



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D. C. 20503

THE CONTROLLER

September 30, 2014

M-14-17

MEMORANDUM FOR THE HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

FROM:

David Mader  
Controller, OMB

SUBJECT:

Metrics for Uniform Guidance (2 C.F.R. 200)

On December 26, 2013, OMB published final guidance in 2 C.F.R. 200 titled *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* to improve the effectiveness and efficiency of Federal financial assistance. This guidance delivers on President Obama's second term management agenda and his first term directives under Executive Order 13520, February 28, 2011 Presidential Memorandum, and the objectives laid out in OMB Memorandum M-13-17 to better target financial risks and better direct resources to achieve evidence-based outcomes.

Federal agencies are required to issue implementing regulations effective December 2014. In order to assure effective implementation, the Council on Financial Assistance Reform (COFAR) has established metrics to gauge how the guidance addresses its intended enhancements and to measure the performance of the Federal government's work in the management of assistance in the form of Federal financial assistance. This memorandum applies to all CFO Act agencies that manage assistance programs, and sets forth requirements for the initial collection and use of administrative and audit metrics for the Uniform Guidance. By January 2017, OMB with the COFAR will evaluate the initial impact of the guidance based on these metrics and determine what additional steps may be necessary to further deliver administrative efficiency.

**Summary of Required Agency Actions:**

1. By January 15, 2015: All CFO Act agencies must report required baseline data for administrative metrics to OMB. OMB will provide a framework for metric collection via MAX. The Federal Audit Clearinghouse will provide baseline data for the audit metrics.
2. By January 15th (or following business day) of each subsequent year: Federal agencies and Federal Audit Clearinghouse must provide implementation metrics to OMB where required by this memo, which will be evaluated by the OMB and the COFAR.

3. By January 15, 2017, OMB and the COFAR will evaluate the utility of these metrics for evaluation of the guidance and as sentinels to identify issues with the guidance and opportunities to enhance effective implementation. As part of this evaluation, the COFAR will consider whether it is appropriate to set goals or target outcomes for these metrics.

### **Background:**

The mandate for Federal grants management reform was established by Executive Order 13520 in November 2009 and a Presidential Memorandum in February 2011<sup>1</sup>. These directives instructed OMB to review government-wide policies governing grants to reduce administrative burden associated with management and oversight and focus our resources to better target risks of waste, fraud and abuse.

The COFAR, established October 2011, is an interagency group of Executive Branch officials for the coordination of Federal financial assistance. The Council, working with OMB, developed the Uniform Guidance over a two-year period, which included consideration of two rounds of extensive public comment. Final guidance was issued on December 26, 2013 and will be implemented by agency regulations to be effective December 26, 2014. Major elements of the reform include:

1. Integrating and streamlining eight overlapping OMB circulars into one set of guidance in Title 2 of the CFR;
2. Providing a set of uniform definitions for federal assistance;
3. Requiring pre-award consideration of merit and risk;
4. Strengthening internal controls while providing administrative flexibility;
5. Provisions for exceptions to support new innovative programs that improve cost-effectiveness while achieving outcomes;
6. Streamlining and clarifying guidance on sub-recipient monitoring;
7. Providing consistency on negotiated indirect cost rates by creating a minimum rate for recipients and requiring agency-head approval for deviations from negotiated rates;
8. Simplifying reporting requirements for time and effort while strengthening the requirement for effective internal controls;
9. Targeting audit resources based on risk by raising the single audit threshold from \$500K to \$750K and focusing audits on material weaknesses; and
10. Strengthening audit follow-up by requiring greater accountability and monitoring results more closely.

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<sup>1</sup> See Executive Order 13520 of November 20, 2009 “*Reducing Improper Payments*” available at <http://www.gpo.gov/fdsys/pkg/FR-2009-11-25/pdf/E9-28493.pdf>; see also *Presidential Memorandum of February 28, 2011* “Administrative Flexibility, Lower Costs, and Better Results for State, Local, and Tribal Governments” available at <http://www.whitehouse.gov/the-press-office/2011/02/28/presidential-memorandum-administrative-flexibility>

In order to gauge success of guidance and identify opportunities to enhance its goals, OMB and the COFAR developed the metrics below. For all of these metrics, the baseline information will be taken from the last year prior to the new guidance taking effect.

