



Impact of the Uniform Grant Guidance on Higher Educational Institutions

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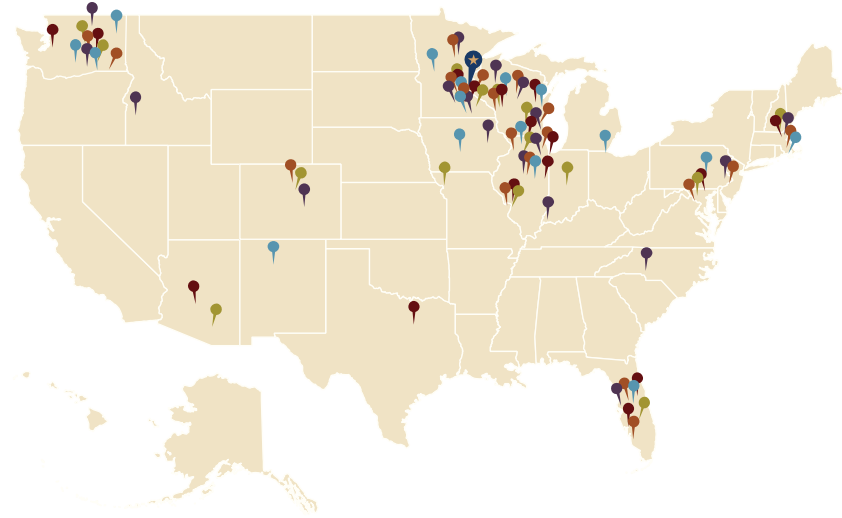
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- 3,600 employees
- Offices coast to coast
- With more than 50 years of experience in the nonprofit sector, we have one of the largest nonprofit practices in the country



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Speaker Introduction



Rebecca Field, CPA, CISA, CRISC

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



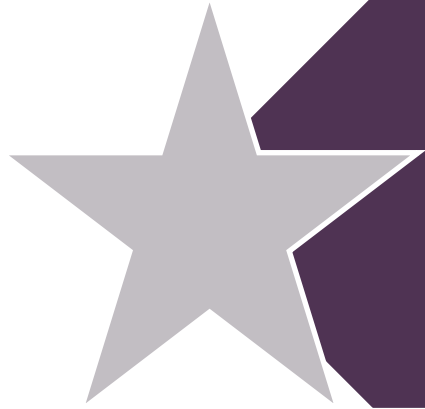
Learning Objectives

- Understand the overview
- Understand the effectiveness dates
- Understand the key changes
- Understand the impact on single audits
- Review grants management best practices

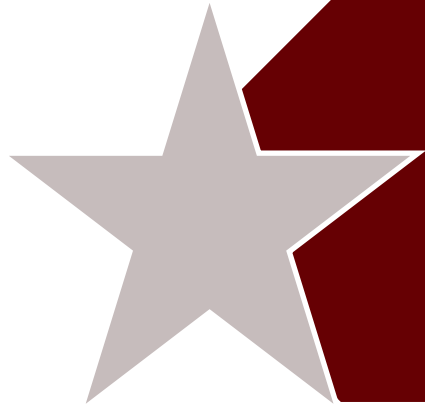


Overview of the Uniform Guidance

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 Follow-up

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

Effective Dates

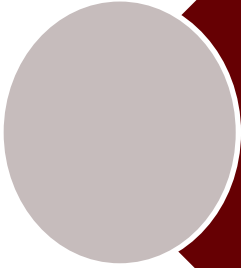
New awards made after 12/26/14

Incremental funding actions 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 actions 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

2015 will be “transition year” – will have grants governed by old guidance and some by new guidance

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

Organizations 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

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.

Early implementation is not allowed.

