



Opportunities for Ohioans  
with Disabilities

# **VR Contracts: Updates to Monitoring, Budgets and Indirect Costs**

For OOD Contractors and Subcontractors

June 2015

# Ground Rules

## ***Get the Most Out of Your Participation!***

1. Turn phones to silent or vibrate.
  2. Be courteous of presenters and other speakers. Only one speaker at a time.
  3. Participation is expected.
  4. Questions are encouraged! If we cannot answer today, we will research and work with you to address.
  5. Please state your name and agency with each question.
  6. Bathrooms are located down the hall.
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# Agenda

<b>Welcome and Introductions</b>	<b>9:30 – 9:35</b>
<b>Purpose and Scope</b>	<b>9:35 – 9:40</b>
<b>Program &amp; Monitoring Changes</b>	<b>9:40 – 10:05</b>
<b>Omni-Circular (2 CFR 200) Changes &amp; Clarification</b>	<b>10:05 – 10:15</b>
<b>Indirect Cost Rate (ICR) Timeline &amp; Options</b>	<b>10:15 – 10:45</b>
<b>Question and Answer</b>	<b>10:45 – 11:00</b>
<b>Conclusion</b>	

# Scope

## Communicate to contractors and subcontractors:

- Program and monitoring changes
- Implementation of 2 CFR 200 (Omni-circular) and key contract changes

[Link to 2 CFR Part 200](#)

- Alignment of indirect costs in accordance with Omni-circular and Education Dept. General Administrative Regulations (EDGAR)

[Link to EDGAR](#)



# Monitoring Changes

## Fiscal Monitoring

Former Process	New Process
<ul style="list-style-type: none"><li>• One or two monthly invoices per year with supporting documentation</li></ul>	<ul style="list-style-type: none"><li>• Behind the scenes monthly invoice review</li></ul>
<ul style="list-style-type: none"><li>• Identify actual expenditure issues through documentation analysis</li></ul>	<ul style="list-style-type: none"><li>• <b>No supporting documentation is requested</b></li></ul>
<ul style="list-style-type: none"><li>• Questioned Cost Findings may have been a result of the review</li></ul>	<ul style="list-style-type: none"><li>• Any issues identified during the review will be addressed within contract year</li></ul>
<ul style="list-style-type: none"><li>• Formal audit every contract year, often duplicating what was reviewed during the monitoring process</li></ul>	<ul style="list-style-type: none"><li>• Reconcile with future invoices within current contract</li></ul>

# Monitoring Changes

## Program Monitoring

Former Process	New Process
<ul style="list-style-type: none"><li>• All-day onsite visit (6-8 hours); essentially an audit</li></ul>	<ul style="list-style-type: none"><li>• Half-day onsite visit (3-4 hours)</li></ul>
<ul style="list-style-type: none"><li>• Extensively explored aspects of program/case management activities</li></ul>	<ul style="list-style-type: none"><li>• Only items needing additional follow-up are discussed in detail</li></ul>
<ul style="list-style-type: none"><li>• Included a discussion regarding all documentation provided and the degree to which requirements were or were not met</li></ul>	<ul style="list-style-type: none"><li>• Discussion is focused on the results of the OOD review rather than the process of the review itself</li></ul>
<ul style="list-style-type: none"><li>• Purpose was to ensure compliance with the monitoring process</li></ul>	<ul style="list-style-type: none"><li>• Purpose is to provide Technical Assistance in developing best practices and to strengthen the relationship between OOD and partners</li></ul>

# Program Changes & Exhibit A Language Updates

## Section 2(B)(5) - Case Management Activities

Former Process	New Process
<ul style="list-style-type: none"><li>• Within 100 days of OOD's eligibility determination, the contractor shall draft Individualized Plans for Employment (IPE) for each eligible individual unless an alternate timeline is mutually agreed upon</li><li>• Any draft IPE that may need to exceed 120 days shall require a completed time extension form</li></ul>	<ul style="list-style-type: none"><li>• Within <u>75 days</u> of OOD's eligibility determination, the contractor shall draft Individualized Plans for Employment (IPE) for each eligible individual unless an alternate timeline is mutually agreed upon</li><li>• Any draft IPE that may need to exceed <u>90 days</u> shall require a completed time extension form</li></ul>

