

# 2016 Legal & Ethics Conference

## **AUDITOR BREAK OUT SESSION I:**

Uniform Guidance – Overview & Major Changes



# Uniform Guidance - Overview & Major Changes

- ▶ Grantee & Sub-grantee Requirements
- ▶ Major Changes to Federal Program Compliance Requirements under UG
- ▶ Audit Requirements & Changes



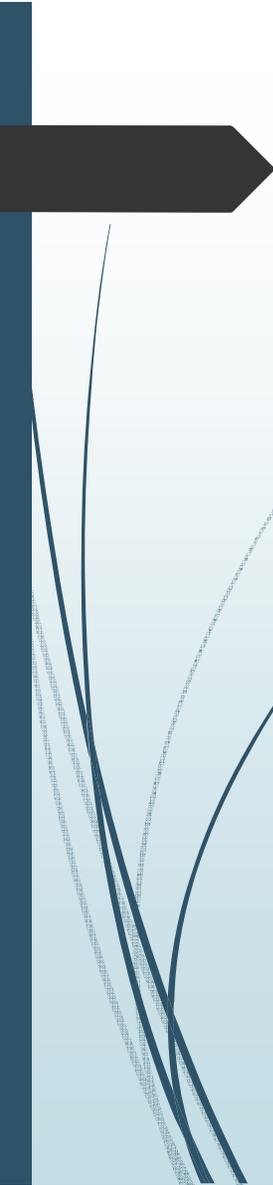
## Uniform Guidance - Overview

- 2 CFR 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards
- Replaces:
  - Administrative Requirements (Common Rule), Circulars A-102, A-110, and A-89
  - Audit Requirements, Circulars A-133 and A-50
  - Cost Principles, Circulars A-21, A-87, and A-122



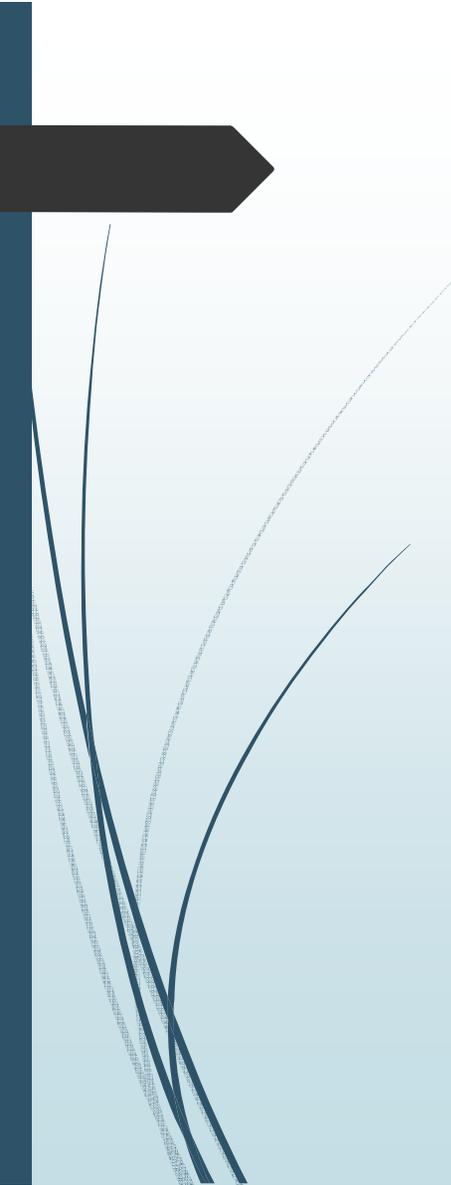
## Uniform Guidance - Overview

- ▶ Subpart A – Acronyms and Definitions
- ▶ Subpart B – General Provisions
- ▶ Subpart C – Pre-Federal Award Requirements and Contents of Federal Awards
- ▶ Subpart D – Post Federal Award Requirements
- ▶ Subpart E – Cost Principles
- ▶ Subpart F – Audit Requirements



# Uniform Guidance – Grantee & Sub-grantee Requirements

- Subparts A – E
  - Requirements that grantees and sub-grantees must follow
  - Criteria used by auditors to determine compliance with requirements during an audit



# Uniform Guidance – Grantee & Sub-grantee Requirements

- Subparts A – E

- Effective for new Federal Awards made on or after December 26, 2014
  - NOTE: Can implement for awards made BEFORE 12/26/14 but ONLY if system-wide software change is necessary to implement Uniform Guidance
- For agencies that consider incremental funding actions on previously made awards to be opportunities to change award terms and conditions, the new requirements are effective for the first funding increment issued after December 26, 2014



