



# Uniform Grant Guidance: Effective and Efficient Implementation

Slides gathered from information obtained  
at AICPA non-profit conference in 2015

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# Key Effective Dates

## Federal Agencies

- Must implement policies and procedures by promulgating regulations
- Effective December 26, 2014

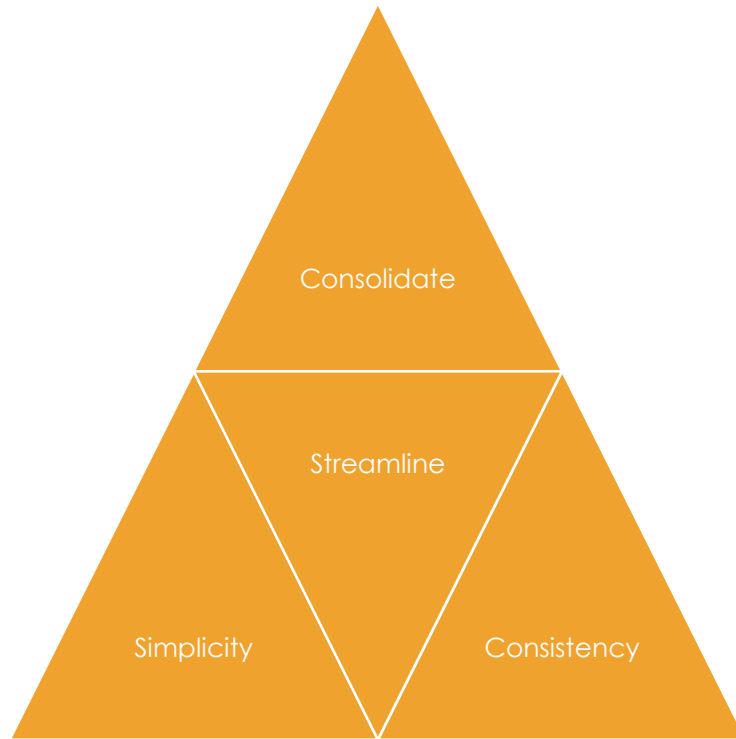
## Non-Federal Agencies

- Will need to implement the new Administrative Requirements and Cost Principles
- All NEW Federal awards and ADDITIONAL funding to existing awards made after December 26, 2014

## Audit Requirements

- Effective for fiscal years beginning on or after December 26, 2014
- 12/31/15, 6/30/16

# OMB Grant Reform - Intent



# OMB Grant Reform - Changes



## HELLO

- Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards
- UARCPARFA
- Super Circular
- Omni Circular
- Uniform Grant Guidance (OMB Preference)



## GOODBYE

- Administrative requirements:
- A-102 State & Local Government
- A-110 College, Universities and Not-for-profits
- A-89 Catalog of Federal Domestic Assistance
- Cost Circulars:
- A-21 Colleges & Universities
- A-87 State and Local Government
- A-122 Not-for-profits
- **A-133**

# 14 Now becomes 12

- Davis Bacon
- Real Property
  
- Have been removed from the matrix and will be included in individual programs, if applicable, as Special Tests

# Subpart B – General Provisions

# Should vs. Must

- Should
  - Recommended practices or good ideas to emulate
  - Not absolute requirements
- Must
  - Required

SHOULD VS. MUST

# Clients – Conflict of Interest

- **Must** establish a conflict of interest policy for Federal awards
- **Must** disclose in writing any potential conflict of interest to the Federal awarding agency or pass-through entity



# Mandatory Disclosures

- An entity **must** disclose in writing in a timely manner to a federal agency or pass-through:
  - All violations of federal criminal law involving fraud, bribery or gratuity violations potentially affecting the Federal award
- What constitutes in writing?
- What is a timely manner?
- What if the organization doesn't have a gratuity policy?
- No mention of materiality

# Subpart D – Post-Federal Award Requirements

# Performance Measurement

- More robust guidance to Federal agencies to measure performance that will help to improve program outcomes, share lessons learned and spread adoption of best practices
- Federal awarding agencies **Must** require recipients to use OMB approved standard government-wide information collections to provide financial and performance information
- Recipients **Must** be required to relate financial data to performance accomplishments and **Must** also provide cost information to demonstrate cost effective practices

# Performance Measurement

- For the research community:
  - Where there is a standard OMB approved information collection for performance (i.e. the Research Performance Progress Report) that does not relate financial information to performance data, no requirement as listed on previous slide
- Federal awarding agencies are required to provide recipients with clear performance goals, indicators and milestones



