipient’s recognized rate.

My subrecipient has a 50% federal indirect cost rate and used to receive subawards with only 10% indirect costs. Does that mean working with them now costs 40% more?

Not necessarily. Things to consider:

- Some subrecipients, especially colleges and universities, have multiple rates, e.g. Research, Instruction and Other Sponsored Activities. If the work to be performed is determined to be R&D, the research rate applies. If it is not, the Other Sponsored Activities rate is more appropriate.

- Indirect costs are calculated on Modified Total Direct Costs (MTDC). Check the rate agreement for the MTDC Base. This might be limited to certain cost categories (personnel) or in the case of universities, excludes capital equipment, patient care costs, student tuition, and the portion of any subaward exceeding \$25,000.
- Where the subrecipient is required to contribute matching funds, indirect costs the subrecipient is entitled to receive under a federal or de minimis rate may be used toward the matching requirement.
- Subrecipients may voluntarily agree to waive all or a portion of the indirect costs they are entitled to receive. The passthrough entity may not require them to do so.

May a subrecipient decline indirect costs or charge less than their federally recognized rate?

Under certain circumstances, yes.

For agencies that do not have a federal indirect cost rate, the agency may accept the de minimis rate, negotiate a different rate with the Office of the Controller, or decline indirect costs. If such a subrecipient elects to decline indirect costs, the subcontract should state that. The subrecipient may then allocate and direct charge administrative costs, such as rent, utilities, and business staff effort.

Pass-through entities may not force or entice a subrecipient to accept less than the de minimis rate.

For agencies that do have federal indirect cost rates, the agency may elect to voluntarily cost-share all or part of the indirect costs to which they are entitled. In that case the contract budget should show the federal rate and the amount of unrecovered indirect costs voluntarily contributed, as well as the amount of indirect costs to be recovered in the budget.

Example: University A receives a subaward with 100,000 direct costs.

University A has a federal negotiated F&A rate of 32%.

All direct costs are part of Modified Total Direct Costs, so MTDC = \$100,000.

University A elects to charge NC DHHS \$10,000 indirect costs and to contribute the rest.

The indirect cost calculation in the budget shows:

\$100,000 direct costs x 32% = \$32,000

\$22,000 unrecovered indirect costs <- \$22,000 is entered as matching

\$10,000 indirect costs charged <- \$10,000 is entered on the indirect cost budget line.

I have a financial assistance award involving federal financial participation (FFP). Does this apply to me?

Yes. Federal grants are awarded at different times throughout the year. For example, Medicaid/FFP funds are provided under a federal award issued each October 1. These funds will be subject to the omni-circular beginning with the October 1, 2015 award (Federal Award Identification Number 05-1605NC5ADM).

How does the regulation apply when a subaward uses federal and state/other funds?

- Where a financial assistance award using federal funds also uses state/other funds to meet a federal matching or FFP requirement, the use of non-federal funds must mirror the use of federal funds. The same indirect cost rate applies to the entire award.
- Where a financial assistance award using federal funds also uses state/other funds by choice, not as a matching requirement, the regulation applies only to the federal funds used. The award may apply the subrecipient's federal rate to the federal funds, and a lesser or zero rate to the state/other funds.

Notes for planning work with subrecipients:

To determine appropriate financial assistance budgets, we must be clear about:

- Classifying contracts as financial assistance vs purchase of service.
- What source(s) of funds will be used.
- Whether the subawarded work is considered R&D.

Where can I read more about the Omni-Circular?

The full text of the regulation, training webcasts and an FAQ from the federal perspective can be found on the Council for Financial Assistance Reform (COFAR) web site at <https://cfo.gov/cofar/> .

Subrecipient Risk Assessment

1. Who does the risk assessments for our sub-awardees?

The DHHS Risk Assessment form should be completed for financial assistance awards only, by every group, office, or division that administers award funding.

2. Can the divisions use the EAGLE Assessment when assessing subrecipient risk?

No, since EAGLE assessment differs from subrecipient assessment and was developed as a tool to assess state agencies risk.