# Program Changes & Exhibit A Language Updates

## Section 4 (A) –Education/Training, Licensure/Certification and Experience

Former Process	New Process
<ul style="list-style-type: none"><li>Supervisors, coordinators and caseload assistants shall possess a minimum of a bachelor's degree in a related field.</li><li>“Grandfather” clause permitting staff that worked under the prior agreement to continue as long as they held at least a bachelor's degree in any field</li></ul>	<ul style="list-style-type: none"><li>Supervisors, coordinators and caseload assistants shall possess a minimum of a bachelor's degree in a human services area, or a minimum of a bachelor's degree with 24 months experience in the delivery of vocational rehabilitation services (e.g. job development, benefits analysis, certified vocational evaluator, vocational specialist).</li></ul>

# Omni-Circular

- The rule became effective December 26, 2014
- Supersedes A-110, A-87, A-122, and A-133
- Applies to all new awards and additional funding of existing awards
- Applies to OOD contracts in FFY 2016 (October 1, 2015)
- OOD contract language will reflect changes

[Link to 2 CFR Part 200](#)

# Omni-Circular Changes and Budget Clarification

- Internal Controls – requires effective internal controls over federal awards (cites GAO Green Book and COSO Internal Control framework as best practices)

[GAO Green Book](#)

[COSO Internal Control Framework](#)

- Subcontractor Monitoring – all pass-through entities **must** evaluate subcontractor's risk of non-compliance to determine appropriate monitoring

# Omni-Circular Changes and Budget Clarification

- Occupancy – line items will be discussed in detail during budget negotiations to address contract needs
- Supplies – The State of Ohio defines supplies as \$1,000 or less, but **OOD will continue to depreciate equipment**
- Salaries (Time and Effort) – **must** be based on records that accurately reflect actual work performed. OOD continues to require personnel activity reports and certifications

# Omni-Circular Changes and Budget Clarification

Salaries of administrative and support staff:

