

Under the proposed change, 2004 will be the base year for determining the cognizant agency for audit for 2006 through 2010. All fiscal year 2004 Circular A-133 reports are due to the FAC on or before September 30, 2005. This will provide sufficient time for Federal agencies to use the FAC database to produce a cognizant agency for audit list for the 2006 through 2010 audit cognizance period at the start of 2006. (Note, the base year for 2001 through 2005 will remain at 2000.)

D. Technical Change—Oversight Agency for Audit reassignment—OMB proposes to change the definition of oversight agency for audit to permit Federal agencies to make reassignments.

Currently Circular A-133 definitions do not specifically provide for the reassignment of oversight agency for audit. The proposed revision would explicitly provide for the reassignment of oversight agency for audit by Federal agencies similar to the reassignment of cognizant agency for audit.

Dated: July 31, 2002.

Mark W. Everson,
Controller.

Circular A-133 is proposed to be revised as follows:

1. In the following sections, replace \$300,000 with \$500,000: § .200(a); § .200(b); § .200(d); § .230(b)(2); and § .400(d)(4).

2. In section § .400(a), first sentence, replace \$25 million with \$50 million.

3. Replace section § .400(a), third, fourth, and fifth (parenthetical) sentences with the following:

§ .400 Responsibilities.

(a) * * * The determination of the predominant amount of direct funding shall be based upon direct Federal awards expended in the recipient's fiscal years ending in 2004, 2009, 2014, and every fifth year thereafter. For example, audit cognizance for periods ending in 2006 through 2010 will be determined based on Federal awards expended in 2004. (However, for 2001 through 2005, cognizant agency for audit is determined based on the predominant amount of direct Federal awards expended in the recipient's fiscal year ending in 2000).

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4. In section § .105, definition of oversight agency for audit, add the following at the end of the definition: "A Federal agency with oversight for an auditee may reassign oversight to another Federal agency which provides substantial funding and agrees to be the oversight agency for audit. Within 30 days after any reassignment, both the old and the new oversight agency for

audit shall notify the auditee, and, if known, the auditor of the reassignment."

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OFFICE OF MANAGEMENT AND BUDGET

Circular A-110, Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals and Other Non-Profit Organizations

AGENCY: Office of Management and Budget.

ACTION: Notice.

SUMMARY: This notice explains the conclusions reached by OMB and the Grants Management Committee of the Chief Financial Officers (CFO) Council regarding their previous request for comments on the desirability of requiring Federal grant-making agencies to offer their grantees the option to request cash advances on a pooled basis, and on the merits of pooled payment systems and grant-by-grant payment systems. They have decided not to propose an amendment to OMB Circular A-110, "Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations," which would include such a requirement. The rationale for this determination is explained below.

FURTHER INFORMATION CONTACT: Gilbert Tran, Technical Manager, Office of Management and Budget, at (202) 395-3052.

SUPPLEMENTARY INFORMATION:

I. Purpose

This notice explains the conclusions reached by OMB and the Grants Management Committee of the CFO Council regarding our previous request for comments on the desirability of requiring Federal grant-making agencies to offer their grantees the option to request cash advances on a pooled basis (*i.e.*, when cash advances are requested from a pool rather than on a grant-by-grant basis), and on the merits of the two systems. The rationale for the decision not to propose an amendment to OMB Circular A-110, "Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations," that would include such a requirement, is explained below.

It is also intended that this notice explain the differing perspectives and clarify when pooling is applicable, in order to maintain a policy which can work for all.

II. Background

On May 1, 2000, 65 FR 25396, OMB published an Advance Notice of Proposed Revision (ANPR) in which comments were sought on several questions relating to Federal requirements for requesting and issuing cash payments under Federal awards. The core issue was whether OMB should amend A-110 to require Federal awarding agencies to make the pooling method of requesting and issuing cash payments under awards available to their award recipients.

III. Grant-By-Grant Payment Systems

With the grant-by-grant payment method, a recipient identifies estimated costs for each award and requests cash advances on that basis. Some of these agencies approve the requests on a grant-by-grant basis, pool the individual amounts, and issue payments in the aggregate.

Some Federal agencies systems currently require grant-by-grant requests, and several indicated that their grant-by-grant payment systems are more streamlined than the pooled systems. One agency said it had eliminated the need for the SF-272 (Report of Federal Cash Transactions) and SF-269 (Financial Status Report) by accepting grant-by-grant cash requests as reports of cash usage and recording them as expenditures.

Agencies that use this method believe it generates better data and strengthens their recipient monitoring programs. With grant-by-grant systems, it was reported that agencies have more timely information on payments and can provide more immediate technical assistance to a recipient experiencing problems with a particular grant. It was also reported that pooled payment reports often arrive too late for agencies to help recipients take corrective actions on specific grants.

IV. The Pooled Payment System

Under a pooled payment process, the recipient estimates the aggregate amount of cash that it will need for all of its awards from the awarding agency and requests a cash advance in that amount. The awarding agency uses a methodology it has developed to estimate how the recipient will distribute the cash advances among its various awards; it then assigns the estimated amounts to awards in its internal accounts. When recipients

report actual expenditures, the agency adjusts the allocation to the actual reported expenditures. Recipients report expenditures for each grant via financial reports such as the SF-269 or SF-272. Since these estimates are adjusted to actual when the recipients submit their reports, accurate and timely reporting is essential.

