



The Ins and Outs of the Uniform Grant Guidance for Governments

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- Offices coast to coast
- 600 state and local government professionals serve more than 1,700 local, county, and state government agencies.



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Speaker Introductions



- **Rebecca Field, CPA, CISA, CRISC**

A manager in our nonprofit practice, Rebecca has eleven years of public accounting experience and works with a variety of nonprofit organizations, specializing in single audits and the related regulations and requirements.



- **Andrew Laflin, CPA**

A principal within the State and Local Government Practice, Andrew has more than 12 years of public accounting experience. He has performed audits in accordance with OMB Circular A-133 and the Florida Single Audit Act and in accordance with the provisions of the Passenger Facility Charge Guide for Public Agencies.

Learning Objectives

Understand the basic background and overview of the Uniform Grant Guidance (UGG)

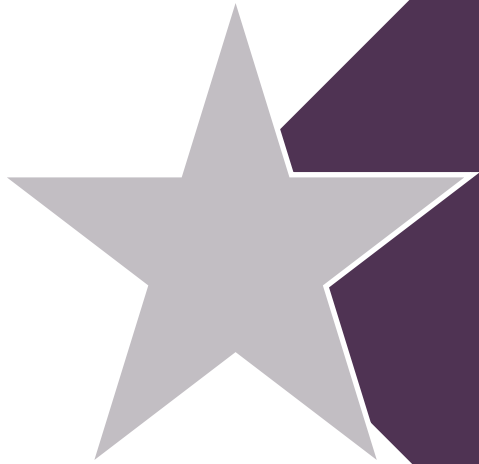
Understand how the UGG and 2015 Compliance Supplement changes will impact your 2015 fiscal year end single audit

Have a working knowledge of the key changes to the administrative requirements under the UGG

Understand how your auditor's will test your grants that are under the UGG



Uniform Guidance



The Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards – referred to as the “Omni Circular” or “Super Circular”



Consolidated and streamlines eight previous federal regulations into comprehensive guidance codified at 2 CFR Part 200 (Subparts A – F)



Uniform Guidance

Previous Guidance:

A-21, A-87, A-122 Cost Circulars

A-133 Single Audit Guidance

A-89 Catalog of Federal Domestic Assistance

A-102, A-110 Uniform Administrative Requirements

A-50 Audit Followup

New Guidance:

Subpart A – Acronyms and 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



Objectives of the Uniform Guidance

Eliminate duplication and conflicting guidance

Focus on performance over compliance for accountability

Encourage efficient use of IT and shared services

Provide for consistent and transparent treatment of costs

Limit allowable costs to make best use of federal funds

Set standard business processes using data definitions

Encourage non-federal entities to have family-friendly policies

Strengthen oversight

Target audit requirements on risk of waste, fraud, and abuse



Effective Dates

New awards made after 12/26/14

Incremental funding after 12/26/14
that are opportunities to change
award terms and conditions



Effective Dates

Existing federal awards will continue to be governed by the terms and conditions of the federal award

Incremental funding that are subject to the Uniform Guidance, non-Federal entities are not obligated to segregate or otherwise track old funds and new funds but may do so at their discretion.

Effective Dates

Next few years will be “transition years” – will have grants governed by old guidance and some by new guidance

Non-Federal entities with both old and new awards may make changes to their entity-wide policies (for example to payroll or procurement systems)

Non-Federal entities wishing to implement entity-wide system changes to comply with the Uniform Guidance after the effective date of December 26, 2014 will not be penalized for doing so, regardless of if they have new awards



Impact on Subawards

The effective date of the UG 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

Effective Dates – Single Audits

Subpart F, Audit Requirements, will apply to audits of the fiscal years of non-federal entities that begin on or after December 26, 2014.

- December 31, 2015, June 30, 2016, September 30, 2016

Early implementation is not allowed.





Uniform Guidance Implications on Single Audits performed under A-133

Impact on Audits

March 31, 2015,
June 30, 2015,
September 30, 2015
year-ends



Impact on Audits

Non-federal entities will have to adopt new administrative requirements and cost principles relating to all new federal awards

UG applies to funding increments to existing awards in cases where the federal agency considers the funding increments to be an opportunity to modify the terms and conditions of the award.

