

Grant Reform: Uniform Grant Guidance (UGG)

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Learning Objectives

- To discuss the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* release by OMB on December 26, 2013
- Consider the effects of the new guidance and regulations on current practices

Overview

- Started with President Obama's mandate to OMB to reduce administrative burden and improve oversight over the \$600 billion dollars in grants and other types of financial assistance
- Established COFAR
 - Council on Financial Assistance Reform
 - Controller of OMB
 - Eight of the largest grant making agencies

COFAR Priorities:

Strong Controls Yield Better Outcomes



Outreach and the Effected

- These rules impact so many people, they reached out and received feedback from:
 - States
 - Localities
 - Agencies
 - Universities
 - Nonprofits
 - Auditors (private and public)

Timeline

- Two reform proposals released for comment
 - Feb 2012
 - Feb 2013
- Hundreds of comments received
- Final guidance released December 26, 2013
- Federal agencies must comply immediately
- Federal agencies must submit implementation guidance to OMB in 6 months (June 26, 2014)
- Non-Federal agencies must comply by December 26, 2014

Highlights of Per OMB

- 8 Federal regulations into 1 grants management policy guide
- Eliminates duplicative and conflicting guidance
- Focuses on performance over compliance for accountability
- Encourages efficient use of technology
- Provides for consistent and transparent treatment of cost
- Limiting allowable cost for the best use of tax payer dollars
- Strengthen oversight
- Targeting audit effort on fraud, waste, and abuse



Structure of the Regulation

2 CFR 200

The Parts

- Subpart A – Acronyms and Definitions (0-99)
- Subpart B – General Provisions (100's)
- Subpart C – Pre-Federal Award Requirements and Contents of Federal Awards (200's)
- Subpart D – Post Federal Award Requirements (300's)
- Subpart E – Cost Principles (400's)
- Subpart F – Audit Requirements (500's)

2 CFR 200.430 – Compensation-Personal Services

2 CFR 500 – Single Audit



Administrative Requirements

2 CFR 200.0 - 2 CFR 200.345

Reforms and Supersedes

- Circulars –
 - *A-102, Grants and Cooperative Agreements with State and Local Governments*
 - *A-110, Uniform Administrative Requirements for Grants and Other Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations*
 - *A-89, Catalog of Federal Domestic Assistance*

Subpart A: Acronyms and Definitions

- Standardized language through out grant management guidance and regulations
- Examples of acronyms:
 - F&A
 - MTDC
 - PTE
- Examples of definitions:
 - Contract
 - Cooperative agreement
 - Grant agreement

Key Definitions

- **Federal award (200.38)** – The financial assistance received or the document (agreement).
- **Federal financial assistance (200.40)** – Definition has not changed.
- **Non-Federal entity (200.69)** – State, local government, Indian tribe, IHE, or nonprofit.
- **Pass-through entity (200.74)** – Non-Federal entity that provides a subaward to subrecipient.
- **State (200.90)** – States no long includes Indian tribes.

Other Significant Change, Bye Vendor

- Subrecipient vs. Contractor
- Nature of the relationship – substance over form

Subrecipient means a non-Federal entity that receives a subaward from a pass-through entity to carry out part of a Federal program.

Contractor means an entity that receives a contract to purchase goods or services.

Subpart B: General Provisions

- **Purpose**
- **Applicability**
- Exceptions
- Authorities
- Supersession
- Effect on other issuances
- Agency implementation
- OMB responsibility
- Inquires
- Review date
- English language
- **Conflict of interest**
- **Mandatory disclosures**

Critical Understanding

- “Should” – indicates best practices or recommended approach
- “Must” – means required

Purpose

- 2CFR 200 establishes uniform administrative requirements, cost principles, and audit requirements for all type of non-Federal entities.
- Federal agencies **must** not impose additional or inconsistent requirements, unless
 - Required in a law
 - OMB permits or approves the requirements

