United States Department of Agriculture

Food and Nutrition Service

3101 Park Center Drive
Alexandria, VA
22302-1500

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SUBJECT: Office of Management and Budget Super-Circular - 2 CFR Part 200

TO: Regional Directors
Special Nutrition Programs
All Regions

State Directors
Child Nutrition Programs
All States

The Office of Management and Budget (OMB) published the Super-Circular at 78 FR 78590 on December 26, 2013 for USDA and other Federal grant-making agencies. Section 200.10(a) requires Federal agencies to implement the policies and procedures set out in the Super-Circular by promulgating regulations effective December 26, 2014. USDA published such regulations at 2 CFR Parts 400, 415, 416, *et al.* (79 FR 75981, December 19, 2014). They will replace existing rules at 7 CFR Parts 3015, 3016, and 3019, 3052, and cost principles addressed in 2 Parts 220 (A-21), 225 (A-87), and 230 (A-122).

OMB intends that the new rules be applied prospectively rather than retro-actively. Therefore, the new rules apply to new Federal awards made on or after December 26, 2014. OMB also published a set of Frequently Asked Questions (FAQ) on the Super-Circular on August 29, 2014. Below are some specifics regarding the Super-Circular's effective date for Programs administered by the Food and Nutrition Service (FNS).

Formula and Entitlement Programs

While entitlement Programs such as the National School Lunch Program and the Child and Adult Care Food Program operate continuously, funds are appropriated and grants awarded for them on an annual basis. Accordingly, the period of performance for these grants coincides with the Federal fiscal year. Fiscal year 2015 awards took effect October 1, 2014, while the old rules were still in effect; therefore, those rules will continue to apply until the close of business on September 30, 2015. The quarterly allotments issued to State agencies under FNS programs are not "funding increments" within the meaning of OMB's FAQ because they do not, in and of themselves, provide FNS with opportunities to change award terms and conditions.

Discretionary Programs
New discretionary project grants may be awarded and existing ones amended at any point in a fiscal year. The award of a new grant after December 26, 2014 will trigger the Super-Circular's applicability. A funding increment accompanied by a grant amendment that materially changes a grant's terms and conditions will also instigate the use of the new rules, since such an amendment would be nearly equivalent to a new grant.

Audit Requirements
Subpart F (Audit Requirements) of the Super-Circular is the one exception to this implementation schedule. According to subsection 200.110(b), Subpart F "will apply to audits of fiscal years beginning on or after December 26, 2014." Most can be expected to cover either calendar year 2015 or auditee fiscal year beginning July 1, 2015. Audits of earlier fiscal years will continue to be made under 7 CFR Part 3052 (USDA's codification of OMB Circular A-133), *Audits of States, Local Governments and Non-Profit Organizations*). Therefore, you should expect the first audits under Subpart F to be made in 2016. The delayed implementation of Subpart F will avoid requiring auditors to begin audits of fiscal years starting in 2014 under this part, then switch rules and complete the audits under the Super-Circular.

Incremental Funding
Item 110-7 of the OMB FAQ (Effective Dates and Incremental Funding) states that "[t]he new rules apply as of the Federal award date (see 200.39) to new awards and, for agencies that consider incremental funding actions on previously made awards to be opportunities to change award terms and conditions, the first funding increment issued on or after December 26, 2014." We have not yet resolved questions on what this means or how it might affect FNS Programs. We will provide further guidance on this issue at a later date.

The set of Frequently Asked Questions on the Super-Circular is available at the following link: https://cfo.gov/wp-content/uploads/2014/08/2014-08-29-Frequently-Asked-Questions.pdf.

FNS Regional offices should share this information with the appropriate State agency personnel. State agencies should direct any questions to their respective FNS Regional offices.

Original Signed

Sarah E. Smith Holmes
Director
Program Monitoring and Operational Support Division
Child Nutrition Programs