Existing federal awards that do not receive incremental funding with new terms and conditions will continue to be governed by the terms and conditions of the federal award.

Auditing Through the Transition

Effective date to be challenging for compliance testing

Will likely have to test some awards subject to the “old” requirements and some the “new” requirements

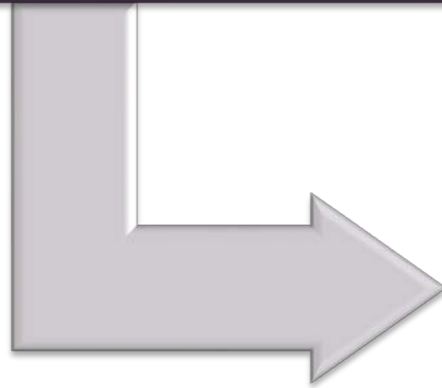
Likely to take several years for “old” funding to run out

Challenge related to funds received by subrecipients from pass-through entities



Impact on Audits

Single audit requirements continue to use “old” regulation (i.e. audit under A-133)



2015 OMB Compliance Supplement will be key

2015 Compliance Supplement Updates

Issued in June 2015, effective for 6/30 year ends and after

Part 3, *Compliance Requirements*, no longer includes sections D - Davis-Bacon Act and K - Real Property Acquisition and Relocation Assistance.

- These compliance requirements may still be included in N – special provisions

Subaward reporting requirements under the Federal Funding Accountability and Transparency Act (FFATA) have been deleted from section L – Reporting

- Organization may still be required to report, auditor's just not required to test



2015 Compliance Supplement

To address the transitional situation, a new section is included in Part 3 of the 2015 Supplement.

Part 3.1, which is the previous Part 3 from the 2014 Supplement updated for normal annual changes, applies to federal awards subject to the "old" rules.

The new Part 3.2 applies to compliance testing of new federal awards and incremental funding made on or after December 26, 2014.



2015 Compliance Supplement Updates

Part 3, Compliance Requirements, changes “Period of Availability” to “Period of Performance” in Part 3.2

Changes testing for grants under the Uniform Grant Guidance

For those grants under UGG that began during the fiscal year, sample of transactions near beginning of grant will be tested

For those grants under UGG that ended during the fiscal year, sample of transaction near end of grant will be tested



Areas with Significant Changes

Understand New Administrative and Cost Principle Requirements for those under UGG

Internal Controls

Procurement

Subrecipient Monitoring

Indirect Costs

Time and Effort

Direct Costs





Internal Controls

Internal Controls

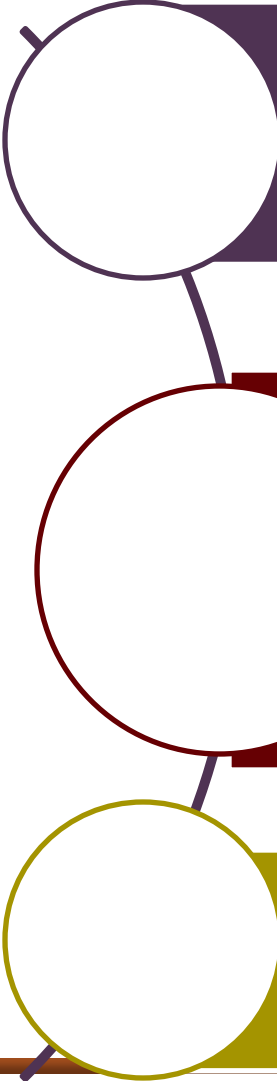
Requirements are highlighted in Uniform Guidance as extremely important

Moved from Audit Requirement in A-133 to Post Federal Award Requirements Subpart D in Uniform Guidance

Organizations must establish and maintain effective internal controls over federal awards to provide reasonable assurance that awards are being managed in compliance with laws and regulations.



