

Uniform Guidance

New Federal Requirements
Auditor's Conference
October 2016

Uniform Guidance

- ☞ 2 CFR 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards
- ☞ Online at www.ecfr.gov
- ☞ 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

- ☞ 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

- ☞ **Subparts A - E:**
 - ☞ Effective for **new Federal Awards made on or after December 26, 2014.**
 - ☞ Requirements that grantees and subgrantees **must** follow.
 - ☞ Criteria used to determine compliance with requirements during an audit. Federal findings are based on these requirements.
 - ☞ 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

☞ **Subparts A - E:**

- ☞ The effective date of the Uniform Guidance for **subawards** is the **same as the effective date of the Federal award from which the subaward is made.** The requirements for a subaward, 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 subrecipients must notify the subrecipients of the effective date of the Federal award and which requirements apply.

☞ *The grant agreements should contain this information*

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 2015 for Counties.

Summary of Changes to Federal Schedule



☞ Schedule of Expenditures of Federal Award changes:

- ☞ Information that previously could have been presented in the Notes must now be presented on the face of the schedule:
 - ☞ Amounts provided to subrecipients
 - ☞ Amounts from loan and loan guarantee programs
 - ☞ Amounts of noncash awards (free rent, food commodities, donated property, and value of insurance)
- ☞ Must now include a total for each cluster of programs
- ☞ Notes must include whether or not the auditee elected to use the 10% de minimis indirect cost rate
- ☞ This information is already reported in Gateway (except 10% de minimis)

Summary of Changes to Audit Requirements



- ☞ Threshold for a Single Audit is \$750,000 (previously \$500,000)
- ☞ Calculation for determining Type A programs has changed and the minimum threshold is \$750,000 (previously \$300,000)
- ☞ Percentage of coverage is 20% for a low-risk auditee and 40% an auditee that does not qualify as low-risk (previously 25% and 50%)

Summary of Changes to Determine Low-Risk Auditee



☞ Low-risk auditee criteria changes:

- ☞ Uniform Guidance specifically states the DCF and reporting package for the two preceding periods must have been submitted on time to be low-risk.
- ☞ Must not have had a going concern paragraph in the IAR from the two previous periods to be low risk.
- ☞ Auditor's opinion on GAAP must be unmodified in two previous periods to be low risk. (Non-GAAP basis opinion only considered if required by law.)

Summary of Changes to Determine Major Programs



- ☞ Criteria to determine whether Type A programs are low risk has been changed and requires less auditor judgment.
 - ☞ The following will prevent a program from being low-risk:
 - ☞ Federal agency/Pass-through entity identified program as higher risk
 - ☞ Results of audit follow-up indicate higher risk
 - ☞ Changes in personnel or systems affecting the program indicate higher risk
 - ☞ The auditor is not permitted to use judgment based on the inherent risk of a Type A program.

Summary of Changes to Determine Major Programs



☞ In addition to the criteria evaluated for a Type A program, to be low-risk it must:

- ☞ Have been audited as a major program in at least one of the two most recent audit periods (most recent for biennial audits), and
- ☞ In the most recent audit period, must not have had:
 - ☞ Material weaknesses reported,
 - ☞ A modified opinion on the program,
 - ☞ Known or likely questioned costs that exceeded 5% of the total Federal awards expended for the program.

Summary of Changes to Audit Requirements



- ☞ Pass-through entities **must evaluate each subrecipient's risk of noncompliance** with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining appropriate subrecipient monitoring.
(This was not previously an explicit requirement in Circular A-133.)

Summary of Changes to Audit Requirements



- ☞ 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.

Summary of Changes to Audit Requirements



- ☞ Section III findings must now include a statement of cause which was previously only required for Section II findings and suggested for Section III findings.
- ☞ Section III findings must indicate if the finding is a repeat of a finding from the immediately prior year, and, if so, the related finding number.

Summary of Changes to Audit Requirements



- ☞ The Summary Schedule of Prior Audit Findings must include both Section II and Section III findings.

Summary of Changes to Audit Requirements



- ☞ Subrecipients 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.