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



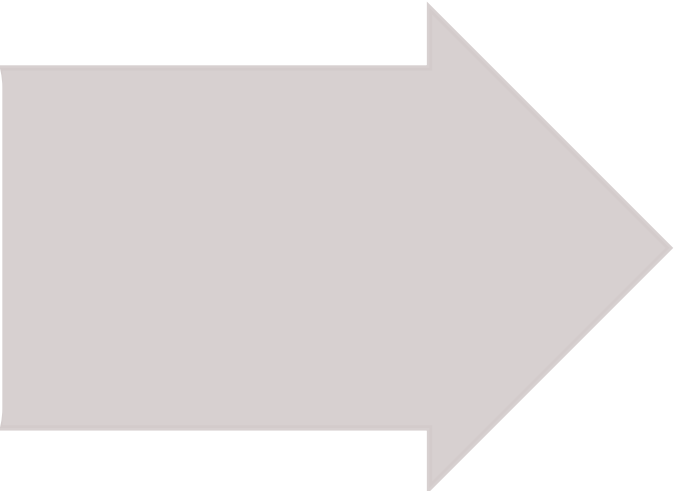
Uniform Guidance Key Changes

Procurement

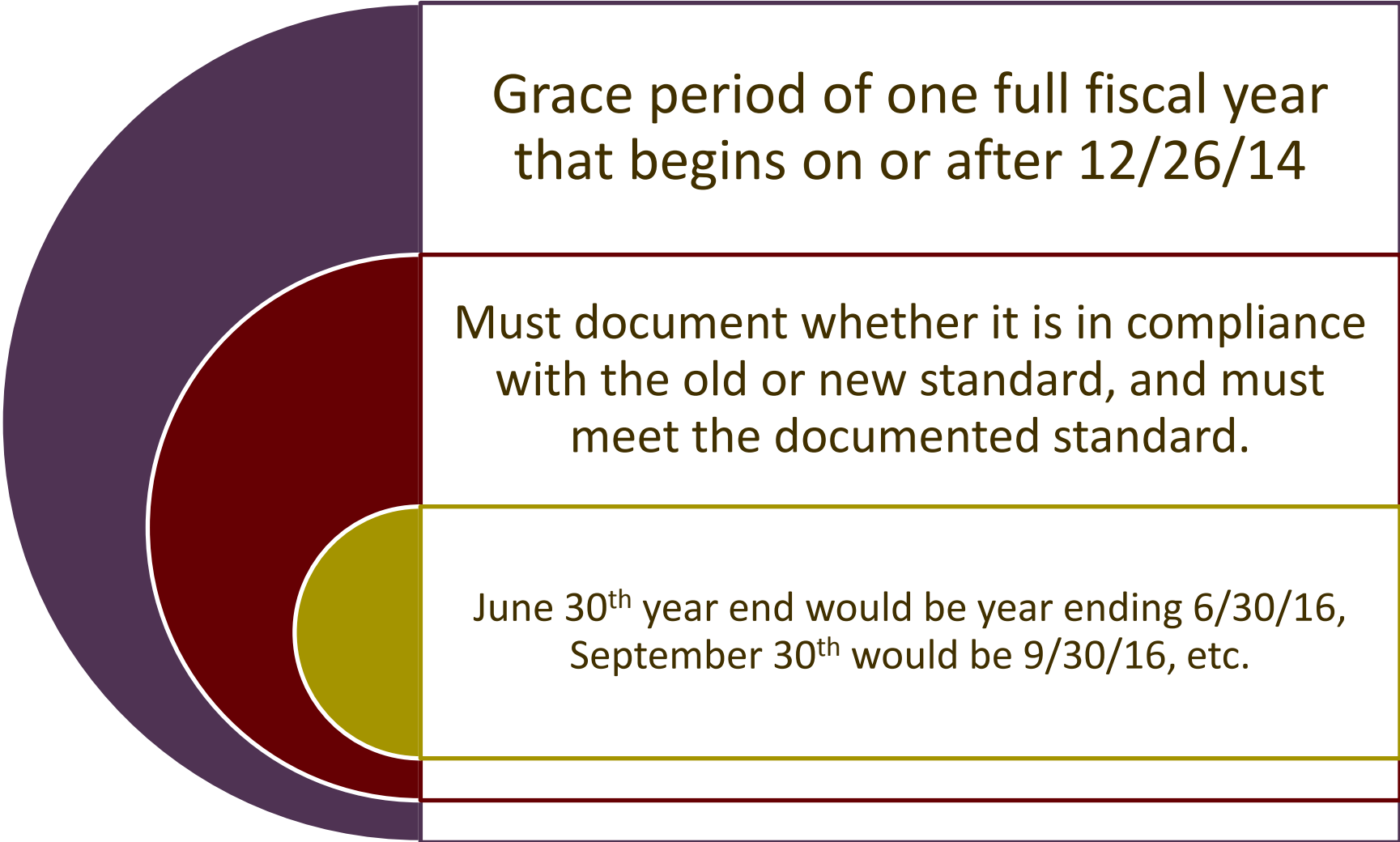
Expanded from current administrative requirements