Internal Controls



Non-federal entities will need to exercise judgment in determining the most appropriate and cost effective internal control in a given circumstance

Internal Control Framework issued by the Committee on Sponsoring Organizations (COSO) and the Standards for Internal Control in the Federal Government (Green Book) issued by the Comptroller General are best practices

Reasonable measures to safeguard protected personally identifiable information & other sensitive information



Internal Controls – Audit Implications

Review procedures to determine if proper internal controls are in place

Auditor's will test internal control over compliance, as well as compliance

Complete CLA's "Program Understanding and Internal Control Workbook" to document compliance and internal controls over compliance.





Procurement

Procurement

Expanded from current administrative requirements

Competition is stressed
(1 paragraph to 1 page)



Procurement

Grace period of one full fiscal year that begins on or after 12/26/14

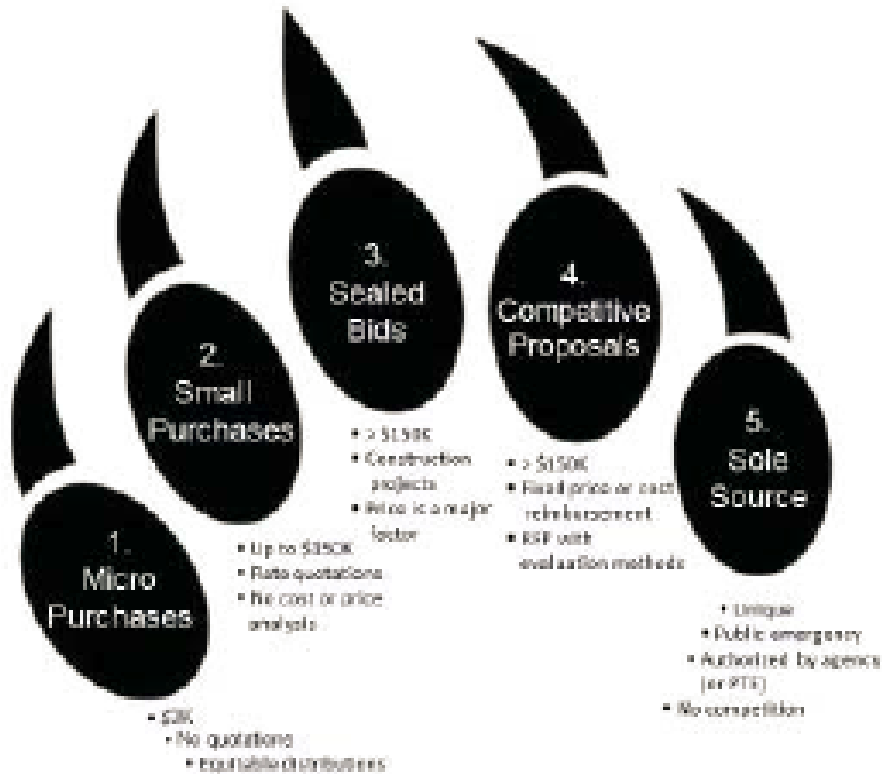
Must document whether it is in compliance with the old or new standard, and must meet the documented standard.

December 31st year end would be year ending 12/31/15,
June 30th year end would be year ending 6/30/16,
September 30th would be 9/30/16, etc.



Procurement “Claw”

Procurement “Claw” (Section 200.320)



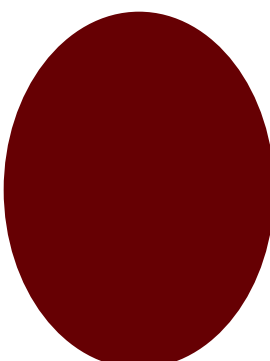
1. Micro-Purchase
 - < \$3,000
 - No quotations
 - Equitable distributions
2. Small Purchases
 - Up to \$150,000
 - Rate quotations
 - No cost or price analysis
3. Sealed Bids
 - > \$150,000
 - Construction projects
 - Price is a major factor
4. Competitive Proposals
 - > \$150,000
 - RFP with evaluation methods
5. Sole Source
 - Unique
 - Public emergency
 - Authorized by agency or PTE
 - No competition