- “Direct charging may be appropriate only if all of the following conditions are met:
    - (1) Administrative or clerical services are integral to a project or activity;
    - (2) Individuals involved can be specifically identified with the project or activity;
    - (3) Such costs are explicitly included in the budget or have the prior written approval of the Federal awarding agency; and
    - (4) The costs are not also recovered as indirect costs.”
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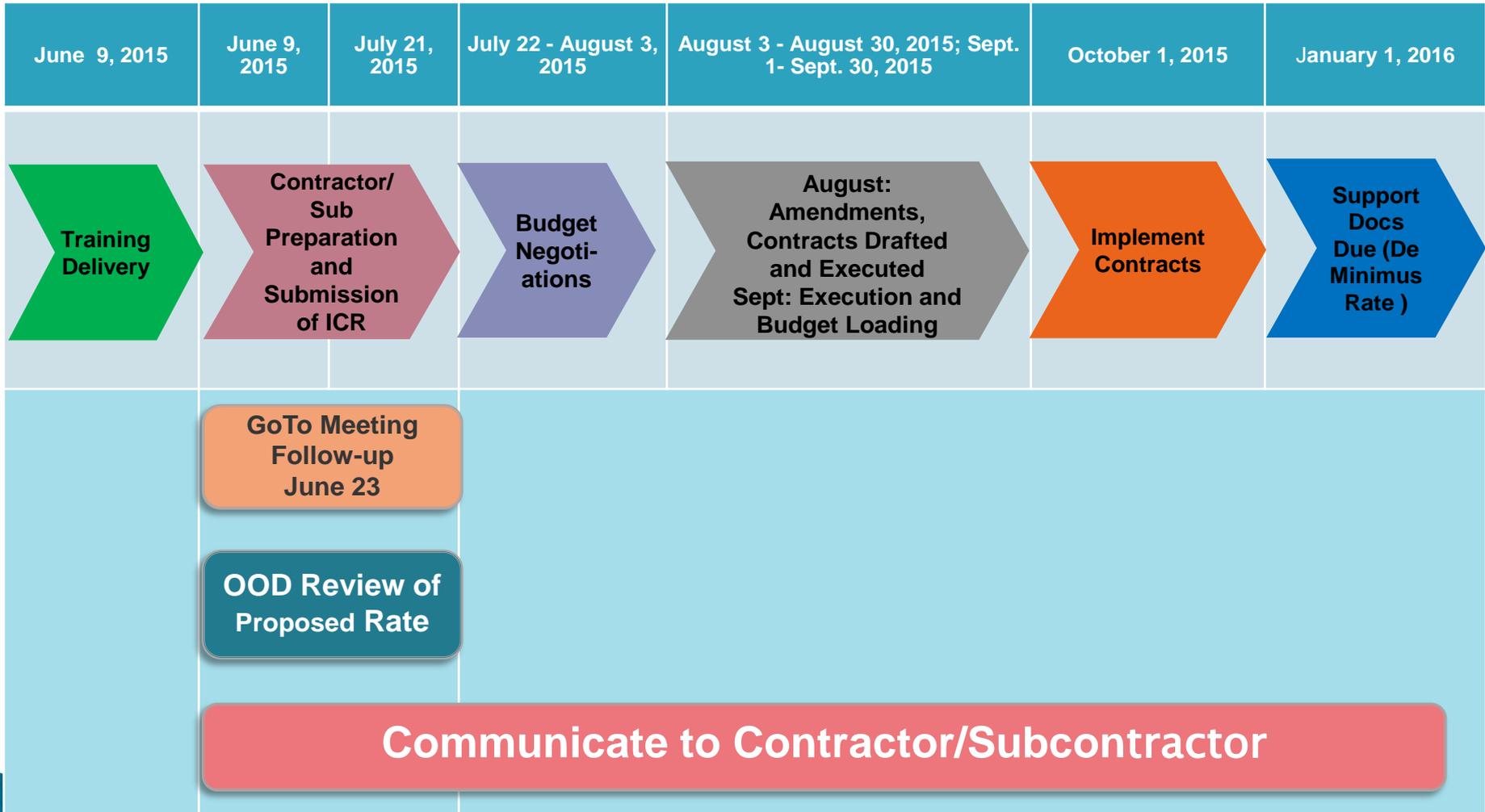
# Omni-Circular Changes and Budget Clarification

- RSA distinguishes direct salaries as those whose job responsibilities include direct contact with individuals with disabilities, i.e. costs are traced to activities versus job title
  - Documentation of specific job responsibilities is required
  - PARs must be maintained and costs billed consistent with time worked on the contract and traceable to performance on the contract
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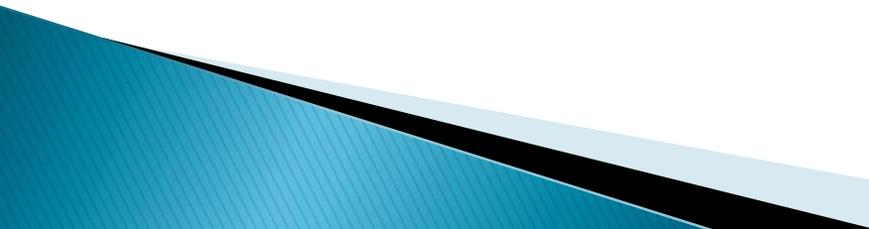
# Questions



# Indirect Cost Rate Timeline



# Omni-Circular Changes and Budget Clarification

- Existing federal indirect cost rates will remain in place until they are due to be re-negotiated
  - Non-federal entities may apply for a one-time extension of rates for a period of up to four (4) years
  - Pass-through entities (OOD) cannot require a proposed contractor or subcontractor, without a negotiated rate, to accept less than the de minimis rate (this applies to non-profits only)
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# Indirect Cost Rates