In the first year, the COFAR anticipates that there will be some additional administrative burden resulting from the transition to the new guidance, which will decrease once the new policies are fully implemented. In order to minimize this burden, OMB intentionally developed metrics that may be predominantly measured based on information we already collect. This information is already available through the Office of Information and Regulatory Affairs (OIRA) and the Federal Audit Clearinghouse (FAC). For other information, OMB will work to collect it from the most centrally held place possible, and will work to develop a simplified collection through OMB MAX. Information to be collected from non-Federal stakeholders will be entirely optional. At this initial stage, metric collection is only to inform the COFAR about the current impact of implementation. Once the COFAR has reviewed the metrics for the first year, it will consider whether it is appropriate to establish goals or target outcomes for any given metric.

#### **Administrative Metrics:**

- 1) Inventory of OMB-approved Information Collections for Grants and Cooperative Agreements;
- 2) Number of OMB-approved Exceptions Focused on Program Performance Over Compliance;
- 3) Number of Fixed Amount Awards Issued;
- 4) Number/Impact of Agency Exceptions to the Provision of Federally Negotiated Rates; and
- 5) Number of Indirect Cost Rate Extensions Approved by Cognizant Agencies.

**Frequency:** Annual

**Baseline:** Guidance under previous circulars

**Data elements and sources of data:** HHS-led data standards repository, OMB records of exceptions, Federal agency records of fixed-amount awards collected via MAX, and indirect cost rate negotiation agencies.

**Burden of obtaining data:** Moderate – this will require some data to be collected from Federal agencies.

#### **Single Audit Metrics:**

- 1) Number of Modified Opinions for Higher Risk Major Programs;
- 2) Number of Audit Findings of Material Weaknesses in Internal Controls for Higher Risk Major Programs;
- 3) Number of Repeat Findings for Higher Risk Major Programs (Starting FY 2015);
- 4) Number of Major Programs selected for audit; and
- 5) Number of Audit Objectives in the Compliance Supplement<sup>2</sup>.

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<sup>2</sup> This will be complemented by qualitative feedback from auditors on the extent to which the entire scope of work has been decreased.

**Frequency:** Annual

**Baseline:** Audit Metrics FY 2014

**Data elements and sources of data:** FAC data, Single Audit reports, and the Compliance Supplement.

**Burden of obtaining data:** Low to moderate as data routinely collected in the regular FAC or Compliance Supplement processes.

**Overall Impact on Burden and Waste, Fraud, and Abuse:**

- 1) Policy change that most reduced administrative burden, and dollar value of impact.
- 2) Policy change that most increased administrative burden, and dollar value of impact.
- 3) Policy change that most reduced risk of waste, fraud, and abuse, and dollar value of impact.
- 4) Policy change that most increased risk of waste, fraud, and abuse, and dollar value of impact.
- 5) Stakeholder satisfaction with the opportunity to engage with the COFAR or Federal agencies during the policy development process.
- 6) Stakeholder perception of whether the policy outcome appears responsive to (if not 100% aligned with) their input.
- 7) Opportunities for greater stakeholder engagement.

**Frequency:** Annual

**Baseline:** Guidance under previous circulars

**Data elements and sources of data:** Key stakeholder groups that voluntarily submit aggregated information on behalf of their constituencies.

**Burden of obtaining data:** Low to moderate as data collected voluntarily.

**Next Steps from Data Collection: Data Analysis, Recommendations & Future Policies**

Based on the evaluation of these metrics after the implementation of the uniform guidance, OMB and the COFAR will work with Federal agencies to gauge the success of the guidance and the performance of the Federal government's work in the management of Federal financial assistance. If you have any questions regarding this memorandum, please contact Victoria Collin ([vcollin@omb.eop.gov](mailto:vcollin@omb.eop.gov)) (202-395-7791) or Gilbert Tran ([htran@omb.eop.gov](mailto:htran@omb.eop.gov)) (202-395-3052).