Procurement

Organizations Must:



Have written Procurement Policies



Take all necessary affirmative steps to assure that minority businesses, women's business enterprises, and labor surplus area firms are used when possible (not just "positive efforts.. whenever possible")



Engage in full and open competition

Procurement


Organizations Must:



Ask for representations regarding actual or potential conflicts of interest



Perform a cost or price analysis when purchase in excess of Simplified Acquisition Threshold



Keep Procurement records that sufficiently detail the history of all procurements, not just those over small purchase threshold

Procurement

Review by awarding agency or pass-through entity

Can be during procurement or afterwards

Non-federal entities can self-certify that they are meeting requirements of UGG

Will reduce chance of awarding agency requesting records

Procurement – Audit Implications

Ensure that your organization has documented which regulations it is following

Review your procurement policy to ensure it is documented and has required information

Auditor's will review your procurement policy as well as test a sample of procurements against appropriate regulation



Subrecipient Monitoring

Subrecipient Monitoring

Guidance defines sub-recipient vs. contractor

New Guidance places more responsibility on pass-through entity

Subaward must contain specific information as outlined in UGG



Subrecipient Monitoring

Pass-through entities must evaluate each subrecipient's risk of noncompliance

prior
experience

results of
previous
audits

new
personnel or
new or
substantially
changed
systems

extent and
results of
Federal
awarding
agency
monitoring



Subrecipient Monitoring

Risk Assessment
must be
documented.

Utilize CLA's tool:

“Subrecipient Risk Assessment Matrix”

<http://claconnect.com/Nonprofit/Uniform-Grant-Guidance-Workbook-Subrecipient-Risk-Assessment.aspx>



Subrecipient Monitoring

Pass-through entities must monitor activities of the subrecipient:

Reviewing financial and programmatic reports

Verify that audit is being performed (if necessary) and following up on audit findings and deficiencies

Issuing management decision on audit findings

Subrecipient Monitoring

Additional monitoring tools that may be used depending on risk assessment of sub-recipient:

Providing training and technical assistance

On-site reviews of program operations

Arranging for agreed upon procedures

Subrecipient Monitoring – Audit Implications

Auditor's will test sample of subrecipients .

For those under UGG will ensure that:

- Risk assessment of subrecipient documented
- Subaward contained required data
- Proper monitoring was performed





Indirect Costs

Indirect Costs

Federal agencies must accept negotiated indirect cost rates

Pass-through entities are required to honor an organization's negotiated indirect cost rate or negotiate a rate

Organization's that are receiving direct funding and do not have a negotiated rate may need to negotiate an indirect cost rate or use the de minimus rate

Organizations will have up to 3 months after the effective date of their next grant to submit a proposal for a negotiated rate



Indirect Costs

Automatic Extension

Entities with an approved federally negotiated indirect cost rate can now apply for a one-time extension of up to four years without further negotiation.

Can only use one-time extension if there have been no major changes to indirect costs and approval from the cognizant agency is received

If approved, entity may not request a review of the rate until extension period is up



Indirect Costs


De Minimus Rate

Non-federal entities that have never had a negotiated indirect cost rate may use a de minimus rate of 10 percent of modified total direct costs.

Must use consistently on all awards until rate is negotiated, which entity may do at any time

Indirect Costs – Audit Implications

Auditor's will review agreements to determine whether a negotiated indirect cost rate was used or the de minimus rate



Test sample of indirect cost charges during the year to ensure proper rate was used



Time and Effort Reporting

Time and Effort Reporting

Final guidance allows for alternatives to the current reporting requirements

Guidance is less prescriptive on documentation and places more emphasis on internal control

Changes made by OMB aimed at reducing the administrative burden of documenting time and effort



Time and Effort Reporting

Review of current requirements under A-87:

- Based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official(s) of the governmental unit
- No further documentation is required for the salaries and wages of employees who work in a single indirect cost activity
- Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi annually and signed by the employee or supervisory official



Time and Effort Reporting

Review of current requirements under A-87:

- Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards:
 - (a) They must reflect an after the fact distribution of the actual activity of each employee,
 - (b) They must account for the total activity for which each employee is compensated,
 - (c) They must be prepared at least monthly and must coincide with one or more pay periods, and
 - (d) They must be signed by the employee.