We will discuss:

- Eligibility to receive indirect cost reimbursement
- Three indirect cost rate options available
- Omni-Circular and EDGAR guidelines for obtaining and calculating indirect cost rates

# Indirect Cost Rates

"Unrestricted vs. Restricted Rates – Unrestricted indirect cost rates are those calculated for use on programs without limitations on indirect costs. Certain [Education Department] grant programs have a statutory requirement prohibiting the use of federal funds to supplant non-federal funds. These programs require the use of a restricted indirect cost rate, computed in accordance with 34 CFR 76.564-76.569."

(Source: U.S. Department of Education Cost Allocation Guide for State and Local Governments, p.9 and p.25)

# Indirect Cost Rates

## Restricted indirect cost rate

- Most indirect cost rates from federal cognizant agencies are unrestricted rates
- If any entity uses an *unrestricted* rate to negotiate a rate with OOD, they will need to make adjustments so that the rate becomes restricted

# EDGAR: Salaries (in general)

Allowability of staffing costs is based on the role the individual fulfills relative to contract duties.

Allowed	Unallowed
<ul style="list-style-type: none"><li>Contract Manager/Program Administrator</li></ul>	<ul style="list-style-type: none"><li>Chief Executive Officer (CEO)</li></ul>
<ul style="list-style-type: none"><li>Project Supervisor</li></ul>	<ul style="list-style-type: none"><li>Deputy CEOs</li></ul>
<ul style="list-style-type: none"><li>Coordinator</li></ul>	<ul style="list-style-type: none"><li>Offices similar to deputies</li></ul>
<ul style="list-style-type: none"><li>Case Load Assistant</li></ul>	<ul style="list-style-type: none"><li>Units supervised directly or indirectly by the CEO and deputies – generally one management level below the executive office</li></ul>
<ul style="list-style-type: none"><li>Support Staff (clerical only)</li></ul>	<ul style="list-style-type: none"><li>Support staff of CEO and deputies</li></ul>

# Indirect Cost Rates

## Eligibility

An entity is eligible for indirect costs if the entity expends **direct costs** on the contract (not including case service expenditures through AWARE)

Example: If an entity is only a pass-through agency and does not incur any direct expenses to the contract, then they are not eligible for indirect cost reimbursement

# Indirect Cost Rates

## OOD Indirect Cost Rate Questionnaire

- If your entity is eligible and chooses to recover indirect costs, contractors and subcontractors will be asked to complete an Indirect Cost Rate Questionnaire
- This questionnaire is due **by July 21, 2015**

# Indirect Cost Rates

## For Eligible Entities

Your entity has three (3) possible options:

- 1) Federal indirect cost rate agreement
- 2) Indirect cost rate (approved by OOD)
- 3) De minimis indirect cost rate of 8% - Only applicable to non-governmental entities

# Indirect Cost Rates

## Option 1

### Federal Indirect Cost Rate Agreement

- If your entity already has an approved indirect cost rate from a federal cognizant agency (or non-federal entity) that you want applied to the OOD contract, please send it and we will review it
  - However, if you have an indirect cost rate but it is not restricted, you must negotiate for one with your cognizant agency
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# Indirect Cost Rates

## Option 1

### Obtaining a Federal Indirect Cost Rate Agreement

- Appendix IV – Indirect (F&A) Cost Identification and Assignment, and Rate Determination for Nonprofit Organizations
- Appendix VII - State/Local Government and Indian Tribe Indirect Cost Proposals

# Indirect Cost Rates

## Option 1

### Federal Indirect Cost Rate Agreement

- If your entity chooses Option 1, OOD requests a copy of the proposed rate sent to the federal cognizant agency along with the submission date
- A federal provisional rate may take up to 60 days to determine and may not be returned prior to **7/21/15**. Upon receipt of a provisional and final rate, please send OOD a copy
- If an approved final rate is less than the provisional rate, a retroactive adjustment will be made to reconcile the amount disbursed on the contract to actual costs

