

State of Colorado



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Dear Budget Officer, Controller, and Grant Program Staff;

This letter is to provide direction on the treatment of American Recovery and Reinvestment Act (ARRA) funds that are available for oversight cost recovery under memo M-09-18 issued by the President's Office of Management and Budget dated May 11, 2009. The Division of Cost Allocation (DCA) in the Federal Department of Health and Human Services issued a set of Frequently Asked Questions (FAQ) dated July 2, 2009, that explains the implementation of OMB's M-09-18.

BACKGROUND:

The memo and FAQ provide for recovery of oversight costs in the amount of 0.5% of each ARRA dollar received by a state. The limit applies in aggregate for the state – not to individual programs or grants; therefore some programs may be charged more or less than the 0.5%. Oversight costs are related to reporting and auditing activity intended to detect and prevent fraud, waste, and abuse. The state has prepared a Supplemental Statewide Cost Allocation Plan (SWCAP) as required by the DCA FAQ and has submitted it for review and approval by DCA. When that plan is approved the allocated costs will be communicated to state agencies for inclusion in agency Supplemental Indirect Cost Rate Plans (ICRP) or Public Assistance Cost Allocation Plans (PACAP), which also must be approved by DCA and must be limited solely to oversight costs (not general administrative costs). After the Supplemental ICRP or PACAP approval, state agencies will recover the costs only from their ARRA grants. OMB and DCA have made it clear that the ARRA oversight costs may not be charged to federal grants other than ARRA grants. In addition, the ARRA oversight costs may not be included in the normal SWCAP, and therefore, the state must forego recovery of the oversight costs unless it uses the Supplemental SWCAP process. Therefore, it is in the best interest of the state to participate in the 0.5% ARRA oversight recovery process.

Under OSPB policy, implementing the Supplemental SWCAP requires central service agencies' budgets to be refinanced to reflect increased federal funding and reduced General, Cash, or Reappropriated funding. This refinancing will occur based on the estimated oversight costs included in the Supplemental SWCAP.

continued

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After both approvals are received from DCA, there are three conditions that could prevent the state from recovering the oversight costs if the approved rate cannot be applied:

- To a grant that is fully expended,
- To a grant that prohibits overhead costs of any type, or
- If the grant has an administrative limit that would be exceeded by charging the approved oversight Supplemental ICRP rate.

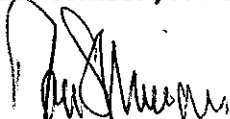
Inability to recover the oversight costs due to one or more of the above conditions could leave a central service agency without funding after its budget has been refinanced. These instances may require General Fund to make up the difference; therefore it is critical that these conditions be kept to a minimum.

DIRECTIVES:

In order to plan for and avoid the problems cited above, the Governor hereby directs agencies upon receipt of this letter to adjust federal spending to ensure that 0.5% of each ARRA dollar received (since ARRA inception) will be available to fund the allocated oversight cost of central service agencies. The Supplemental SWCAP was prepared based on the best information available at the time and on the assumption that the prime recipient (that is, the first agency to receive and record the grant) would be responsible for recovering the 0.5% oversight costs except for Higher Education where the distribution of the State Fiscal Stabilization Fund (SFSF) was already identified in the Long Bill. Therefore prime recipients, and Higher Education Institutions receiving SFSF monies, should ensure the 0.5% is available to fund the state's oversight costs.

In order to properly plan the refinancing of central service agencies' budgets the Office of State Planning and Budgeting needs to know the extent to which ARRA grants will not support oversight cost recovery. Each agency must prepare a schedule of its ARRA grants showing CFDA number (if available), program name, award amount, percent expended, prohibitions against administrative costs of any type, and dollar or percentage limits on administrative costs. This schedule must be provided to the Office of the State Controller by September 4, 2009. Please address the submission to Bhavna Punatar at: bhavna.punatar@state.co.us (phone 303-866-4344). An Excel spreadsheet template is attached for you to provide this information.

Please contact your OSPB analyst if you have questions regarding this requirement.



Don Eniman, Chief Operating Officer



Todd Saliman, Director of OSPB



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