## Uniform Guidance – Grantee & Sub-grantee Requirements

- ▶ Subparts A – E

- ▶ The effective date of the Uniform Guidance for sub-awards is the same as the effective date of the Federal award from 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.
- ▶ State agencies that pass Federal money through to sub-recipients must notify the sub-recipients of the effective date of the Federal award and which requirements apply. **\*\*Usually within the grant agreement\*\***

# Federal Compliance Requirements – Major Changes under Uniform Guidance

- Procurement – Grants and Cooperative Agreements
  - States: 2 CFR 200.317
    - Must use the same policies and procedures used for procurements from non-Federal funds (IC 5-22)
  - Non-Federal Entities Other Than States:
    - Must use their own documented procurement procedures
    - Must meet the general procurement standards in **2 CFR 200.318**
    - Must conduct all procurement transactions in a manner providing full and open competition
    - Must use the micro-purchase and small purchase methods only for procurements that meet the applicable criteria under **2 CFR 200.320(a) and(b)**



# Federal Compliance Requirements – Major Changes under Uniform Guidance

- Procurement – Grants and Cooperative Agreements
- Non-Federal Entities Other Than States (cont.):
  - Must use one of three methods when an acquisition exceeds the simplified acquisition threshold
    - Sealed bid method
    - Competitive proposals method
    - Noncompetitive proposals method
  - Must perform a cost or price analysis with every procurement in excess of the simplified acquisition threshold, including contract modifications
  - Must ensure that every purchase order or other contract includes applicable provisions required by **2 CFR 200.326**



# Federal Compliance Requirements – Major Changes under Uniform Guidance

- ▶ New Procurement Standard Exception

- ▶ **2 CFR Part 200.110** states in part:

- ▶ ...For the procurement standards in §200.317-200.326, non-Federal entities may continue to comply with the procurement standards in previous OMB guidance for one additional fiscal year after this part goes into effect (December 26, 2014). If a non-Federal entity chooses to use the previous procurement standards for an additional fiscal year before adopting the procurement standards in this part, the non-Federal entity must document this decision in their internal procurement policies.



# Federal Compliance Requirements – Major Changes under Uniform Guidance

## ► Sub-Recipient Monitoring

### ► Pass-through entity must: **2 CFR 200.331 & 501(h)**

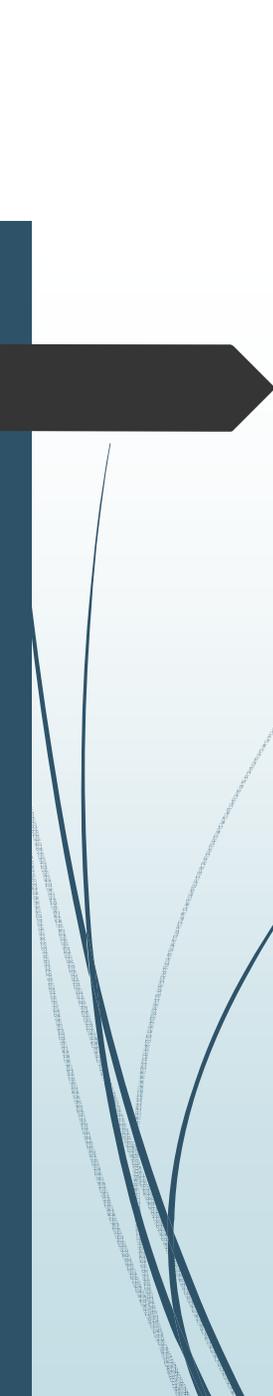
#### ► Identify the award and applicable requirements

- The award as a sub-award
- All requirements imposed by the pass-through entity on the sub-recipient
- Any additional requirements that the pass-through entity imposes on the sub-recipient in order for the pass-through entity to meet its own responsibility

### ► Evaluate risk of noncompliance for each sub-recipient for purposes of determining the appropriate sub-recipient monitoring related to the sub-award

