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Reply to
Attn of: SP-00-09
CACFP-602
SFSP-393

Subject: Financial Management Summary

To: STATE AGENCY DIRECTORS - (Child Nutrition Programs)

Colorado ED, Colorado DPHE, Iowa, Kansas, Missouri ED, Missouri DH, Montana PI, Montana DPHHS, Nebraska ED, North Dakota, South Dakota, Utah and Wyoming

Attached is an updated Summary of Office of Management and Budget Circulars and Food and Nutrition Services Codifying Regulations. This information supercedes our SP 97-07, CACFP 490, and SFSP 301 memorandums dated November 25, 1996. We hope this updated information is beneficial to you and your staff.

If you have any questions, please contact a member of my staff.

Original Signed by
Stella Nash

STELLA NASH
Acting Regional Director
Child Nutrition Programs

Attachment

bcc: Sharon Wright, FM
All CNP staff
All FOs
Brian Allison

SUMMARY
OMB CIRCULARS and FNS CODIFYING REGULATIONS

COST PRINCIPLES Based on the type of entity

1. *OMB Circular A-87, Cost Principles for State and Local Governments, Revision Published May 17, 1995, Further Amended August 29, 1997*

This Circular provides principles for determining the allowable costs of programs administered by state, local and Indian tribal governments.

Attachment A contains general information on the Circular, definitions, basic guidelines for determining allowable costs, and discusses direct costs and indirect costs.

Attachment B contains principles to be applied in establishing whether certain items of cost are allowable or unallowable and lists certain items of cost, including both allowable and unallowable costs.

Attachment C discusses state/local-wide central service cost allocation plans.

Attachment D discusses public assistance cost allocation plans.

Attachment E discusses state and local indirect cost rate proposals.

The revision published in 1995 superseded the 1981 version. It added two new principles for allowing costs – that they be adequately documented and the grantee must identify them in accordance with Generally Accepted Accounting Principles except where the Circular directs otherwise.

2. *OMB Circular A-122, Cost Principles for Nonprofit Organizations, June 27, 1980; Lobbying Revisions dated May 29, 1984 and May 19, 1987; Interest Revision dated October 6, 1995; Revised June 1, 1998*

The Circular provides principles for determining allowable costs of programs administered by nonprofit organizations.

Attachment A contains factors affecting allowability of costs, discusses direct costs, indirect costs and cost allocation plans.

Attachment B contains principles to be applied in establishing whether certain items of cost are allowable or unallowable and lists certain items of cost, including both allowable and unallowable costs.

Attachment C lists nonprofit organizations that are not subject to this Circular.

The Lobbying revision that became effective in May 1984 was issued to implement restrictions on using Federal funds to pay for costs associated with most kinds of lobbying activities. The revision created a new paragraph, B 21 Lobbying, in Attachment B. The 1987 revision clarified requirements for maintenance and access to records for costs associated with lobbying.

The June 1998 revision amended the definition of equipment by increasing the capitalization threshold to the lesser of $5,000 per unit or the amount used for the grantee's financial statement purposes. It also revised major non-profit organizations to report indirect cost rates by two major categories: facilities and administration. It modified the multiple allocation base method (MAB) for indirect costs to be consistent with OMB Circular A-21 except for major non-profit organizations who are not required to use the MAB method. It clarified the treatment of certain cost items to provide consistency across OMB's cost principle circulars (A-21 and A-87) and the Federal Acquisition Regulations, where applicable.

3. *OMB Circular A-21, Cost Principles for Universities, Revision and Recompilation dated May 8, 1996; Revised October 27, 1998*

This Circular provides the same type of information as A-87 and A-122 as it applies to colleges and universities.

The revision of October 27, 1998, did not provide new policy. It consolidated amendments that were already in effect.

4. *48 CFR 31, Contract Cost Principles and Procedures, Revised October 1, 1998*

This Regulation provides the principles to be used for determining the allowability of costs of activities conducted by for-profit organizations.

GENERAL FINANCIAL MANAGEMENT RULES

1. ***OMB Circular A-102, Grants and Cooperative Agreements with State and Local Governments, revision dated March 11, 1988; Revision dated October 7, 1994; Further Amended August 29, 1997***

The 1988 revision transferred the requirements addressed to State and local governments to the Grants Management Common Rule, which USDA codified at 7 CFR Part 3016. 7 CFR Part 3016 has not be finalized for entitlement programs. The current version of A-102 is addressed to the Federal awarding agencies such as USDA. Nevertheless, the Common Rule requirements are often referred to in conversation as "A-102."

2. ***OMB Circular A-110, Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Nonprofit Organizations, Revised November 29, 1993; Further Amended August 29, 1997 and October 8, 1999***

The Circular contains information that nongovernmental agencies administering Federally funded nonentitlement programs must comply with for pre-award and post-award policies, after-the-grant policies and contract provisions. When the Department codified this revised Circular as 7 CFR Part 3019, it specifically exempted entitlement programs from coverage. As a result, even though the threshold for small purchases was changed to $25,000 in the 1993 revision, the $10,000 threshold must still be used because entitlement programs are still governed by the July 30, 1976 version of this Circular as implemented by departmental regulations at 7 CFR Part 3015.