## Internal Controls

The Entity **MUST** establish and maintain effective internal control over Federal awards

The internal controls **SHOULD** be in compliance with guidance in:

“Standards for Internal Control in the Federal Government”

“Internal Control Integrated Framework” issued by the Committee of Sponsoring Organizations of the Treadway Commission - COSO

# Internal Controls

- Part 6 in 2015 OMB Compliance Supplement
  - Not likely to be updated
  - May be removed
  - Look to COSO or Green Book
  - Working group to make updates (federal agencies, auditees and auditors)
  - Most likely not until 2016

# Procurement

## (Now five procurement methods)

- Micro-purchases
  - Acquisition of supplies or services value not to exceed \$3,000
  - Awarded without soliciting competitive quotations if price is considered reasonable
- Small purchase
  - Subject to simplified acquisition threshold (\$150,000)
  - Price or rate quotations must be obtained from an adequate number of qualified sources
    - Adequate number not defined

# Procurement

## (Now five procurement methods – cont)

- Procurement by sealed bids
  - Publicly solicited
  - Fixed price contract awarded to lowest bidder
  - Preferred for procuring construction



# Procurement

## (Now five procurement methods – cont)

- Competitive proposals
  - Must follow these requirements:
    - RFP must be publicized
    - Proposals solicited from adequate number of qualified sources
    - Organization must have written method for conducting evaluation of proposals received
    - Contract awarded to the firm with proposal most advantageous to the program – price and other factors considered

**DOESN'T NEED TO BE THE LOWEST PRICE**

# Procurement

## (Now five procurement methods – cont)

- Noncompetitive proposals
  - ONLY appropriate when:
    - Goods or services only available from a single source
    - There is public emergency
    - After soliciting number of sources competition is deemed inadequate
    - NEW: Awarding agency expressly authorized noncompetitive proposals in response to written request from organization
      - Just naming a vendor in a grant or budget is **not** enough

# Procurement

- Effective Dates and Grace Period for Procurement
  - For compliance with the new procurement standards only, the federal government is providing a grace period of one full fiscal year after the effective date of the Uniform Guidance

# Subrecipient Monitoring

## Subrecipient Relationship

- An assistance relationship
- Determines eligibility
- Performance measured against federal program objectives
- Responsible for programmatic decision making
- Adheres to applicable federal program requirements
- Uses federal funds to carry out a program for a public purpose specified in statute, as opposed to providing goods or services for the benefit of the pass-through entities

## Contractor (Vendor) Relationship

- A procurement relationship
- Provides goods and services within normal business operations
- Provides similar goods and services to many purchasers
- Normally operates in a competitive environment
- Provides goods or services that are ancillary to the federal program
- Not subject to compliance requirements of the federal program
- NOTE: No longer use VENDOR

# Subrecipient Monitoring

- Requirements of pre-award assessment of subrecipients
  - Subrecipients prior award experience
  - Subrecipients prior audit experience
  - Subrecipients staffing and systems
  - Extent of any federal (or pass-through) entity monitoring

# Subrecipient Monitoring

- Post-award subrecipient monitoring mandatory steps:
  - Review financial and performance reports
  - Verify single audit compliance (presumably using data gathered during the pre-award stage)
  - Ensure corrective action on any deficiencies, regardless of how they are disclosed
  - Issue management decisions on relevant subrecipient audit findings
  - Consider whether audit results or other factors necessitate adjustment to pass-through entity records
  - Consider whether enforcement actions are necessary

# Subrecipients – FAQ

## Effective Dates and Sub awards

**Q:** How does the Uniform Guidance apply to Federal Awards made prior to December 26 when some sub awards are made prior to December 26 and others are made after December 26

**A:** The effective date of the Uniform Guidance for sub awards is the same as the effective date of the Federal Award for which the sub award is made

The requirements for a sub award, no matter when made, flow from the requirements of the original Federal Award from the Federal awarding agency.