Applicability – Type of Award

The following portions of the part:	Are applicable to the following types of Federal Awards (except as noted in paragraphs (d) and (e) of this section):	Are NOT applicable to the following types of Federal Awards:
This table must be read along with the other provisions of this section		
<p>Authority: 31 U.S.C. 503 Subpart A—Acronyms and Definitions Subpart B—General Provisions, except for §§ 200.111 <i>English language</i>, § 200.112 <i>Conflict of interest</i>, § 200.113 <i>Mandatory disclosures</i> § 200.111 <i>English language</i>, § 200.112 <i>Conflict of interest</i>, and § 200.113 <i>Mandatory disclosures</i></p> <p>Subparts C–D, except for Subrecipient Monitoring and Management</p> <p>Subpart D—Post Federal Award Requirements, Subrecipient Monitoring and Management Subpart E—Cost Principles</p> <p>Subpart F—Audit Requirements</p>	<p>—All. —All.</p> <p>—Grant agreements and cooperative agreements</p> <p>—Grant agreements and cooperative agreements</p> <p>—All.</p> <p>—Grant agreements and cooperative agreements, except those providing food commodities —Cost-reimbursement contracts awarded under the Federal Acquisition Regulations and cost-reimbursement subcontracts under these contracts in accordance with the FAR</p> <p>—All.</p>	<p>—Agreements for: loans, loan guarantees, interest subsidies, and insurance. —Cost-reimbursement contracts awarded under the Federal Acquisition Regulations and cost-reimbursement subcontracts under these contracts. —Agreements for: loans, loan guarantees, interest subsidies, and insurance. —Cost-reimbursement contracts awarded under the Federal Acquisition Regulations and cost-reimbursement subcontracts under these contracts.</p> <p>—Grant agreements and cooperative agreements providing food commodities. —Fixed amount awards. —Agreements for: loans, loan guarantees, interest subsidies, insurance. —Federal awards to hospitals (see Appendix IX to Part 200—Hospital Cost Principles).</p>

Applicability (continued)

- The Federal awarding agency will determine applicability and state the applicable requirements in the terms and condition of the Federal award
- Likewise, the pass-through entity must state the applicable requirements for its sub-recipients in the terms and conditions of each subaward.

Conflict of Interest & Mandatory Disclosures

- Two new requirements –
 1. Federal awarding agency **must** establish conflict of interest policies for Federal Awards.

Non-Federal entities **must** disclose in writing any potential conflict of interests to the Federal awarding agency or pass-through entity.
 2. Non-Federal entities (and applicants) must disclose all violations of Federal criminal law involving fraud, bribery, or gratuity violations.

Subpart C: Pre-Federal Award Requirements and Contents of Federal Awards

- Sections Highlighted
 - 200.201 Use of Grant agreements, Cooperative Agreements and Contracts
 - 200.203 Notices of Funding Opportunities
 - 200.204 Federal Agency Review of Merit
 - 200.205 Federal Agency Review of Risk
 - 200.206 Standard Application Requirements
 - 200.210 Information Contained in a Federal Award

Use of Grant Agreements, Cooperative Agreements & Contracts

- Federal Awarding Agencies must determine appropriate award instrument
- Incorporates new coverage on fixed amount awards:
 - Payments are based on meeting specific requirements of the Federal Award
 - Accountability is based on performance and results
 - Award amount is negotiated using cost principles as a guide
 - No governmental review of the actual costs incurred
 - Significant changes (i.e., principal investigator, project partner or scope) must receive prior awarding agency written approval

Let's Review

- **Grant Agreements** – Legal agreement between a Federal awarding agency or pass-through entity (PTE) and a non-Federal entity to transfer value from the Federal awarding agency or PTE to carry out a public purpose authorized by law.
- **Cooperative Agreements** – a grant agreement that includes substantial involvement by the Federal awarding agency or PTE.
- **Contracts** - Purchases of goods or services needed to carryout the project or program.

Notices of Funding Opportunities

- For competitive grants and cooperative agreements, Federal awarding agencies must announce specific funding opportunities by posting a public notice on the OMB-designated government-wide Web site
 - Grants.gov
- Specifies a set of six data elements that must be included in the public notice

Notices of Funding Opportunities (Cont'd)

- Full Text of Funding Opportunities
 - Identifies required information that must be included in the full text of each Federal funding opportunity
- Establishes minimum timeframes Federal awarding agencies must generally make all funding opportunities available for application

Federal Agency Review of Merit

- New Requirement
 - For competitive grants or cooperative agreements, Federal awarding agencies **must** design and execute a merit review process for applications
 - Process **must** be described (or incorporated by reference) in funding opportunity