Time and Effort Reporting

Review of current requirements under A-87:

(e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that:

(i) The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed;

(ii) At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and

(iii) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances.



Time and Effort Reporting

Charges must be based on records that accurately reflect the work performed and must:

Be supported by a system of internal controls which provides reasonable assurance that the charges are accurate, allowable and properly allocated

Reasonably reflect the total activity for which the employee is compensated by the non-federal entity, not exceeding 100% of compensated activities

Comply with the established accounting policies and practices of the non-federal entity

Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one federal award



Time and Effort Reporting

Budget estimates may be used for interim accounting purposes, provided that:


System for estimating must produce reasonable approximations of activity actually performed;

Significant changes in work activity (as defined in written policies) are identified and entered into records timely.

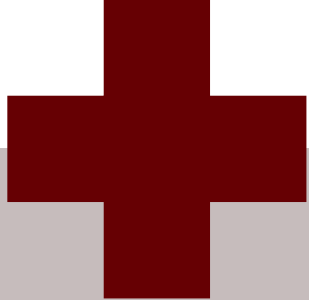
There is a process to review the charges made based on budget and adjustments after the fact so that “the final amount charged to the Federal award is accurate, allowable, and properly allocated.”



Time and Effort Reporting



When records do not meet the standards, federal government may require personnel activity reports, including prescribed certifications, or equivalent documentation



Organizations need to determine what is appropriate for each employee working on federal awards – not all individuals working on federal grants have the same situation

Time and Effort – Audit Implications

Auditor's will test sample of payroll disbursements against the appropriate regulation

May be testing against both regulations (UGG and A-122 for example), depending on how your grant(s) are structured – i.e. multi-year





Direct Costs

Materials and Supplies



Definition of supplies — If the acquisition cost of computer equipment is lesser of capitalization policy or \$5,000 (regardless of the length of the device's useful life), it should be considered a supply.

Computer equipment can be charged as direct costs if they are essential and allocable, but not solely dedicated, to the performance of a federal award.



Administrative Salary Direct Costs

Administrative and clerical staff salaries are normally treated as indirect costs, but direct charging may be appropriate if:

The services are integral to a project or activity

Individuals involved can be specifically identified with the project or activity

Costs are explicitly included in the budget or have prior written approval of the awarding agency

The costs are not also recovered as indirect costs

Direct Costs– Audit Implications

Test sample of cash disbursements against the appropriate regulation

May be testing against both regulations (UGG and A-122 for example), depending on how your grant(s) are structured – i.e. multi-year

Impact on Audits

December 31, 2015,
year-ends will be
audited under UGG



High Level Changes

Single Audit Threshold from
\$500,000 to \$750,000

Type A Threshold Increased from
\$300,000 to \$750,000

Type B Threshold increased from
\$100,000 to \$187,500

Percentage of coverage rule
decreased (25% to 20% for low-risk, 50% to
40% for regular auditees)





Fiscal Year 2015 Audit Planning

Understanding of Awards

Understand the Nature of your Federal Awards

Meet early on with auditors to discuss nature of federal awards expended and how you have prepared for the UG and any changes implemented

Determining whether there will be testing against “old” or “new” requirements, or both

Other Implications on Audits

Separate or additional auditing procedures and sampling will not need to be performed due to the UGG

Auditor's will apply the same sampling technique and test under the proper applicable guidance. (i.e. A-122 or UGG for allowable costs, etc.)



Other Implications on Audits

Auditees may change or update internal controls due to UG which could require more auditor work in initial years

When auditor's are documenting and reporting compliance findings, they need to consider effective dates of the UG and use the right criteria in describing the finding

Overall audit testing may increase due to the transitional issues previously described

Auditees may not have adequately planned to implement the new requirements which could lead to additional audit findings



Client/Auditor Discussions

Auditees may have heard that audit burden/fees should be reduced with the new UG

Be prepared to discuss the following with clients or auditors:

Why engagements may be more complex (e.g., transitional auditing, new requirements, updated internal control, etc.)