#### ► Based on assessed risk of noncompliance, the following monitoring tools may be useful

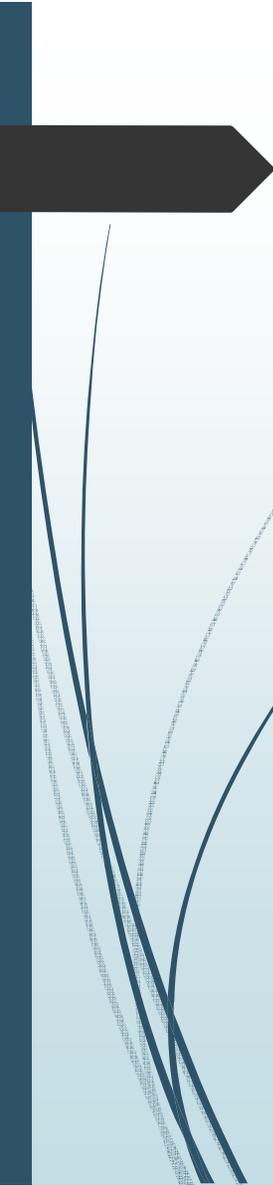
- Provide training and technical assistance
- Performing on-site reviews
- Arranging for agreed-upon-procedures engagements



# Federal Compliance Requirements – Major Changes under Uniform Guidance

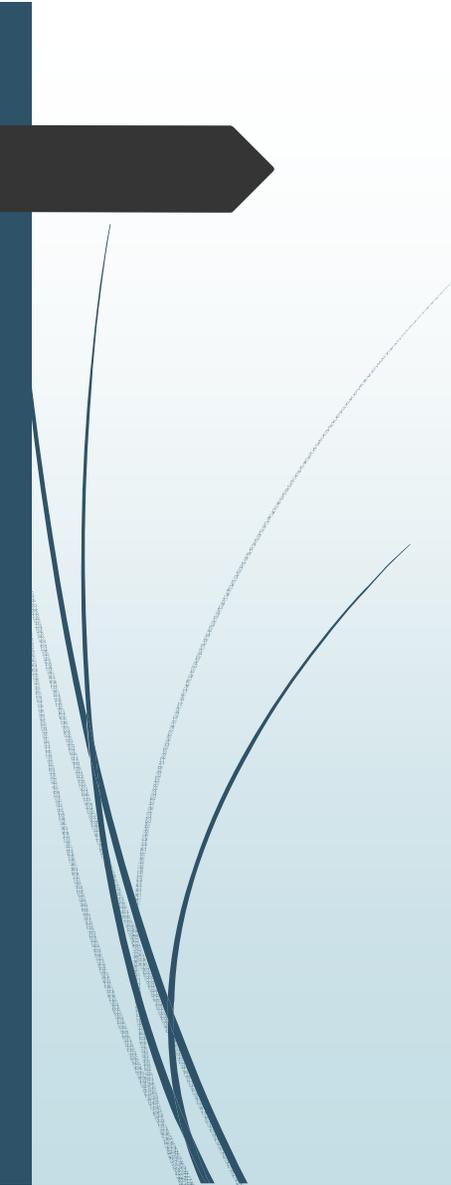
## ► Sub-Recipient Monitoring (cont.)

- Monitoring of the sub-recipient must include
  - Reviewing financial and programmatic reports required by the pass-through entity
  - Following-up and ensuring the sub-recipient takes timely and appropriate action on all deficiencies pertaining to the Federal award detected through audits, on-site reviews, and other means
  - Issuing a management decision for audit findings pertaining to the Federal award
- Verify that sub-recipients were audited that should have been audited
  - \$750,000 for audit period beginning AFTER 12/26/14 (CY 2015, FY 2016)
- Ensuring accountability of for-profit sub-recipients



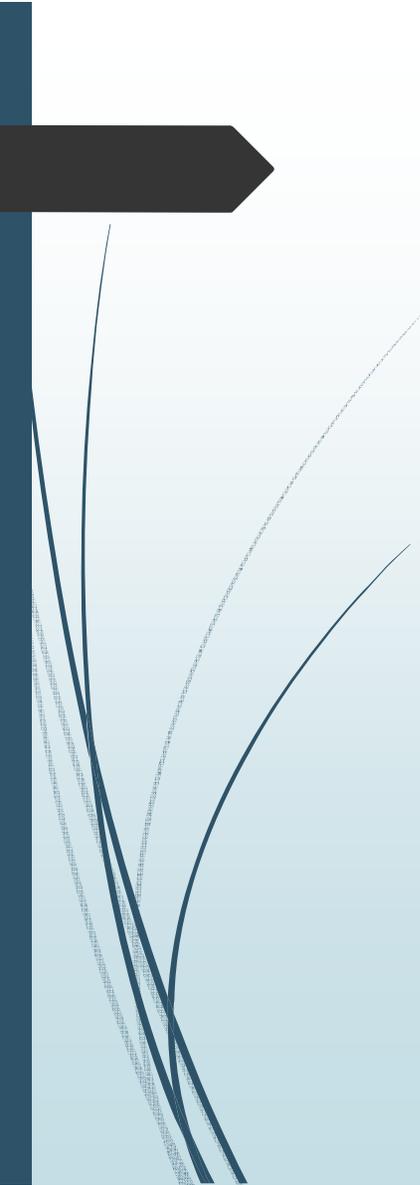
# Uniform Guidance – Subpart F: Audit Requirements