## Impact on Part 3 of OMB Compliance Supplement



- ❖ Two Part 3 sections in 2015
  - One for awards under UGG administrative and cost principles
  - One for awards under old OMB circulars
  - Transitional information to be provided



## Impact on Part 3 of OMB Compliance Supplement (Where to find areas of major changes)

- Internal control
  - All compliance requirements
- Procurement
  - Procurement, Suspension and Debarment
- Subrecipient Monitoring
  - Subrecipient monitoring
- Direct and Indirect Costs
  - Allowable Costs/Cost Principles
- Time and Effort
  - Allowable Costs/Cost Principles



## What are WE to do NOW

There is no substitute for a “deep dive”

Review 2 CFR 200 (UGG) and COSO

Determine what changes would impact your organization

Make changes to policies and procedures as necessary

Monitor OMB and federal agency actions

Take inventory of programs

Old vs new rules

# What To Do Now

- ❑ Create a team across all applicable divisions of the organization
  - ❑ Inventory of current policies and procedures
  - ❑ Review current Uniform Grant Guidance and COSO
  - ❑ Assessment of changes to significant processes and internal controls, or affirm no changes needed
  - ❑ Make changes to policies, as necessary
  - ❑ Implement procedures and controls
  - ❑ Train personnel
  - ❑ Get early buy-in from auditors
  - ❑ Monitor compliance

# What To Do Now

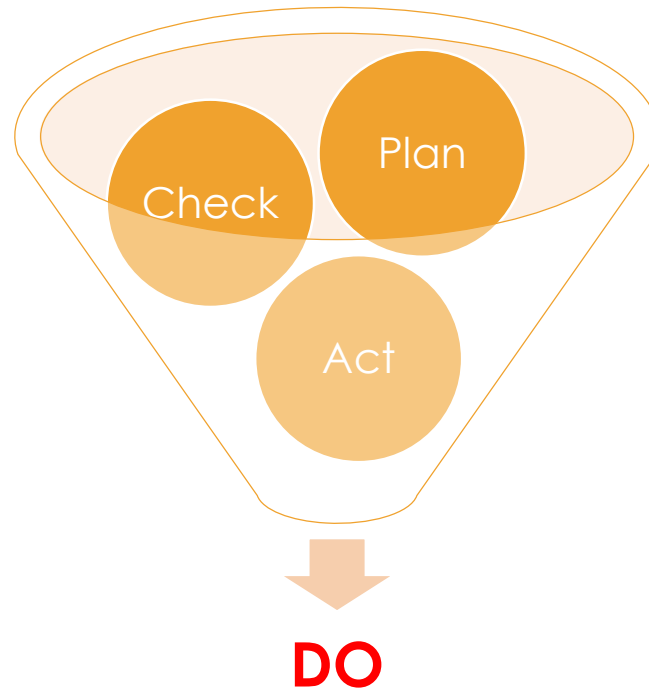
## ❖ Best Practices

- ❖ Expect personnel responsible for these areas to manage awards considering Federal program compliance requirements
- ❖ Ensure responsible personnel are keeping abreast of changes in policies or requirements
  - ❖ Attending key conferences, seminars, webinars
  - ❖ Members of relevant associations and list services
- ❖ Create a grants administrative program that incorporates the Federal program compliance requirements and internal control framework

# What To Do Now

- During the Audit Process
  - Explicit PBC listing
    - Provided as early as possible
    - Ask questions to know what our auditor is looking for
    - What are the new items they will want this year
  - Actively Manage the Work Flow
    - Assign a point person
  - Manage the Process
    - Have regular progress meetings
    - Discuss emerging concerns
      - No surprises!
    - Push back when appropriate
    - Use everything learned for improvements for next year

# What To Do Now





# Cost Principle Changes Under UG for Auditors and Auditees

# Compensation – Personnel Services

- Purpose was to reduce the administrative burden of documenting time and effort
- More principles based (e.g., removed A-21 examples)
- Less prescriptive on documentation and places **more emphasis on internal controls** over personnel-related costs



# Compensation – Personnel Services

- Four standards for documentation of personnel expenses
  1. Charges for salaries must be based on records that accurately reflect the work performed
  2. Must be supported by a **system of internal controls** which provides **reasonable** assurance the amounts charged are accurate, allowable and properly allocated
  3. Be incorporated into official records
  4. Reasonably reflect total activity for which employee is compensated
- Auditors need to focus on understanding how this change will impact their clients and consider how this area will be audited in the future



## Depreciation

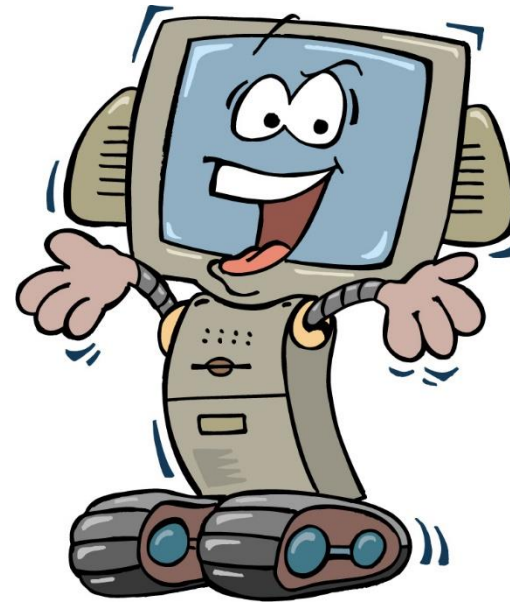
Use allowance – no longer allowed

No depreciation on assets that are fully depreciated

**New:** depreciation over life of the asset

# Equipment and Other Capital Expenditures

- Computing devices do not meet the threshold requirement so are considered supplies
  - Tablets
  - Laptops
  - Smart phones
- Lesser of \$5,000 or entity capitalization threshold
- Revisit policy if below this amount