Federal Agency Review of Risk

- Federal awarding agencies **must** have a framework for evaluating the risks posed by applicants prior to receipt of a federal award.
- Items that MAY BE considered by Federal awarding agencies include:
 - ◇ Financial stability
 - ◇ Quality of management systems
 - ◇ History of performance
 - ◇ Reports and findings from audits performed under Single Audit
 - ◇ Applicant's ability to effectively implement statutory, regulatory or other requirements

Standard Application Requirements

- Requires Federal awarding agencies to use OMB-approved application standard information collections to solicit applications
- Use of standard OMB-approved collections is a consistent theme throughout 2 CFR 200
- Currently approved OMB Grants Management Forms (and formats) are available on the OMB Web site at:
http://www.whitehouse.gov/omb/grants_standard_report_forms/

Information Contained in a Federal Award

- Provides a standard set of 15 data elements which must be provided in all Federal awards
- Identifies coverage which must be included in the general terms and conditions
- Provides guidance on Federal Awarding Agency, Program, or Award Specific Terms and Conditions
- Requires Federal awarding agencies to include an indication of the timing and scope of expected performance as related to the outcomes intended to be achieved
 - In some instances, (e.g., discretionary research awards) this may be limited to submission of technical performance reports

15 Data Elements

- Recipient's name
- Recipient's DUNS #
- Unique Federal Award ID # (FAIN)
- Award date
- Period of performance
- Amount of Federal funds obligated by this action
- Amount of Federal funds obligated in total
- Total amount of the Federal award
- Budget approved by Federal awarding agency
- Total approved cost sharing or matching
- Award description
- Federal awarding agency
- CFDA # and name
- R&D, yes or no
- Indirect cost rate

Subpart D: Post Federal Award Requirements Standards for Financial and Program Management

- Sections highlighted:
 - 200.301 Performance Management
 - 200.303 Internal Controls
 - 200.309 New Period of Performance
 - 200.317-326 Procurement standards
 - 200.330-332 Subrecipient Monitoring & Management
 - 200.333 Retention Requirements for Records
 - 200.343 Closeout

Performance Management 220.301

- Federal agencies will **measure performance to improve program outcomes**, share lessons learned, and spread the adoption of promising 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.
- The Federal awarding agencies are required to provide recipients with **clear performance goals, indicators, and milestones**

Internal Controls 200.303

- For Federal awards Non-Federal entities **must**:
 - Establish and maintain effective internal controls
 - Comply with Federal statutes, regulations, & terms and conditions
 - Evaluate and monitor compliance
 - Take prompt action on audit findings
 - Safeguard protected personally identifiable information (PII)
- GAO's Green Book and COSO are comprehensive internal control frameworks and **should** be considered.

New Period of Performance 200.309

- Non-federal entities may charge to Federal awards only allowable costs incurred during the period of performance and any costs incurred before the Federal awarding agency or pass-through entity made the Federal award that were authorized by the Federal awarding agency or pass through entity.
- Federal awarding agencies may authorize no-cost extensions of the period of performance.

Procurement Standards 200.317-326

- The procurement standards are generally based on the requirements in A-102 for states, local governments and Indian tribes, with modifications
 - States use their own policies and procedures
 - All other non-Federal entities, including subrecipients of a state, must have and follow written procurement procedures that comply with the Federal procurement standards

General Procurement Requirements

- The non-Federal entity **must** maintain oversight to ensure that contractors perform in accordance with the terms, conditions, and specifications of the contract or purchase order
- How the non-Federal entity maintains oversight is a matter of judgment for the non-Federal entity

Procurement: Standards of Conduct

- The non-Federal entity **must** maintain written standards of conduct covering conflicts of interest and governing the performance of its employees engaged in the selection, award, and administration of contracts
- New provision that covers organizational conflict of interest
 - If the non-Federal entity has a parent, affiliate, or subsidiary organization (that is not a state, local government, or Indian tribe), the non-Federal entity must also maintain written standards of conduct covering organizational conflicts of interest

Procurement: Standards of Conduct (Continued)

- The non-Federal entity's procedures must avoid acquisition of unnecessary or duplicative items
- Non-Federal entities are encouraged to enter into state and local intergovernmental agreements or inter-entity agreements where appropriate for procurement or use of common or shared goods and services
- The non-Federal entity is encouraged to use Federal excess and surplus property in lieu of purchasing new equipment and property when this is feasible and reduces project costs