Potential increase in hours

Potential increase in findings

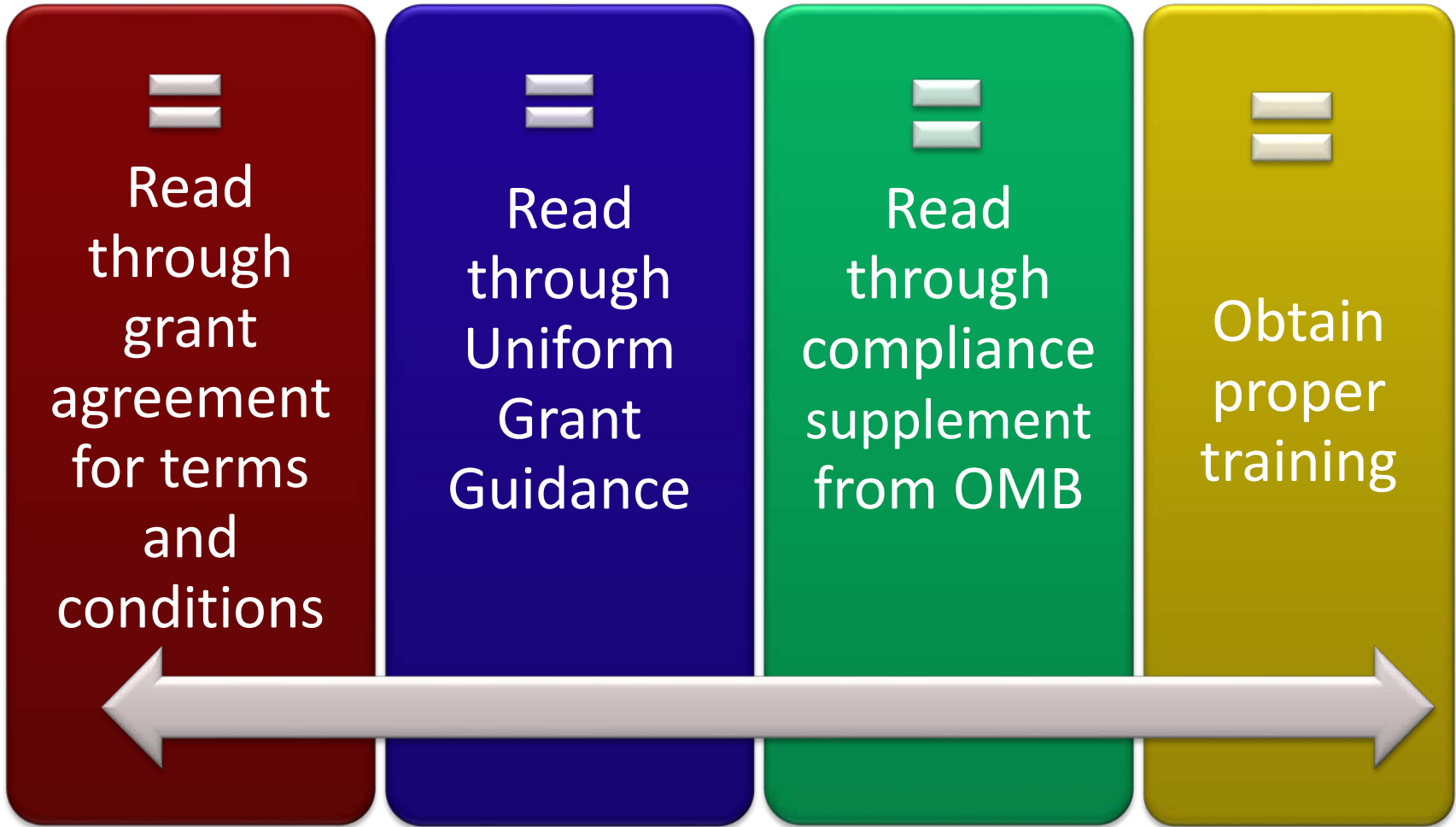


Grants Management Best Practices under the Uniform Guidance

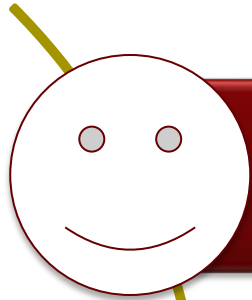
Grant Compliance



Grants Compliance



Documentation of Compliance



Document compliance requirements



Document proper internal controls over compliance



CLA's "Program Understanding and Internal Control Workbook" for each grant agreement



Resources

CLA Resources

Implementation Checklist

- <http://claconnect.com/Nonprofit/Uniform-Grant-Guidance-Implementation-Checklist.aspx>

Subrecipient Risk Assessment Matrix

- <http://claconnect.com/Nonprofit/Uniform-Grant-Guidance-Workbook-Subrecipient-Risk-Assessment.aspx>

Webinar on UGG

- Slides - <http://claconnect.com/Nonprofit/the-impact-of-the-omb-omni-circular.aspx>
- Webinar - <http://claconnect.com/webinar-recording-impact-of-ombs-omni-circular-webinar-on-your-organization.aspx>



CLA Resources for our Clients

High-level Article on UGG

- <http://claconnect.com/Nonprofit/OMB-Super-Circular-Streamlines-Federal-Grant-Making-and-Audits.aspx>

Article on UGG and International Activities

- <http://www.claconnect.com/Nonprofit/OMB-Uniform-Grant-Guidance-Brings-New-Rules-for-International-Entities.aspx>

Personal Services and Fringe Benefits Whitepapers

- Higher Ed - <http://claconnect.com/Higher-Education/Uniform-Guidance-on-Personal-Services-and-Fringe-Benefits.aspx>
