



The New Uniform Grant Guidance: Executive Level Overview

What You Need to Know

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AGH

Administration

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Our Speaker

Shelly L. Hammond, CPA, CGFM



- Leads AGH's public sector practice
- 20 years' experience, specializing in providing auditing and consulting services to a variety of governmental and nonprofit entities
- Member of the:
 - American Institute of Certified Public Accountants
 - Kansas Society of Certified Public Accountants
 - Government Finance Officers Association
- Serves on the GFOA Certificate of Achievement Review Committee
- Member of the national Executive Committee of the Government Audit Quality Center

Polling Question

Learning Objectives

- Identify key dates / timing of implementation.
- Learn the major changes impacting grants administration and allowable costs.
- Determine how your audit could be affected.
- Outline how your organization can prepare over the next six months.



*Uniform Guidance on Administrative
Requirements, Cost Principles, and Audit
Requirements*

*(Uniform Grant Guidance)
(Supercircular)*

Uniform Grant Guidance

- Final guidance issued in the Federal Register on December 26, 2013
- Can be found at:
 - 2 CFR Part 200
 - COFAR website at cofar@omb.eop.gov
 - COFAR = Council on Financial Assistance and Reform
 - Website above also has FAQs, videos, crosswalk guidance, etc.

Uniform Grant Guidance

Goals:

- Reduce administrative burden
- Strengthen oversight
- Targeting audit requirements on waste, fraud and abuse

Key Dates / Implementation

Effective date for agencies:

- Applies to federal agencies immediately
- Federal agencies have 6 months to submit implementing regulations to the OMB.
- Non-federal entities required to follow once implementing regulations are in effect, which will be no later than December 26, 2014.

Key Dates / Implementation

Effective date for agencies:

- Administrative requirements and cost principles apply to new awards AND to additional funding (funding increments) to existing awards after December 26, 2014
- Existing awards will continue to be governed by terms and conditions of the Federal Award, except for audit requirements

Key Dates / Implementation

Effective Date for Audits:

- For audits of fiscal years beginning after December 26, 2014 (i.e., for entities with years ending December 31, 2015)



General Provisions

2 CFR Part 200

Subpart A – Acronyms & Definitions

Subpart B – General Provisions

Subpart C – Pre-Federal Award Requirements

Subpart D – Post-Federal Award Requirements

Subpart E – Cost Principles

Subpart F – Audit Requirements

Appendices

New Disclosures

200.112 & 200.113, Conflict of Interest and Mandatory Disclosures

- Two new requirements
- Non-federal entities must:
 - Disclose in writing any potential conflict of interest to the Federal awarding agency (or pass-through entity) in accordance with the applicable Federal awarding agency policy
 - Disclose all violations of Federal criminal law involving fraud, bribery, or gratuity violations potentially affecting the Federal award



Administrative Requirements

2 CFR Part 200

Subpart A – Acronyms & Definitions

Subpart B – General Provisions

Subpart C – Pre-Federal Award Requirements

Subpart D – Post-Federal Award Requirements

Subpart E – Cost Principles

Subpart F – Audit Requirements

Appendices

Prior Guidance

A-102: State and local governments

A-110: Higher education, hospitals and other nonprofit organizations

Part D Changes

200.303 Internal Controls

- Requires non-federal entities to establish and maintain effective internal controls
- Evaluate and monitor compliance
- Take prompt action on audit findings
- Safeguard protected personally identifiable information (PII defined in 200.82)

Part D, Continued

200.305, Payments

- Payments to states governed by Treasury-State CMIA agreements (31 CFR 205).
- Largely replicated guidance in OMB A-110 (NFP, IHE)
- Non-federal entities previously under A-102 (state & local gov'ts) now have the flexibility to pay interest earned on Federal funds annually to the Dept of HHS, rather than “promptly” to each Federal awarding agency.
- Interest up to \$500/year may be retained for administrative purposes.

Part D, Continued

200.310-316, Property Standards

- Coverage derived largely from A-110 (NFP, IHE).
- No change in threshold of \$5,000.
- Exception in 200.313, Equipment
 - States must follow state laws / procedures (not changed).
 - Other non-federal entities must follow the requirements specified.

Part D, Continued

200.314, Supplies

- Includes all tangible personal property that falls below the threshold for equipment (\$5,000). This includes computing devices which fall below this threshold.

Part D, Continued

200.317-326, Procurement standards

- Guidance generally from A-102 (gov'ts), with modifications
- States continue to use own policies / procedures.
- All other non-federal entities must use their own documented procurement procedures, provided that they conform to applicable Federal, State and local laws, and the standards in this section.