# Indirect Cost Rates

## Option 2

- If OOD is cognizant, entity prepares an indirect cost rate proposal according to the process outlined in EDGAR 34 CFR 76.564 – 76.569 (Subpart F) and submits that proposal to OOD

[Link to EDGAR §76](#)

- OOD reviews the proposal and performs analysis of supporting financial documentation

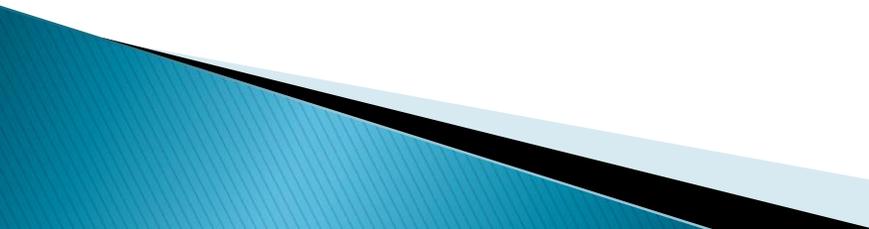
# Indirect Cost Rates

## Option 2

- Accounting (include a chart of accounts) and financial documentation supporting each rate component of the indirect cost rate formula. *Non-profits will be asked to make their most recent financial audit available upon request*
- Documentation must be at a level of detail sufficient to ensure: all components of the indirect cost rate formula met EDGAR requirements; and direct costs were not included as indirect costs

# Indirect Cost Rates

## Option 2

- Certificate of Indirect (F&A) Costs (for non-government entities)
    - Appendix IV – Indirect (F&A) Cost Identification and Assignment, and Rate Determination for Nonprofit Organizations
  - Certificate of Indirect Costs (for government entities)
    - Appendix VII – States and Local Government and Indian Tribe Indirect Cost Proposals
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# Indirect Cost Rates

## Option 3

De minimis rate of 8%

- This option is available to non-government entities only; **this option is not available to State and Local government entities**
- Omni-circular (2 CFR 200.414) provides the option to use a de minimis rate to recover indirect costs
- EDGAR (34 CFR 76.564) limits this de minimis rate to eight percent (8%) of Modified Total Direct Cost (MTDC)

# Indirect Cost Rates

## Option 3

### De minimis rate of 8%

- If the de minimis rate is selected, the entity must maintain financial records to document that actual indirect costs incurred are at least equal to 8% of MTDC
- The 2016 contract will state that entities choosing to invoice for indirect costs using the de minimis rate (8%) must send OOD accounting and financial supporting documentation by January 1, 2016