- Nonprofit - <http://www.claconnect.com/Nonprofit/Uniform-Federal-Grant-Guidance-Nonprofits-Personal-Services-and-Fringe-Benefits.aspx>
- State and Local Government - <http://www.claconnect.com/State-and-Local-Government/Uniform-Federal-Grant-Guidance-Personal-Services-and-Fringe-Benefits.aspx>



Helpful Websites

OMB (Office of Management and Budget) – <https://www.whitehouse.gov/omb/grants>

- **Uniform Grant Guidance**
- **Various Uniform Guidance Crosswalk Documents**

Council on Financial Assistance Reform – <https://cfo.gov/cofar>

- **Uniform Grant Guidance Links**
- **Frequently Asked Questions Documents**
- **Uniform Guidance Training Webcasts**
- **COFAR Mailing List - Sign up to register for COFAR Mailing List to receive future announcements, information on upcoming webcasts, and other COFAR resources**

COSO – <http://www.coso.org>

- **Internal control framework and resources**



Services CLA Can Provide

In-person training on the Uniform Guidance and how it will affect the organization

Readiness Assessment reports that review the current status of the organization and what steps need to be taken to be in compliance with the Uniform Guidance

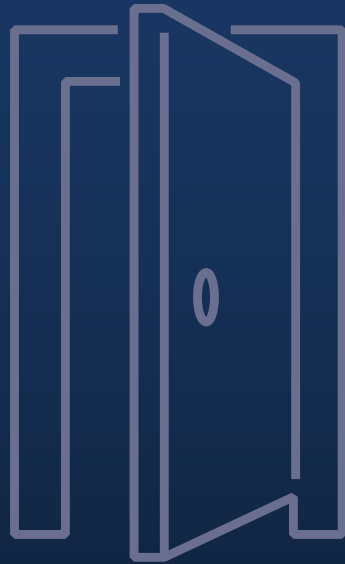
Assisting in documenting or revising procedures and policies to be in compliance with the Uniform Guidance

Other Grant Compliance consulting and assessment, including review of grant agreements, related guidance, and organizational procedures.

Questions



Thank you!



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