Competition is stressed
(1 paragraph to 1 page)



Procurement



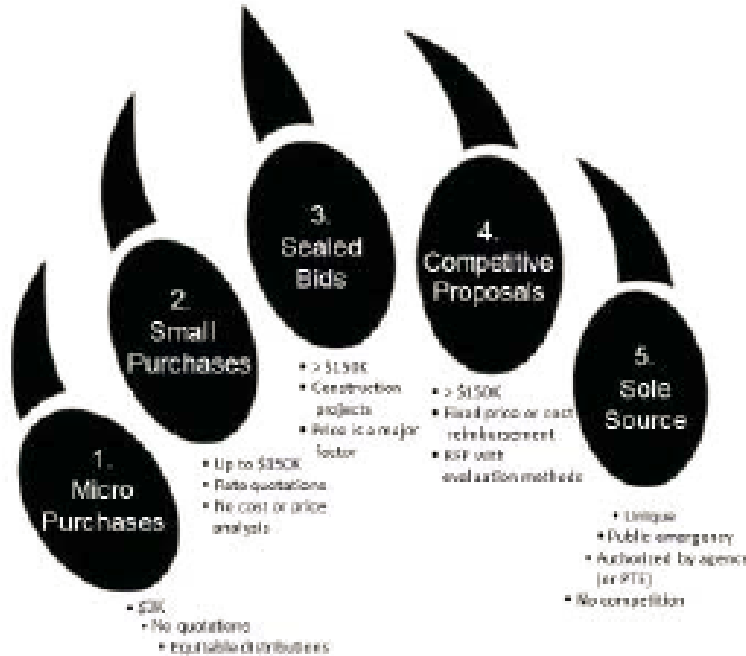
Grace period of one full fiscal year that begins on or after 12/26/14

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

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 “Claw”

Procurement “Claw” (Sections 200.317-326)



General Standards

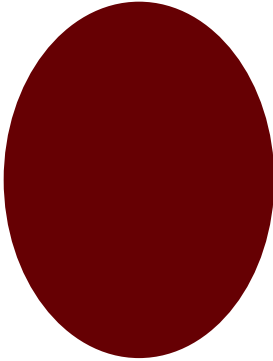
- Documented Policies
- Necessary
- Full & Open Competition
- Conflict of Interest
- Documentation
 - Cost & Price Analysis
 - Vendor Selection

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 must be maintained sufficiently to 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



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.

Use 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

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 will need to negotiate an indirect cost rate or can 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

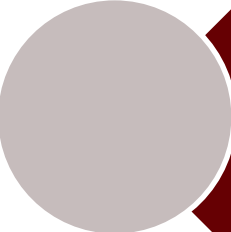
Indirect Costs

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

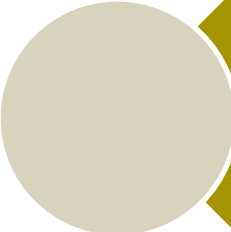
Participant Support Costs



This includes stipends or subsistence allowances, travel allowances and registration fees paid to or on behalf of participants or trainees (but not employees) in connection with conferences or training projects.

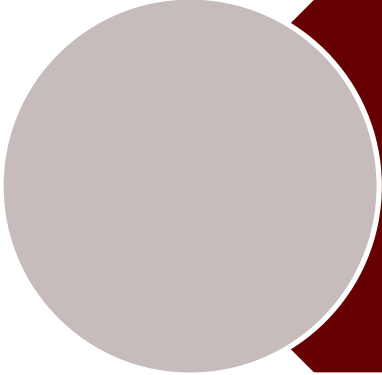


After UG implementation, participant support costs are allowable with agency prior approval.




Participant support costs are not routinely allowed on research projects but can be charged if the project includes an education or outreach component and the agency approves such costs.

Participant Support Costs



These costs should be explicitly listed in the proposal budget or approved by the funding agency after the award is made.