# Indirect Cost Rates

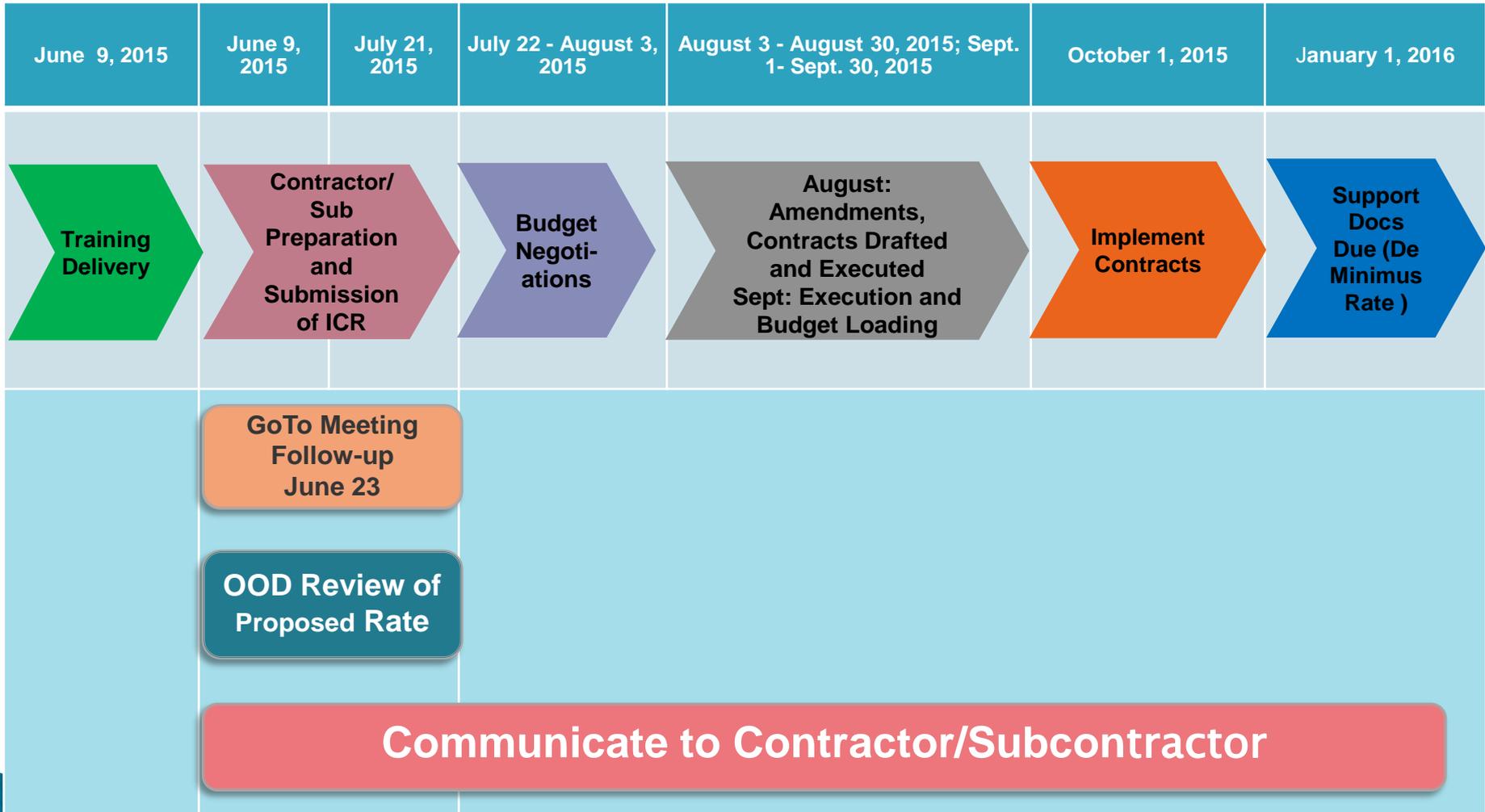
## Option 3

- The indirect cost rate formula should be used.
  - Send OOD accounting and financial documentation supporting each rate component of the indirect cost rate formula
  - Documentation must be at a level of detail sufficient to ensure: all components of the indirect cost rate formula met EDGAR requirements; and direct costs were not included as indirect costs

# Contract Scenarios and Indirect Cost Rate Option Requirements

Scenario	Contractor	Direct Costs	Subcontractor	Direct Costs	Action Required
1	Yes	Yes	No	NA	Contractor completes ICR questionnaire
2	Yes	No	Yes	Yes	Contractor is ineligible for IC. Subcontractor completes ICR questionnaire.
3	Yes	Yes	Yes	Yes	Contractor and subcontractor complete ICR questionnaires
Option	Option 1 - Federally Approved Rate	Option 2 – Requests OOD Rate Approval	Option 3 – De Minimus (8%) Rate Requested	Actions Required	
1	Yes			If an unrestricted rate, must request restricted rate from cognizant agency. If you have/are requesting a restricted rate, submit questionnaire by 7/21/15	
2		Yes		Refer to EDGAR 76.564 to 76.569, submit questionnaire, certificate, and provide supporting documentation by 7/21/15	
3			Yes	Submit questionnaire by 7/21/15, supporting documentation is due by 1/1/16	

# Indirect Cost Rate Timeline



# Questions