Summary of 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.

Updates to SBOA Materials



- ☞ The following formats were updated for use on either A-133 or Uniform Guidance audits:
 - ☞ SEFA format produced from Gateway
 - ☞ Regulatory Notes
 - ☞ Corrective Action Plan template
 - ☞ Summary Schedule of Prior Audit Findings template

Data Collection Form



- ☞ DCF for Fiscal Periods Beginning on or after December 26, 2014 has been revised.
- ☞ For audits performed under the Uniform Guidance, copies of the DCF and reporting package (audit report) will be available for public inspection. *(previously only the DCF was available to the public, not the reporting package)*

Data Collection Form



- ☞ DCF for Fiscal Periods Beginning on or after December 26, 2014
- ☞ Part II changes:
 - ☞ Additional Award Identification
 - ☞ Cluster Information
 - ☞ Outstanding Loan Balance if Loan/Loan Guarantee
 - ☞ Name of Pass-through Entity
 - ☞ Pass-through Entity Identifying number
 - ☞ Amounts passed through to subrecipients

Data Collection Form



- ☞ Part III, Item 2 changes:
 - ☞ Opinion on GAAP basis or indication of special purpose framework.
 - ☞ Was special purpose framework required by law?
 - ☞ Opinion on special purpose framework.
- ☞ Part III, Item 4 changes:
 - ☞ Are findings repeated from prior year?
 - ☞ If so, provide prior year audit finding reference number.
- ☞ Part IV changes:
 - ☞ Auditees certification contains multiple items to certify.

Allowable Cost & Cost Principles



Cross Referencing

APPLIES TO FEDERAL AWARDS MADE PRIOR TO DECEMBER 26, 2014			After December 26, 2014
2 CFR Part 225 (OMB Circular A-87) State/Local	2 CFR Part 220 (OMB Circular A-21) Universities	2 CFR Part 230 (OMB Circular A-122) Non-Profit	2 CFR Part 200 (Uniform Guidance, Subpart E)
A. General Principles	A. Purpose and Scope	A. Basic Considerations	General Provisions
- Purpose and Scope	B. Definitions	B. Direct Costs	Basic Considerations
- Definitions	C. Basic Considerations	C. Indirect Costs	- Special Considerations
- Basic Guidelines	D. Allocation of Indirect Costs and Determination of Indirect Cost Rates	D. Direct Costs	Direct and Indirect (F&A) Costs
- Composition of Cost	E. Facilities and Administration Costs (F&A)	E. Negotiation and Approval of Indirect Cost Rates	- Appendix II Indirect (F&A) Costs Identification and Assignment, and Rate Determination for RE's
- Direct Costs	F. Identification and Assignment of F&A Costs	F. Determination and application of F&A cost rate or rates	- Appendix IV State/Local Government-wide, Central Service Cost Allocation Plans
- Indirect Costs	G. Determination and application of F&A cost rate or rates	H. Simplified method for small institutions	- Appendix V Public Assistance Cost Allocation Plans
- Required Certifications	I. Reserved	J. Select Items of Cost	- Appendix VII State and Local Government and Indian Tribe Indirect Cost Proposals
B. Public Assistance Cost Allocation Plans	J. Select Items of Cost	K. Certification of Charges	- Appendix IX Hospital Cost Principles
C. Cost Allocation Plans	K. Certification of Charges		Special Considerations for RE's
D. Indirect Cost Rate Proposals			General Provisions for Selected Items of Cost

Allowable Cost/Cost Principles Selected Items of Cost



Time and Effort Reporting

Selected Items of Cost - Exhibit 1						
Selected Cost Item	Uniform Guidance General Reference	Items of Cost Requiring Prior Approval	State, Local Government, Indian Tribes	Institutions of Higher Education	Nonprofit Organizations	Items of Cost NOT Found in the Same Across Non-Federal Entities
Commencement and convocation costs	§200.429		Not specifically addressed	Unallowable with exception	Not specifically addressed	X
Competition for personal services	§200.430	X (related to the salaries of administrative and clerical staff)	Allowable with restrictions. Special conditions apply (e.g., §306.430(c)(5))	Allowable with restrictions. Special conditions apply (e.g., §300.430(b))	Allowable with restrictions. Special conditions apply (e.g., §200.430(g))	X
Compensation - fringe benefits	§200.431	X (related to costs for RE's)	Allowable with restrictions	Allowable with restrictions. Special conditions apply	Allowable with restrictions	X
Conferences	§200.432		Allowable with restrictions	Allowable with restrictions	Allowable with restrictions	

