

RECENT CHANGES TO FEDERAL AWARDS GUIDANCE

In April 2024, The Office of Management and Budget (OMB) released new changes to the Uniform Guidance (UG) for federal grants and agreements. These changes represent good news for nonprofits who receive federal awards!

The changes will be incorporated into the Code of Federal Regulations (CFR) and are effective no later than October 1, 2024. Click [here](#) for a link to the (official) printed version.

Below is a summary of the most important changes under the new guidance.

Single audit threshold increasing from \$750K to \$1M

- A non-federal entity that meets or exceeds the threshold in spending federal funds during its fiscal year is required to have a single audit; this threshold has been increased.
- As a reminder, a single audit is a compliance audit and includes both a financial statement audit report as well as a report of the entity's internal controls.

De minimis rate increasing from 10% to 15%

- When a federal award allows for indirect costs, a nonprofit can negotiate for an approved indirect cost rate or use the de minimis rate.
- Nonprofits that do not have an existing negotiated indirect cost rate agreement (NICRA) with a federal agency may elect to adopt the de minimis rate.

Modified Total Direct Costs (MTDC) definition changing

- When using the de minimis rate, grantees must first calculate their MTDC.
- Under the old definition, MTDC excluded spending with any subrecipient (e.g. sub award) in excess of \$25K over the life of an award.
- The new definition increases the subrecipient threshold to \$50K.

Improvements to Notice of Funding Opportunity (NOFO) announcements

- A NOFO represents the formal announcement that a federal awarding agency uses to describe its project, eligibility criteria, and how to apply.
- Under the new guidance, NOFO announcements must be more transparent and written in plain language.
- For example, a NOFO must include an Executive summary that summarizes the goals and objectives of the program, the target audience, and eligible recipients.

Increased Advocacy Efforts

- In the past, federal agencies as well as pass-through entities have interpreted the guidance in different ways.
- The changes provide awardees the opportunity to notify OMB of any disputes with regard to acceptance of a federally negotiated indirect cost rate.

Federal agencies may elect to apply the final guidance to federal awards issued prior to October 1, 2024, but they are not required to do so. For agencies applying the guidance prior to October 1, 2024, the effective date of the final guidance must be no earlier than June 21, 2024.