Part D, Continued

200.317-326, Procurement standards

- Non-federal entities must maintain written standards of conduct covering conflicts of interest and governing the performance of its employees engaged in the selection of awards and administration of contracts.
- Prohibition on the use of statutorily or administratively imposed state or local geographical preferences in the evaluations of bids or proposals, except where the Federal statute mandates / encourages it.

Part D, Continued

Procurement methods:

- Non-federal entity must use one of 5 methods:
 - Micro-purchases (<\$3,000 or <\$2,000 if subject to Davis Bacon)
 - Small purchase procedures (those less than Simplified Acquisition Threshold, currently \$150,000)
 - Sealed bids
 - Competitive proposals
 - Noncompetitive proposals

Polling Question

Part D, Continued

200.330, Subrecipient monitoring

- Explains the roles of ***subrecipients*** vs. ***contractors*** so that non-federal entities can determine the relationship and applicable requirements
 - *Subawards* are provided to subrecipients for the purpose of carrying out a portion of a Federal award.
 - *Contracts* are entered into for the purpose of obtaining goods and services for the non-federal entity's own use.

Part D, Continued

200.331, Subrecipient monitoring and oversight requirements for pass-through entities

- The pass-through entity must:
 - Put specific info in the subaward, including:
 - CFDA number and name
 - Federal award identification number (FAIN)
 - Name of federal awarding agency, name of pass-through
 - Subrecipient name and DUNS number
 - Subaward period of performance (dates)
 - Amount of federal awards obligated by this action
 - Indirect cost rate to be used

Part D, Continued

200.331, the pass-through entity must:

- Do a ***risk assessment*** to determine appropriate subrecipient monitoring. Factors may include:
 - Risk of noncompliance
 - Subrecipient's prior experience with the award
 - Results of previous audits or federal monitoring
 - Whether the sub has new personnel or systems
- Verify subrecipients have audits as needed – this is not the only thing included in “monitoring”!
- Consider actions to address subrecipient noncompliance.

Part D, Continued

200.331, the pass-through entity must:

- Follow-up to ensure subrecipient takes appropriate action on all deficiencies pertaining to the subaward identified through audits, on-site review or other means.
- Issue a management decision for audit findings pertaining to subawards made by the pass-through entity.

How to Prepare

- Evaluate whether there are written policies / procedures in place regarding internal controls.
- Evaluate written procurement policies for compliance, and update where necessary (including those for procurement cards).
- Ensure the organization has a conflict of interest policy.
- If providing funding to subrecipients, evaluate monitoring and communication policies with subrecipients.
- Ensure accounting, purchasing, and grant program personnel are provided adequate training and resources regarding administrative requirements.



Cost Principles

2 CFR Part 200

Subpart A – Acronyms & Definitions

Subpart B – General Provisions

Subpart C – Pre-Federal Award Requirements

Subpart D – Post-Federal Award Requirements

Subpart E – Cost Principles

Subpart F – Audit Requirements

**Appendices III-VIII: Cost Principles, Reforms to
Cost Principles (Circulars A-21, A-87, A-122)**

Prior Guidance

- A-87 – State and Local Governments
- A-122 – Nonprofits
- A-21 – Higher Education

Note: HHS guidance for Hospitals from 45 CFR Part 74 was NOT incorporated into the new guidance. The OMB is conducting further review of the cost principles for hospitals, and will make a future determination about the extent to which they should be added to this guidance.

Significant Changes in Cost Principles

- Indirect cost rates
- Compensation – personal services (time & effort reporting)
- Family-friendly policies

Indirect Costs

- Section 200.414
- Federal acceptance of approved IDC rates
- New de minimis rate
- One-time extension of up to 4 years

Indirect Costs: Approved rates

Federal awarding agencies must accept approved negotiated indirect cost rates under 200.414(c)(1) unless a different rate is required by Federal statute or regulation, or when approved by a Federal agency head or delegate based on documented justification as described in paragraph (c)(3).

Indirect Costs: De Minimis Rate

A 10% de minimis IDC rate is now available. Any non-Federal entity that has never received a negotiated indirect cost rate, except for those non-Federal entities described in Appx. VII, may elect to charge a rate of 10% of modified total direct costs, which may be used indefinitely.

- Must be used on all federal awards until the entity negotiates an approved rate with its cognizant agency

Indirect Costs: Extensions

May apply for a one-time extension of current indirect cost rate of up to 4 years without further negotiation, subject to approval of the negotiating Federal agency.

- If approved, the entity is “locked in” to that rate until the extension period ends – no renegotiations.