Since many recipients, particularly those with a high volume of grant awards, are unable to determine actual cash needs on a grant-by-grant basis at the time of draw without expending considerable time and effort, requiring this determination up-front may cause recipients to draw larger amounts of cash, less frequently. Some agencies believe that a transition from grant-by-grant to pooled payments must be accompanied by monthly reporting of actual expenditures, in an electronic format, rather than the paper-based quarterly reporting that is currently required by some agencies using pooled payment systems.

V. Summary of Comments Received

Altogether, 65 comments were received: 33 from universities, 14 from State and local agencies, 14 from Federal agencies, and four from other sources. The following text explains the conclusions reached after considering these comments.

Comments were requested on whether Circular A-110 should be amended to require that Federal grant-making agencies make the pooling option available to their grantees, and on questions relating to the merits of pooled payments and grant-by-grant payment systems.

The 33 comments received from universities unanimously supported making the pooling option available to recipients. The 14 Federal commenters were divided, as indicated in Sections III and IV, above, with some agencies preferring grant-by-grant payments and other agencies supportive of a pooled payment process. Of the 14 State and local agencies commenting, only eight has comments on this question, with five opposed to the idea of requiring Federal awarding agencies to make the pooling method available and one that expressed concern about being forced to pool. Their opposition must be viewed as theoretical, however, because Circular A-110 does not apply to State and local governments. [The audience for Circular A-110 consists of universities, hospitals, and other not-for-profit organizations.]

The universities' strong support for the pooling method stems from the ways in which their administrative needs differ from those of State and local

governments. Major research universities typically have large grant portfolios that may include hundreds, or even thousands, of discretionary grants. Indeed, one university responding to the ANPR submitted an itemized list of its Federal awarding agencies and the number of active awards from each; the commenter had 1,260 awards from nine Federal agencies, with the number of awards per agency ranging from ten to 400. Many of the awards received by such universities may be for relatively small dollar amounts; awards to the aforementioned commenter from one Federal agency averaged \$2,500. The universities find the pooling method of requesting advances responsive to the difficulty of gauging their cash needs for each of their Federal awards at the specific point in time that they need to make a cash draw.

To illustrate, an organization representing the higher education community commented that "[our] membership firmly believes that a pooled payment system as described in the subject notice would be a significant step toward streamlining the payment procedures for recipients of federal assistance. We know that streamlining is a priority for the government and concur with the findings of the CFO Council that the pooling method as currently practiced at NSF and DHHS provides a more efficient and customer-friendly method of drawing cash for grant purposes."

Conversely, universities find it much more labor-intensive and administratively burdensome to generate actual, grant-by-grant data. The aforementioned commenter added that "drawing cash on a grant-by-grant basis is time consuming and adds no value to the process. [Our] member universities report that much more effort is required for grant-by-grant drawdowns than is necessitated by pooled draws * * * This practice is not conducive to good management of federal funds and results in poor management of university resources. Using the grant-by-grant drawdown process in effect converts an advance payment system into a reimbursement system. The cost and burden of estimating, executing and adjusting for grant-by-grant drawdowns is excessive."

VI. Conclusion

Given the differing perspectives on this issue and the division between the 14 Federal commenters, revising Circular A-110 does not appear to be the most effective approach. In order to maintain a policy that can work for all, OMB and the CFO Council believe that the grant-by-grant option is not

encouraged; however, this method is permitted when a Federal agency and its Circular A-110 grant recipient agree that grant-by-grant requests for cash advances are preferable to pooled requests. We are committed to encouraging the pooling method for the Circular A-110 community, yet permitting the grant-by-grant method when both the Federal agency and the grant recipient prefer that method, or when the awarding agency determines that conditions require it.

OMB will, therefore, leave Circular A-110 unchanged. The existing Circular A-110 text does not require Federal awarding agencies to make the pooled payment method available to their recipients, but it does authorize them to do so. Section 22(c) provides that, "Whenever possible, advances shall be consolidated to cover anticipated cash needs for all awards made by the Federal awarding agency to the recipient." Since the awarding agency must determine when conditions merit making pooled payments to a recipient, the existing text takes a permissive, rather than a mandatory, approach to the issue.

Dated: July 31, 2002.

Mark W. Everson,
Controller.

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OFFICE OF MANAGEMENT AND BUDGET

Office of Federal Financial Management Policy Directive on Financial Assistance Program Announcements

AGENCY: Office of Management and Budget.

ACTION: Notice of proposed policy issuance directive.

SUMMARY: The Office of Federal Financial Management (OFFM) proposes to establish a standard format for Federal agency announcements of funding opportunities under programs that award discretionary grants or cooperative agreements. The purpose of the standard format is to have information organized in a consistent way in program announcements for the hundreds of Federal programs that make financial assistance awards to non-Federal recipients. The Federal awarding agencies jointly developed this format as one part of the implementation of the Federal Financial Assistance Management Improvement Act of 1999 (Pub. L. 106-107). Consistent with the streamlining and