Methods of Procurement

- Methods of procurement to be followed
- Non-Federal entity must use one of the 5 methods:
 1. Micro-purchases for acquisition of supplies or services if aggregate amount does not exceed \$3,000 [**New method**]
 - ◇ Micro-purchase may be awarded without soliciting competitive quotations if the non-Federal entity considers the price to be reasonable
 2. Small purchase procedures - <\$150,000
 3. Sealed bids (formal advertising)
 4. Competitive proposals

Methods of Procurement (Continued)

5. Noncompetitive proposals – revised to clarify that solicitation of a proposal from only one source may be used only when one or more of the following apply:
 - ◇ The item is available only from a single source
 - ◇ The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation
 - ◇ The Federal awarding agency (or pass-through entity) expressly authorizes this method in response to a written request from the non-Federal entity
 - ◇ After solicitation of a number of sources, competition is determined inadequate

Subrecipient Monitoring and Management

200.330-332

- Section 200.330 explains the roles of subrecipients and contractors so that the non-Federal entity can determine the relationship and the applicable requirements
- A non-Federal entity provides a subaward to a subrecipient for the purpose of **carrying out a portion of a Federal award** and creates a Federal assistance relationship between the non-Federal entity and the subrecipient
- A non-Federal entity provides a contract to a contractor for the purpose of **obtaining goods and services** for the non-Federal entity's own use and creates a procurement relationship between the non-Federal entity and the contractor
- What the document is called does not matter; the relationship is the basis for determining which requirements are applicable

Subrecipients Monitoring and Oversight Requirements for Pass-through Entities

Requirements for pass-through entities

- The pass-through entity must:
 - Put specific information in the subaward, including indirect cost rate
 - Do a risk assessment to determine appropriate subrecipient monitoring AND must monitor subrecipients
 - Consider if specific subaward conditions are needed
 - Verify subrecipients have audits in accordance with Single Audit
 - Make any necessary adjustment to the pass-through entity's records based on reviews and audits of subrecipients
 - Consider actions to address subrecipient noncompliance

Information Contained in a Subaward

- Following information must be identified to subrecipient at time of award and put in the subaward (and when changes are made to the subaward) (200.331(a)):
 - Federal award identification, e.g., DUNS number
 - Indirect cost rate for the Federal Award (including if the de minimis rate is charge per 200.414 Indirect (F&A) costs)
 - Requirements imposed by the pass-through entity
 - Requirement to provide access to records for audit

Evaluating Subrecipient Risk to Determine Appropriate Monitoring

- The pass-through entity must evaluate each subrecipient's **risk of noncompliance with Federal statutes**, regulations, and the terms and conditions of the subaward for the purpose of determining appropriate subrecipient monitoring, which may include consideration of factors such as (200.331(b)):
 - ◇ Prior experience with same or similar subawards
 - ◇ Results of previous audits
 - ◇ Whether new or substantially changed personnel or systems
 - ◇ Extent and results of Federal awarding agency monitoring

Required Subrecipients Monitoring Procedures

- When monitoring of subrecipients, the pass-through entity must (200.331(d)):
 - Review reports required by the pass-through entity
 - Follow-up to ensure subrecipient takes appropriate action on all deficiencies pertaining to the subaward from the pass-through entity identified through audits, on-site reviews, and other means
 - Issue a management decision for audit findings pertaining to subawards made by the pass-through entity

Additional Subrecipient Monitoring Tools

- Following tools may be useful, depending upon the risk assessment
 - Providing subrecipient training and technical assistance
 - Performing on-site reviews
 - Arranging for agreed-upon-procedures engagements
- No listed tool is required nor is the list of tools all inclusive
- Determination on which tools is a matter of judgment for the pass-through entity based upon its assessment of risk

Subrecipients: Fixed Amount Subawards

- Permits a non-Federal entity to make subawards based on fixed amounts not exceeding the Simplified Acquisition Threshold (currently \$150,000)
- The prior written approval of the Federal awarding agency is required

Retention Requirements for Records

200.333

- Retains the record retention period of three years from the date of submission of the final expenditure report
- For Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report
- Supplements to the listing of exceptions from standard record retention:
 - When the non-Federal entity is notified in writing by the Federal awarding agency, cognizant agency for audit, cognizant agency for indirect costs, or pass-through entity; and
 - Records for program income transactions after the period of performance