Required Certifications

- 200.415
- Signed by an official who can legally bind the organization
 - Annual or other financial reports
 - Reimbursement requests
 - *“ By signing this report, I certify....complete, and accurate, and the expenditures...are for the purposes....of the Federal award, etc.”*
- Penalties under the False Claims Act

Selected Items of Cost

- 200.430 Compensation – Personal Services
 - Strengthened focus on internal controls, which allows for flexibility in how non-federal entities meet the standards
 - Purpose was to reduce administrative burden of documenting time and effort
 - Federal agencies may approve methods for blended funds.

Compensation: Documentation

- Guidance no longer includes specific details on what internal controls should be.
 - For example, not required to use personal activity reports
- Entities have the ability to implement internal control systems and business processes that best fit their needs.
- “Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed.”

Selected Items of Cost

- 200.431 Compensation – Fringe Benefits
 - Leave
 - Retirement costs
 - Post-retirement costs
 - Family-friendly leave (new)

Selected Items of Cost

- 200.437 Employee Health & Welfare costs
 - Costs incurred in accordance with the non-Federal entity's documented policies for the improvement of working conditions, employer-employee relations, employee health, and employee performance are allowable.

Selected Items of Cost

- 200.438 Entertainment Costs
 - Unallowable unless:
 - Costs have a programmatic purpose and are authorized in the approved budget for the federal award, OR
 - Costs have prior written approval from the federal awarding agency

Selected Items of Cost

- 200.474 Travel Costs
 - Provides that temporary dependent care costs that result directly from travel to conferences and meet specified standards, are allowable
 - Another example of “family-friendly” policies

How to Prepare

- If your organization has an indirect cost rate already, consider whether the extension would be beneficial.
- If your organization does not have an indirect cost rate, consider whether the de minimis option could apply.
- For time and effort reporting, evaluate internal control procedures to ensure ongoing compliance under the new rules.
- Ensure accounting and grant program personnel are provided adequate training and resources regarding allowable costs.

Polling Question



Audit Requirements

2 CFR Part 200

Subpart A – Acronyms & Definitions

Subpart B – General Provisions

Subpart C – Pre-Federal Award Requirements

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Subpart E – Cost Principles

Subpart F – Audit Requirements

Appendices

Prior Guidance

- OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*

Goals

- To strengthen oversight and focus audits where there is greatest risk of waste, fraud and abuse
- To improve transparency – makes single audit reports available to the public online
- Encourage Federal agencies to take a more cooperative approach to audit resolution in order to more conclusively resolve underlying weaknesses in internal controls

A-133 Audit Threshold

- Raised to \$750,000 of expenditures
- Still provides coverage for 99% of all entities
- Relieves burden on approximately 5,000 entities, who will no longer have audits

Major Program Determination

- 200.518: Similar 4-step process to what previously existed, but some of the specific thresholds or risk criteria have changed
 - Could result in different programs being selected for audit than in the past; there is some potential for fewer programs to be selected for testing

Audit Findings (200.516)

- Increases threshold for reporting known and likely questioned costs from \$10,000 to \$25,000
- Identified by CFDA number & title, applicable award number and year, name of Federal agency and pass-through entity
- Identification of whether it is a repeat finding, and if so, the prior year finding #
- Finding # must be in same format as required by FAC (2013-XXX)

Audit Findings

- Criteria, condition, cause, effect (no change)
- Questioned costs – *And how they were computed*
- *Perspective – Information for judging the prevalence and consequences of the findings*
 - *Ex: Isolated instance or systemic problem; where appropriate, relate to the universe and number of items examined & be quantified in terms of dollar value; auditors to report whether the sampling was a statistically valid sample*
- Recommendations (no change)
- Views of responsible officials (no change)

Corrective Action Plans

- Affirms that this is an auditee responsibility
- Now requires that it be prepared in a document separate from the auditor's findings

Single Audit Report Submission

- SEFA must include the total amount provided to subrecipients from each Federal program (previously could be in Notes, and “only to the extent practical” (this is a change).
- Reporting package and data collection form submitted on Federal Audit Clearinghouse (FAC) website.
- FAC filings now require “unlocked” text-based PDF (effective with FY 2014 filings).
 - Reporting package should not include “personally identifiable information” (defined in 200.82).
- FAC will make reports available on their website (this is new) – exception for Indian Tribes.

Federal Audit Clearinghouse

- All federal agencies and pass-through entities obtain copies of reporting packages by accessing FAC site.
- Subrecipient is no longer required to submit to pass-through entities (new).
- Pass-through entity no longer required to retain copy of subrecipient report, as available on FAC site (new).

How to Prepare

- Ensure that subrecipient information is available for reporting on the SEFA.
- Consider having discussions with your auditor about the impact on the 2015 year-end audit.

Polling Question

Are You Ready?

With less than six months remaining prior to the implementation date...

is your organization ready?

Questions?

Thank you!

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Future AGH New Grant Guidance webinars: <http://ow.ly/ymr6X>

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