3. ***7 CFR 3015 Uniform Federal Assistance Regulations, January 1991; amended August 24, 1995***

Open-ended entitlement programs whether operated by governmental or nongovernmental organizations are covered by Part 3015. Most of our Child Nutrition Programs (CNP), including State Administrative Expense Funds for CNP and State Administrative Funds for the Summer Food Service Program (SFSP), are entitlement programs that must comply with Part 3015.

This Regulation provides general management rules in 20 subparts. The subparts that are most often used are those that deal with procurement; property, including

property management and disposition procedures; record retention; and grant related income. The Regulation incorporated the provisions of OMB Circulars A-102 (1981 version) and A-110 (1976 version). As a result the procurement guidelines contained in both of the older versions of the Circulars, including the small purchase threshold of $10,000 remains applicable for entitlement programs.

4. *7 CFR Part 3016 Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments, April 19, 1995*

Nonentitlement programs operated by State and local governments must comply with this Regulation. The Nutrition Education and Training (NET) Program grants, Child and Adult Care Food Program (CACFP) start-up and expansion grants and Team Nutrition Training (TNT) grants are examples of nonentitlement CNP. This regulation was first published concurrently with the revised A-102 (March 11, 1988). It raised the small purchase threshold to $100,000 for nonentitlement programs.

5. *7 CFR Part 3019 Uniform Administrative Requirements of Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations, August 24, 1995*

The Department used this Regulation to codify the November 29, 1993 revision to OMB Circular A-110. Nongovernmental agencies receiving nonentitlement program funds, such as NET Program grants, CACFP start-up and expansion grants and TNT grants, must comply with this Regulation. It contains information relative to pre-award and post-award requirements, after-the-award requirements and contract provisions. Subpart C - Post-Award Requirements covers areas that are used most often; i.e., financial and program management, property standards, procurement standards, and reports and records. Attachment A lists the provision that all contacts must contain.

AUDITS

1. *OMB Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations, Revised June 24, 1997*

This Circular originally implemented the audit requirements for private nonprofit organizations and institutions of higher education. 7 CFR 3052 codified Circular A-133. It contained the same type of information as A-128 but as it applied to nongovernmental entities. This revision merged A-128 and A-133 to incorporate audit requirements for governmental and nonprofit organizations into a singular

circular. The circular implemented a $300,000 threshold for all organizations, prohibited using Federal funds for paying for audits below this threshold amount and allowed organizations to select Organizational Wide Audits or program specific audits, when eligible.

The Single Audit Act Amendments of 1996 required many changes, effective with the audit of each grantee's first fiscal year beginning on or after July 1, 1996. On June 30, 1996, OMB published a revised version of A-133 incorporating these changes and rescinded A-128. The revised A-133 applied to all classes of grantees and subgrantees: states, local governments not-for-profit organizations, universities, Indian tribal organizations. Under this revision, an entity receiving under $300,000 will have no Federal audit requirement. It gives guidance on making program-specific audits. It defines major programs now in terms of risks, rather than in terms of dollars. It also improved the reporting requirements. It discusses the selection of the auditor and gives extensive guidance on resolving audit findings and documenting such resolution. Responsibilities of all parties are spelled out in great detail. The USDA clustering concept has been adopted as governmentwide policy. On August 29, 1997, USDA codified the revised A-133 at 7 CFR Part 3052.

2. *7 CFR 226, Child and Adult Care Food Program*

For-profit institutions operating the CACFP must follow audit requirements prescribed in the applicable Regulations and policy memoranda.

3. *7 CFR 3052, Implements Single Audit Acts of 1996 - new A-133, August 29, 1997*

This regulation implements the revised (June 10, 1996) A-133 for non-federal entities operating USDA programs.

ADMINISTRATIVE REQUIREMENTS

1. *7 CFR Part 3017 Governmentwide Debarment and Suspension (nonprocurement), January 30, 1989*

This Regulation delineates who is covered and who is excluded from this requirement. On September 26, 1995, the Department noted that the October 13, 1994 increase in small purchase threshold to $100,000 threshold applied to 7 CFR 3017. As a result, the certification statement is required for all transactions of $100,000 or more. The $100,000 threshold does not apply to contracts involving principal investigators or auditors completing Federally required audit services.

A certification statement is always required, regardless of the value of the contract, for these services.

2. *7 CFR Part 3017 SUBPART F Governmentwide Requirements for Drug-Free Workplace (Grants), May 25, 1990*

This Regulation discusses who is covered and excluded from this requirement, and the specific requirements, including the frequency of the certification. Primary recipients are required to complete a one-time certification. It provides the Department's procedures for taking exclusionary actions.

3. *7 CFR Part 3018 New Restrictions on Lobbying, February 26, 1990*

This Regulation delineates who is covered and who is excluded from this requirement, including the frequency of the certification. All primary recipients, and entities receiving subgrant awards and contracts from primary recipients that exceed $100,000 are required to complete a certification statement.