Post-Closeout Adjustments and Collection of Amounts Due 200.343

- The adjustment to the Federal award amount based on an audit or other review after closeout must be made within the record retention period
- The collection may happen after the record retention period



Cost Principles

2 CFR 200.400 - 2 CFR 200.475

Reforms and Supersedes

- Circulars –
 - A-21, Cost Principles for Educational Institutions
 - A-87, Cost Principles for State, Local and Indian Tribal Governments
 - A-122, Cost Principles for Non-Profit Organizations
- Effective for awards awarded after December 26, 2014.
- Existing awards continue to follow current guidance.

Allowability of Selected Costs Under 2 CFR 200.420

Selected Costs May Be Allowable (A), Unallowable (UA), Allowable With Restrictions (AWR), or Unallowable With Exceptions (UWE)

1. Advertising and Public Relations Cost. (UWE) 200.421
2. Advisory Councils. (A) 200.422
3. Alcoholic Beverages. (UA) 200.423
4. Alumni/ae Activities (UA) 200.424
5. Audit Services. (A) 200.425
6. Bad Debts. (UA) 200.426
7. Bonding Costs. (A) 200.427
8. Collections of Improper Payments. (A) 200.428 (New Principle)
9. Commencement & Convocation Costs. (UA) 200.429
10. Compensation - Personal Services. (AWR) 200.430
11. Compensation – Fringe Benefits. (AWR) 200.431
12. Conferences. (AWR) 200.432
13. Contingency Provisions. (AWR) 200.433

Allowability of Selected Costs Under 2 CFR 200.420

Selected Costs May Be Allowable (A), Unallowable (UA), Allowable With Restrictions (AWR), or Unallowable With Exceptions (UWE)

14. Contributions and Donations (UA) 200.434
15. Defense and prosecution of criminal and civil proceedings, claims, appeals, and patent infringement. (UWE) 200.435
16. Depreciation. (AWR) 200.436
17. Employee health, and welfare costs. (A) 200.437
18. Entertainment costs. (UWE) 200.438
19. Equipment and other capital expenditures. (AWR) 200.439
20. Exchange Rates (AWR) 200.440 New Cost Principle
21. Fines and penalties. (UA) 200.441
22. Fund raising and Investment Management Costs (UWE) 200.442
23. Gains & Losses on Disposition of Depreciable Assets (AWR) 200.443
24. General Costs of Government (UA) 200.444 State & Local Gov't
25. Goods or Services for Personnel Use (UA) 200.445
26. Idle Facilities and Idle Capacity (AWR) 200.446
27. Insurance and Indemnification (AWR) 200.447

Allow ability of Selected Costs Under 2 CFR 200.420

Selected Costs May Be Allowable (A), Unallowable (UA), Allowable With Restrictions (AWR), or Unallowable With Exceptions (UWE)

28. Intellectual Property. 200.448 (AWR)
29. Interest. 200.449 (UWE)
30. Lobbying. 200.450 (UWE)
31. Losses on Other Awards or Contracts. 200.451 (UA)
32. Maintenance and Repair Costs. 200.452 (A)
33. Materials, Supplies Including Computing Devices. 200.453 (A)
34. Memberships, Subscriptions, & Professional Activity Costs. 200.454 (AWR)
35. Organizational Costs. 200.455 (UA)
36. Participant Support Costs. 200.456 (AWR)
37. Plant and Security Costs. 200.457 (A)
38. Pre-Award Costs. 200.458 (AWR)
39. Professional Service Costs 200.459 (AWR)

Allowability of Selected Costs Under 2 CFR 200.420

Selected Costs May Be Allowable (A), Unallowable (UA), Allowable With Restrictions (AWR), or Unallowable With Exceptions (UWE)

40. Proposal Cost **200.460** (AWR) **New Cost Principle**
41. Publication and Printing Costs. **200.461** (AWR)
42. Rearrangement and Reconversion Costs. **200.462** (AWR)
43. Recruiting costs. **200.463** (AWR)
44. Relocation costs. **200.464** (AWR)
45. Rental Costs of Real Property and Equipment **200.465** (AWR)
46. Scholarships and Student Aid Costs **200.466** (AWR)
47. Selling and Marketing Expenses **200.467** (UWE)
48. Specialized Service Facilities **200.468** (AWR)
49. Student Activity Costs **200.469** (UA)
50. Taxes Included VAT **200.470** (UWE)
51. Termination Costs **200.471** (AWR)
52. Training and Education Costs **200.472** (A)