Cash Management



- ☞ Grants and Cooperative Agreements:
 - ☞ All Non-Federal Entities
 - ☞ Must establish written procedures to implement the requirements of 2 CFR §200.305 to minimize the time elapsing between the transfer of funds and disbursement of funds
 - ☞ Non-Federal Entities Other Than States
 - ☞ Advance Payments:
 - ☞ Follow procedures to minimize the time elapsing between the transfer of funds from the US Treasury, or pass-through entity, and disbursement of funds
 - ☞ Interest earned in excess of \$500 must be submitted promptly, but at least quarterly, to Health and Human Services (HHS)
 - ☞ Reimbursement Basis:
 - ☞ Program costs must be paid by entity funds before reimbursement is requested
 - ☞ Must make payment within 30 calendar days after receipt of the billing

Indirect Costs



- ☞ Non-federal entities may receive a de minimis indirect cost rate of 10% of Modified Total Direct Costs (MTDC) if the non-federal entity never had a negotiated indirect cost rate
 - ☞ Received without any review of actual costs
 - ☞ De Minimis rate is allowable for use indefinitely
 - ☞ MTDC means all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and up to the first \$25,000 of each subaward (regardless of the period of performance of the subawards under the award)
 - ☞ MTDC excludes equipment, capital expenditures, charges for patient care, rental costs, tuition remission, scholarships and fellowships, participant support costs and the portion of each subaward in excess of \$25,000
 - ☞ Other items may only be excluded when necessary to avoid a serious inequity in the distribution of indirect costs, and with the approval of the cognizant agency for indirect costs

Equipment Management



- ☞ Equipment Management – Grants and Cooperative Agreements:
 - ☞ Non-Federal Entities Other Than States:
 - ☞ Equipment, including replacement equipment, be used in the program or project for which it was acquired as long as needed
 - ☞ Property records must be maintained
 - ☞ Physical inventory must be taken and results reconciled at least once every 2 years
 - ☞ Control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property
 - ☞ Adequate maintenance procedures must be developed to keep property in good condition
 - ☞ Proper sales procedures must be established to ensure the highest possible return if non-Federal entity is authorized or required to sell the property
 - ☞ Non-Federal entity must request disposition instructions from the Federal awarding agency if required by the terms and conditions of the award when original or replacement equipment acquired under a Federal award is no longer needed

Subrecipient Monitoring



- ☞ Pass-through entity must:
 - ☞ Identify the award and applicable requirements
 - ☞ The award as a subaward
 - ☞ All requirements imposed by the pass-through entity on the subrecipient
 - ☞ Any additional requirements that the pass-through entity imposes on the subrecipient in order for the pass-through entity to meet its own responsibility
 - ☞ Evaluate risk of noncompliance for each subrecipient for purposes of determining the appropriate subrecipient monitoring related to the subaward
 - ☞ 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
 - ☞ Monitoring of the subrecipient must include
 - ☞ Reviewing financial and programmatic reports required by the pass-through entity
 - ☞ Following-up and ensuring the subrecipient 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 subrecipients were audited that should have been audited
 - ☞ Ensuring accountability of for-profit subrecipients

Procurement



- ☞ Can choose to continue with previous standards for one year as long as it is documented in procurement policy (2 CFR 200.110)
 - ☞ Must have new standards in place for 2016
- ☞ 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)
 - ☞ 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

Exceptions and Additions to 2 CFR Part 200



- ☞ <https://cfo.gov/wp-content/uploads/2014/12/Agency-Exceptions.pdf>



Questions??