

OFFICE OF MANAGEMENT AND BUDGET

Grants Streamlining Activities Under Public Law 106-107, Federal Financial Assistance Management Improvement Act of 1999

AGENCY: Office of Management and Budget.

ACTION: Notice.

SUMMARY: This Notice precedes five additional notices that relate to the interagency grants streamlining effort, prepared jointly by the Office of Management and Budget (OMB) staff and the interagency groups dedicated to implementing Public Law (Pub. L.) 106-107, the Federal Financial Assistance Management Improvement Act of 1999. This first Notice provides background and contextual information for the next five notices, which:

- Propose revisions to Office of Management and Budget (OMB) Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations,"

- Provide information about the OMB decision to not revise OMB Circular A-110, "Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations," based on comments relating to the May 1, 2000, Advanced Notice of Proposed Revision;

- Propose a standard format for Federal agency use in announcing discretionary grant and cooperative agreement funding opportunities;

- Propose standard data elements for Federal agency use in creating grant funding opportunity announcement summaries, to be used under the E-Grants initiative for its "E-FIND" option; and

- Propose revisions to three OMB circulars (A-21, "Cost Principles for Educational Institutions;" A-87, "Cost Principles for State, Local and Indian Tribal Governments;" and A-122, "Cost Principles for Non-Profit Organizations") to clarify ambiguous language, thereby preventing inconsistent interpretations of similar cost items across the three circulars.

FOR FURTHER INFORMATION CONTACT: Elizabeth C. Phillips, Office of Federal Financial Management, Office of Management and Budget, telephone 202-395-3053 (direct) or 202-395-3993 (main office) and e-mail: ephillip@omb.eop.gov.

SUPPLEMENTARY INFORMATION: The purposes of Pub. L. 106-107 are to (1) improve the effectiveness and performance of Federal financial

assistance programs, (2) simplify Federal financial assistance application and reporting requirements, (3) improve the delivery of services to the public, and (4) facilitate greater coordination among those responsible for delivering the services. Pub. L. 106-107 requires the Director of the Office of Management and Budget (OMB) to direct, coordinate, and assist Federal agencies in establishing a common application and reporting system, including electronic processes, and uniform administrative rules for Federal financial assistance programs across different Federal agencies.

Under joint leadership from OMB and a lead agency (the Department of Health and Human Services) agencies are working together to make it easier for States, local, and Tribal governments; universities; and non-profit organizations to administer Federal grant programs. The work is done under interagency work groups created in June 2000 to develop and recommend streamlining and simplification proposals to the Grants Management Committee of the Chief Financial Officers Council, and include the Pre-Award, Post-Award, and Audit Oversight Work Groups. A fourth group, the Electronic Processing Work Group, operational in 2000 and 2001, was integrated this year into the organizational structure that supports an electronic grants (E-Grants) initiative. [E-Grants is part of the electronic government (E-Gov) priority under the President's Management Agenda.]

Streamlining improvements to the grant process were proposed in hundreds of comments sent by 77 different sources responding to the January 17, 2001, **Federal Register** notice. Many of those comments directly relate to the proposals which follow this background Notice. Future notices will propose government-wide standards for grant applications and reports. OMB expects to issue these proposals in Fall 2002. E-Grants plans to deploy an electronic application process (E-APPLY) using the government-wide standards in Fall 2003.

A. The next Notice proposes to revise OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," by (1) increasing the threshold for audit from \$300,000 to \$500,000; (2) increasing the threshold for cognizant agency for audit from \$25 million to \$50 million; and (3) making related technical changes to facilitate the determination of cognizant agency for audit and provide for Federal agency reassignment of oversight agency for audit.

This Notice was endorsed by the Audit Oversight Work Group, whose goal under grants streamlining is to ensure that audits provide useful and reliable information to Federal agencies and pass-through entities, and that recipient audits are in compliance with Federal audit requirements. An audit threshold increase, as proposed from \$300,000 to \$500,000, would relieve almost 6,000 entities from the audit requirements of Circular A-133 while retaining audit coverage for 99.5 percent of Federal awards currently audited (in dollars).

B. The third Notice explains the conclusions reached by OMB and the Grants Management Committee of the Chief Financial Officers (CFO) Council regarding a previous request for comment from Federal agencies and grant recipients, in May 2000, on the merits of pooled payment systems and grant-by-grant payment systems. The proposal to amend OMB Circular A-110, Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations, that would have required Federal agencies to offer recipients the option to request cash advances on a pooled basis, resulted in 65 comment letters from universities, State and local government agencies, Federal agencies, and other sources. There were differing perspectives on the issue, leading OMB and the CFO Council to believe that a revision to Circular A-110 is not needed. This Notice was prepared by the Post-Award Work Group after analysis of the comments received in response to the May 1, 2000, Advanced Notice of Proposed Revision.

C. The fourth Notice proposes a government-wide standard format for Federal agency use in announcing discretionary grant and cooperative agreement funding opportunities. Each year the agencies publish hundreds of funding opportunity announcements for discretionary grants under programs with a broad range of purposes, to give potential applicants the information they need, such as the types of activity the agency will support, who is eligible to apply, and when/how to apply. Comments from the applicant and recipient communities noted vast differences in Federal agencies' announcement formats, making it hard for potential applicants to quickly locate key information, such as who is eligible to apply or whether cost sharing is required. Commentors asked for clear language in announcements and consistency in the placement of information.