Allowability of Selected Costs Under 2 CFR 200.420

Selected Costs May Be Allowable (A), Unallowable (UA), Allowable With Restrictions (AWR), or Unallowable With Exceptions (UWE)

- 53. Transportation Costs. 200.473 (A)
- 54. Travel Costs 200.474 (AWR)
- 55. Trustees 200.475 (A)

Cost Principles – Prior Written Approval

- Provides a one-stop comprehensive list of the circumstances under which non-Federal entities should seek prior approval from the Federal awarding agency.

Cost Principles – Indirect (F&A) Costs

- Federal awarding agencies must accept approved negotiated indirect cost rates unless:
 - A different rate is required by Federal statute or regulation, or
 - When approved by a Federal awarding agency head or delegate based on documented justification
- A 10% de minimis IDC rate is now available on MTDC
 - Never negotiated a rate in the past
 - Even application across all programs
- Any non-Federal entity that has a federally negotiated indirect cost rate may apply for a one-time extension of a current negotiated indirect cost rates for a period of up to four years

Cost Principles – Required Certifications

- Signed by official who can legally bind the non-Federal organization
- Penalties under the False Claims Act

Cost Principles – Cost Accounting Standards and Disclosure Statement

- IHE threshold for CAS raised to \$50M
 - Streamlined review for changes to reduce the risk of non-compliance and audit findings



2 CFR Part 200.420

General Provisions for Selected Items of Cost

Selected Items of Cost – Audit Services

- Single Audit costs allowable as a direct cost
 - Un-allowed if not done correctly.
- Costs of a financial statement audit for a non-Federal entity that does not currently have a Federal award when included in the indirect cost pool as part of a cost allocation plan or indirect cost proposal.
 - These audits may be useful to the Federal agency negotiating an indirect cost rate, and they are not in conflict with the Single Audit Act.

Selected Items of Cost – Collections of Improper Payments

- New item
- The costs incurred by a non-Federal entity to recover improper payments are allowable as either direct or indirect costs, as appropriate.

Selected Items of Cost – Compensation – Personal Services

- Changes
 - Strengthen Internal Controls
 - Removed Examples
 - Federal Agencies may approve methods for blended/braided funds
 - Use of institutional base salary for IHE
 - Must continue to use after the fact proof of salaries charged to the grant [Standards of Documentation of Personnel Expenses (time reporting 200.430i)]

Selected Items of Cost – Fringe Benefits

- GAAP for accrual based accounting
- Mass severance
- Excessive severance pay
- Family friendly leave

Selected Items of Cost - Conferences

- Requires conference hosts/sponsors to exercise discretion and judgment in ensuring that conference costs are appropriate, necessary and managed in a manner that minimizes costs to the Federal award.
- Allows costs of finding local dependent care

Selected Items of Cost - Interest

- Paragraph (b)(2) establishes the date of January 1, 2016, as the date that non-federal entities whose fiscal year starts on or thereafter may be reimbursed for financing costs associated with patents and computer software .

Selected Items of Cost - Materials and Supplies Costs, Including Costs of Computing Devices

- Direct charges
- Computing devices can be charged as direct costs if they are essential and allocable. However, they do not need to be solely dedicated to the performance of the Federal Award

Selected Items of Cost - Organization Costs

- Now unallowable to all organizations unless specific approval by the awarding federal agency

Selected Items of Cost – Relocation Costs of Employees

- Limits the previously unlimited amount of time for which a Federal award may be charged for the costs of an employee's vacant home to up to six months.



Audit Requirements

2 CFR 200.500 - 2 CFR 200.521

Reforms and Supersedes

- Circulars –
 - *A-133, Audits of States, Local Governments and Non-Profit Organizations*
 - *A-50, Audit Follow-up*
- Effective for audits with fiscal years beginning after December 31, 2014

Revisions Focus Audit On Risk

- Increases audit threshold.
- Strengthens risk-based approach to determine major programs.
- Provides for greater transparency of audit results.
- Strengthens agency use of the single audit process.
- Provides for public outreach to focus Compliance Supplement on requirements of highest risk.