# Proposal Costs

- Allowable as an indirect cost
  - Preparing proposals for both Federal and non-Federal
  - Successful and not successful bids
  - Allocated to all activities of the organization
- This was in college and university and government cost circulars, but not NFP
- Thank you OMB!

# Required Certifications



- Certification on annual and final fiscal reports or vouchers requesting payment
  - Assurance that expenditures are proper and in accordance with the terms and conditions of the federal award and approved budget
- Required on EVERY voucher requesting payment?
- Does this apply to drawdowns also?

# Required Certifications

- Signed by an official who is authorized to legally bind the entity
  - Who will be designated at the organization?
  - CFO? CEO?
  - Organizations should start thinking about this
- Subject to criminal, civil or administrative penalties for fraud, false statements or false claims





# Guidance on Indirect Cost Reimbursement and Indirect Cost Proposals

# Rate Changes

- All Pass-through entities **must**...
  - Ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the following information at the time of the subaward and if any of these data elements change, include the changes in the subsequent subaward modification. When some of this information is not available, the pass-through entity must provide the best information available to describe the Federal award and subaward. Required information includes
    - Indirect cost rate for the Federal award (including if the de minimis rate is charged per 200.414)





# Important Planning Considerations for

3/31/15, 6/30/15 and 9/30/15 Year End Audits

## Key Planning Considerations – Understand the Nature of Clients' Federal Awards

- Meet early on with clients to discuss nature of federal awards expended
  - Taking an 'inventory' is important
- This step is important for determining whether you will be testing against 'old' or 'new' requirements
  - There may be audits where there is very little impact
  - There may be other audit scenarios where impact will be larger

# Key Planning Considerations – Understanding New Requirements

- **If auditees expend federal funds subject to the UG**, need to understand new administrative requirements and cost principles requirements
- A sampling of important changes and how address in new “Part 3” section of 2015 Supplement include:
  - Internal Control – covered in all compliance requirements
  - Procurement – covered in Procurement and Suspension and Debarment
  - Direct and Indirect Costs – covered in Allowable Costs/Cost Principles
  - Time and Effort – covered in Allowable Costs/Cost Principles
  - Subrecipient Monitoring – covered in Subrecipient Monitoring

## Key Planning Considerations – NFP Organizations

- Create a team across all applicable divisions of the institution
  - Inventory of current policies and procedures
  - Review current Uniform Grant Guidance and COSO
  - Assessment of changes to significant processes
  - Make changes to policies, as necessary
  - Implement procedures and controls
  - Train personnel
  - Get early buy-in from auditors
  - Monitor compliance

# Key Planning Considerations - Auditors

- Sampling considerations
- Consider how workpapers will be set up
- When documenting and reporting compliance findings, consider effective dates of the UG and use the right criteria in describing the finding



# Important Planning Considerations for 12/31/15 Year End Audits

## 12/31/15 Key Planning Considerations – Previously Discussed Considerations

- All planning considerations discussed in previous slides also apply to December 31, 2015, year-ends
- December 31, 2015, year-ends likely to have more federal award expenditures subject to UG (due to elapsing time)

# 12/31/15 Key Planning Considerations

**This is just the beginning!**



- New audit requirements will become effective for audits of 12/31/15 year ends
- Auditors will need to gain an understanding of new audit requirements
- While there are many similarities to the existing single audit model, there are also key differences



# 12/31/15 Key Planning Considerations

- Important to “early” evaluate the potential impact on your major program determination process, as well as low-risk auditee status
- This step is only for planning purposes, a full evaluation based on actual expenditures will be needed when the audit is performed

# 12/31/15 Key Planning Considerations – Audit Documentation

- Beware of SALY
- If you use third-party audit programs, consider timing of updates
- If you use electronic means to determine major programs, make sure software is updated
- When documenting and reporting compliance findings, consider effective dates of UG and use the right criteria in describing the finding



Composed by Warp-E