This Notice was developed by the Pre-Award Work Group after a review of agency announcements and related business processes. The group developed the standard format for government-wide use, which will make it easier for potential applicants to quickly find the information they need.

D. The fifth Notice proposes standard data elements for Federal agency use in creating grant funding opportunity announcement summaries, to be used under the E-Grants initiative for its E-FIND option. The E-Grants initiative plans to provide a single Internet site for Federal agencies to post electronic summaries, or synopses, of the funding opportunity announcements on the General Services Administration's FedBizOpps Internet site (<http://www.FedBizOps.gov>). E-FIND will greatly facilitate a potential applicant's search for funding opportunities.

This Notice was prepared by the Pre-Award Work Group, which made use of previous work on a set of FedBizOpps data elements completed by the Inter-Agency Electronic Grants Committee. The earlier work proposed a limited set of synopsis data elements (nine) to be used in a pilot on the use of FedBizOpps for grant opportunities. The result of that pilot demonstrated that agencies could, indeed, use the FedBizOpps Internet site to post electronic synopses of funding opportunities leading to the award of grants, cooperative agreements, and other financial assistance instruments. The Pre-Award Work Group expanded the synopsis to become a standard data set of twenty data elements. These data elements and the posting of information at the FedBizOpps site respond to many comments received during the Public Law 106-107 consultation process. Commentors requested a single searchable Internet site for information about Federal agencies' funding opportunities, to reduce potential their frustration with having to search multiple sites that individual Federal agencies configure in different ways.

E. The sixth and final Notice relating to grants streamlining proposes revisions to three OMB circulars (A-21, "Cost Principles for Educational Institutions;" A-87, Cost Principles for State, Local and Indian Tribal Governments;" and A-122, "Cost Principles for Non-Profit Organizations") to clarify ambiguous language, thereby addressing many grantee concerns expressed in the comments relating to the Public Law 106-107 initial plan published in the **Federal Register** on January 16, 2001. Commentors noted inconsistent

allocation methods and different interpretations about indirect cost recovery. The three circulars apply to different types of recipient organizations and were developed separately. Consequently, different language is used in the three circulars to describe similar cost items, sometimes causing inconsistent interpretations by Federal staff, recipients, and auditors.

This Notice was prepared by the Cost Principles Subgroup of the Post-Award Work Group, after reviewing 74 cost items in the three circulars for consistency. The Subgroup determined that 11 cost items can be deleted, 22 cost items do not need changes, and 41 cost items need common language in the three circulars. The Notice proposes revisions to incorporate consistent descriptions of similar cost items and, where possible, clarify existing policies in the three circulars. Information about the proposed revisions is also available on the OMB Internet site (<http://www.whitehouse.gov/omb/grants>).

Dated: July 31, 2002.

Mark W. Everson,
Controller.

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OFFICE OF MANAGEMENT AND BUDGET

Audits of States, Local Governments, and Non-Profit Organizations

AGENCY: Office of Management and Budget.

ACTION: Proposed revisions to OMB Circular A-133.

SUMMARY: This Notice proposes to revise Office of Management and Budget (OMB) Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," by (1) increasing the threshold for audit from \$300,000 to \$500,000, (2) increasing the threshold for cognizant agency for audit from \$25 million to \$50 million, and (3) making related technical changes to facilitate the determination of cognizant agency for audit and provide for Federal agency reassignment of oversight agency for audit.

DATES: All comments on this proposal should be in writing, and must be received by October 11, 2002. It is planned that the proposed revisions shall apply to audits of fiscal years ending after December 31, 2003, and earlier implementation will not be permitted.

ADDRESSES: Due to potential delays in OMB's receipt and processing of mail sent through the U.S. Postal Service, we encourage respondents to submit comments electronically to ensure timely receipt. We cannot guarantee that comments mailed will be received before the comment closing date.

Electronic mail comments may be submitted to: tramsey@omb.eop.gov. Please include "A-133 Comments" in the subject line and the full body of your comments in the text of the electronic message and as an attachment. Please include your name, title, organization, postal address, telephone number, and E-mail address in the text of the message. Comments may also be submitted via facsimile to 202-395-4915.

Comments may be mailed to Terrill W. Ramsey, Office of Federal Financial Management, Office of Management and Budget, Room 6025, New Executive Office Building, Washington, DC 20503.

A copy of the current Circular A-133 published in the **Federal Register** on June 30, 1997 (62 FR 35277), is available on the Internet at <http://www.omb.gov> and then select "Grants Management."

FOR FURTHER INFORMATION CONTACT:

Terrill W. Ramsey, Office of Federal Financial Management, Office of Management and Budget, telephone 202-395-3812 (direct) or 202-395-3993 (main office) and e-mail: tramsey@omb.eop.gov.

SUPPLEMENTARY INFORMATION:

A. Increase the Threshold for Audit from \$300,000 to \$500,000—OMB proposes to increase the audit threshold amount from \$300,000 to \$500,000.

The Single Audit Act Amendments of 1996, 31 U.S.C. 7502(a)(3), provide for the Director of OMB to review the single audit threshold and increase it as appropriate. The current audit threshold requires all non-Federal entities (States, local governments, and non-profit organizations) that expend \$300,000 or more in a year in Federal awards to have an audit conducted in accordance with Circular A-133.

As shown in the following table, an audit threshold increase from \$300,000 to \$500,000 would relieve almost 6,000 entities from the audit requirements of Circular A-133 while only exempting from audit less than one half of one percent of Federal awards expended (in dollars) by entities currently filing Circular A-133 audits.