Basic Structure of Single Audit Process Unchanged

- Audit threshold (200.501).
- Biennial (200.504) & program-specific (200.507) audits.
- Non-Federal entity selects auditor (200.509).
- Auditee prepares financial statements & SEFA (200.510).
- Audit follow-up & corrective action (200.511 & 200.521).
- 9 month due date (set in law) (200.512(a)).
- Reporting to Federal Audit Clearinghouse (200.512).
- Major programs determined based on risk (200.518).
- Compliance Supplement overall format.

Audit Threshold

- Increases audit threshold from \$500,000 to \$750,000.
- Maintains oversight over 99.7% of the dollars currently subject Single Audit and reduces audit burden for approximately 5,000 entities.
- Increase of \$250,000 is in line with previous threshold increase in 2003.

Major Program Determination

200.518 Major Program Determination focuses audits on the areas with internal control deficiencies that have been identified as material weaknesses. Future updates to the Compliance Supplement will reflect this focus as well.

Type A/B Threshold – Step 1

- Programs are grouped based on dollars.
 - Type A programs are those above the threshold.
 - Type B are those below the threshold.
- Type A/B threshold is a sliding scale with minimum.
 - Minimum increases from \$300,000 to \$750,000.
 - Threshold presented in table to be more easily understood.
- Audit threshold and Type A/B minimum threshold will be the same at \$750,000.

Type A/B Threshold – Table (200.518(b)(1))

Type A/B Threshold	Total Federal Awards Expended (FAE)
\$750,000	= \$750,000 but <= \$25M
Total FAE times .03	> \$25M but <= \$100M
\$3,000,000	> \$100M but <= \$1B
Total FAE times .003	> \$1B but <= \$10B
\$30M	> \$10B but <=\$20B
Total FAE times .0015	< \$20B

High-Risk Type A Program (200.518(c)) - Step 2

Current A-133 criteria:

- Not audited as major program in 1 of 2 most recent audit periods.
- In most recent period had ANY AUDIT FINDING.
 - Provided for auditor judgment in limited cases, e.g., very small questioned costs.
 - Other – Auditor judgment
 - ◇ - Oversight exercised by Federal agencies or pass-through entities, audit follow-up, or changes in personnel or systems which significantly increased risk.

Uniform Guidance:

- SAME.
- In most recent period had a HIGH-RISK AUDIT FINDING:
 - Modified opinion.
 - Material weakness in internal control.
 - Known or likely questioned costs exceeding 5% of total program expenditures.
 - Other – Auditor judgment.
 - ◇ Basically unchanged.

Key: An entity with strong internal controls and few audit findings will have less high-risk Type A programs

High-Risk Type B Program (200.518(d)) - Step 3

Current A-133 criteria:

- Currently there are two Type B risk assessment options:
 - Option 1 – Perform risk assessments on **ALL** Type B programs and select at least 50% of Type B programs identified as high risk up to number of low-risk Type A programs
 - Option 2 – Perform risk assessments on all Type B programs until as many high-risk Type B programs have been identified as there are low-risk Type A programs.

Uniform Guidance:

- Perform risk assessments on Type B programs until high-risk Type B programs have been identified **UP TO** at least 25% of number of low-risk Type A programs

Percentage of Coverage Rule (200.518(f)) - Step 4

- Guidance reduces the minimum coverage as follows:

Type of Auditee	Current	New
Not low-risk	50%	40%
Low-risk	25%	20%

Low-Risk Auditee (200.520)

Current A-133 criteria (2 prior years):

- Annual single audits
- Unmodified opinion on financial statements in accordance with GAAP
- Unmodified SEFA in relation to opinion.
- No GAGAS material weaknesses
- In either of preceding two years, none of Type A programs had:
 - Material Weakness.
 - Material noncompliance.
 - Questioned costs that exceed 5%.
- Timely filing with FAC.
- Auditor reporting going concern not preclude low-risk.
- Waivers.

Uniform Guidance (2 prior years):

- SAME.
- Unmodified opinions on statements in accordance with GAAP or **basis of accounting required by state law.**
- SAME.
- SAME.
- SAME
- SAME.
- No Audit reporting of going concern.
- No waivers.