- Subpart F:
  - Audit Requirements related to when a Single audit is necessary, major program determination, SEFA presentation and audit, required findings, etc.
    - All guidance from Circular A-133 was included in Subpart F and updated as considered necessary.
  - Applies to audits of fiscal years beginning on or after December 26, 2014
  - Calendar year audits for 2015 and beyond
  - Fiscal year audits beginning July 1, 2015 and beyond
  - Schools: Audit periods of July 1, 2015 to June 30, 2017 and beyond



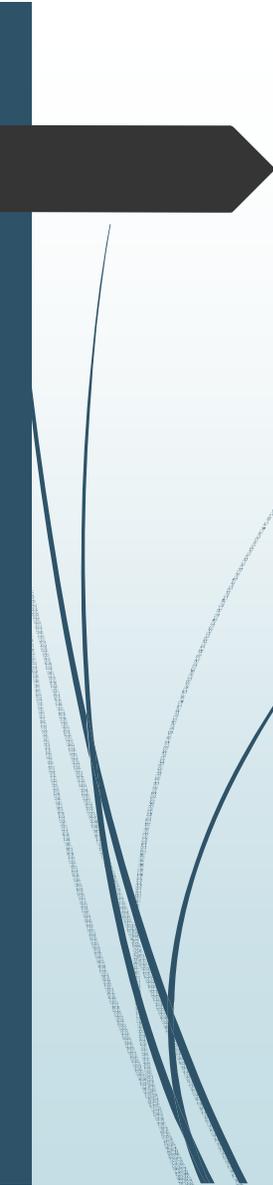
# Uniform Guidance – Changes to Audit Requirements

- Uniform Guidance replaced the term *vendor* with *contractor*.
  - Determination will now be made as to whether an entity is a sub-recipient or a contractor.
- The threshold for reporting known questioned costs is increased to \$25,000.
  - Known questioned costs must also be reported when likely questioned costs are greater than \$25,000.
- Audit findings must be reported in accordance with 2 CFR 200.516(a).  
Changes from section 510(a) of Circular A-133:
  - Both known and likely fraud affecting Federal awards are required to be reported in the Schedule of Findings and Questioned Costs, not just known fraud.
  - Significant instances of abuse related to major programs must be reported in the Schedule of Findings and Questioned Costs.



# Uniform Guidance – Changes to Audit Requirements

- The views of the responsible official must be included for all findings, not just those in which there is a disagreement.
  - Audited By SBOA
    - Corrective Action Plan Template, which is provided by SBOA, now includes a separate section for the views of the responsible officials.
  - Non-SBOA Audit
    - Must include views of responsible officials as a part of the Finding.
- The Summary Schedule of Prior Audit Findings must include both Section II and Section III findings.
  - Section II Finding – Financial Statement Finding
  - Section III Finding – Major Program Finding



## Uniform Guidance – Changes to Audit Requirements

- Sub-recipients will no longer be required to submit the audit report directly to pass-through entities or to notify pass-through entities that an audit was conducted and no findings were included in the report.
  - Search on Federal Audit Clearinghouse Website
    - <https://harvester.census.gov/facdissem/SearchA133.aspx>
  - Search on SBOA Website
    - <http://www.in.gov/sboa/resources/reports/audit/>
  - Contact Sub-recipient



## Uniform Guidance – Changes to Audit Requirements

- ▶ Both the auditor and auditee must make sure that their respective parts of the reporting package do not include protected personally identifiable information.
  - ▶ Auditors should ensure that findings do not include protected personally identifiable information.
    - ▶ This means an individual's first name or first initial and last name in combination with social security number, passport number, credit card numbers, clearances, bank numbers, biometrics, date and place of birth, mother's maiden name, etc.



➡ Questions??