Single Audit Report Submission

200.512 Report Submission

Requires publication of Single Audit Reports online with safeguards for protected personally identifiable information and an exception for Indian tribes in order to reduce the administrative burden on non-Federal entities associated with transmitting these reports to all interested parties.

Single Audit Report Submission (Cont'd)

- All auditees must submit the reporting package and the data collection form electronically to the Federal Audit Clearinghouse (FAC) [200.512(d)].
- FAC submission process will be changed to require that submissions be in text-based PDF and unlocked to improve accessibility.
- FAC responsible to make the reports available on a Web site (200.512(g)).
 - Exception for Indian tribes.

Single Audit Reports on the Web - PPII

- Auditors and auditees must ensure reports do not include protected personally identifiable information (PPII) (200.82 & 200.512(a)(2)).
- Auditee must sign statement that (200.512(b)(1)):
 - Reports do not include PPII.
 - Authorizes FAC to make reports publically available on a Web site.
 - ◇ Exception for Indian tribes as defined in 200.54.
 - ◇ No exception for tribal organization not meeting the 200.54 definition.

FAC Repository of Record for Reporting Packages [200.36 & 200.512(b)]

- Federal agencies, pass-through entities, and others obtain copies by accessing FAC website.
- Subrecipient only required to submit report to FAC and no longer required to submit to pass-through entity.
- Pass-through entity no longer required to retain copy of subrecipient report as available on the Web.

Single Audit Accountable Official

200.513 Responsibilities

requires Federal awarding agencies to designate a Senior Accountable Official who will be responsible for overseeing effective use of the Single Audit process and implementing metrics to evaluate audit follow-up.

Single Audit Accountable Official [200.513(c)(5)]

- Ensure agency effectively uses the single audit process.
- Develop a baseline, metrics, and targets to track, over time, the effectiveness of:
 - The agency's process to follow-up on audit findings.
 - Single Audits in:
 - ◇ Improving non-Federal entity accountability for Federal awards.
 - ◇ Use by the agency in making award decisions.
- Designate the agency's Key Management Single Audit Liaison.

Agency Key Management Single Audit Liaison [200.513(c)(6)]

- Agency management's point of contact for single audit.
- Promote interagency coordination.
- Oversee training for agency's program management personnel related to the single audit process.
- Promote use of cooperative audit resolution.
- Coordinate agency's audit follow-up to ensure timely corrective action on audit findings.
- Organize cognizant agency for audit follow-up.
- Ensure agency provides annual updates to the Compliance Supplement.
- Support the Senior Audit Accountable Official.

Cooperative Audit Resolution

200.513(c)(3)(iii) Responsibilities encourages Federal awarding agencies to make effective use of cooperative audit resolution practices in order to reduce repeat audit findings.

Cooperative Audit Resolution (200.25)

- Cooperative audit resolution means the use of audit follow-up techniques which promote prompt corrective action by improving communication, fostering collaboration, promoting trust, and developing an understanding between the Federal agency and the non-Federal entity. This approach is based upon:
 - (a) A strong commitment by Federal agency and non-Federal entity leadership to program integrity;
 - (b) Federal agencies strengthening partnerships and working cooperatively with non-Federal entities and their auditors; and non-Federal entities and their auditors working cooperatively with Federal agencies;
 - (c) A focus on current conditions and corrective action going forward;
 - (d) Federal agencies offering appropriate relief for past noncompliance when audits show prompt corrective action has occurred; and
 - (e) Federal agency leadership sending a clear message that continued failure to correct conditions identified by audits which are likely to cause improper payments, fraud, waste, or abuse is unacceptable and will result in sanctions.

Appendix XI - Compliance Supplement

- 2015 Supplement will be used for audits performed under both Circular A-133 and the Uniform Guidance with two part 3s.

Audit Findings (200.516)

- Increases the threshold for reporting known and likely questioned costs from \$10,000 to \$25,000 (200.516(a)(3) & (4)).
- Requires that questioned costs be identified by CFDA number and applicable award number (200.516(b)(6)).
- Requires Identification of whether audit finding is a repeat from the immediately prior audit and if so the prior year audit finding number (200.516(b)(8)).
- Provides that audit finding numbers be in the format prescribed by the data collection form (200.516(c)).

Effective Dates

- Effective for audits with fiscal years beginning after December 26, 2014
 - No early implementation of audit provisions.
 - Applies to December 31, 2015 year-ends and beyond.

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