These costs were previously subject to Indirect Cost but are now an excluded category and therefore should **NO LONGER** be included in the Base when calculating the indirect cost for proposal budgets.

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

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.

Must be 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

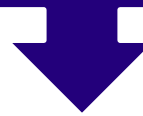
Because practices vary as to the activity constituting a full workload (for IHEs, IBS), records may reflect categories of activities expressed as a percentage distribution of total activities



It is recognized that teaching, research, service, and administration are often inextricably intermingled in an academic setting.




When recording salaries and wages charged to Federal awards for IHEs, a precise assessment of factors that contribute to costs is therefore not always feasible, nor is it expected.



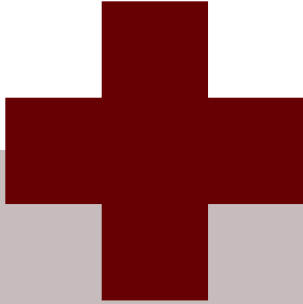
Key to compliance is to have a documented policy that defines IBS, defines any organizations considered to be subsidiaries of the organization, and defines what is considered a significant change in work activities



Time and Effort Reporting



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



Need to determine what is appropriate for your employees working on federal awards – not all individuals working on federal grants have the same situation

Time and Effort –Allowable Activities

Charges to federal awards may include reasonable amounts for activities contributing and directly related (A-21 states “intimately related”) to work under an agreement, such as:

delivering special lectures

writing reports and articles,

developing and maintaining protocols (human, animals, etc.)

managing substances/ chemicals

managing and securing project-specific data

coordinating research subjects

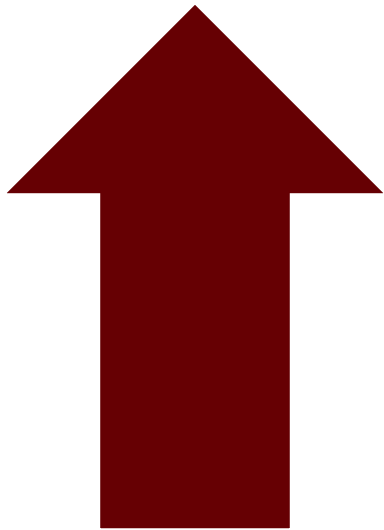
Participating in appropriate seminars,

consulting with colleagues and graduate students

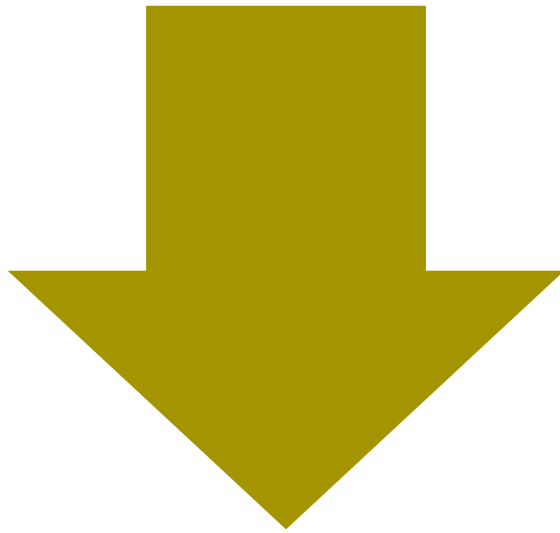
and attending meetings and conferences



Time and Effort – Incidental Activities



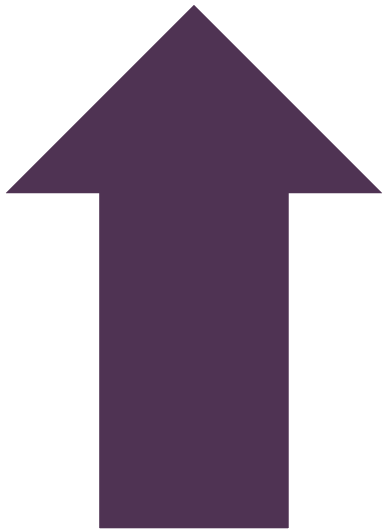
Incidental activities for which supplemental compensation is allowable under written institutional policy do not need to be included in the records to directly charge payments of incidental activities.



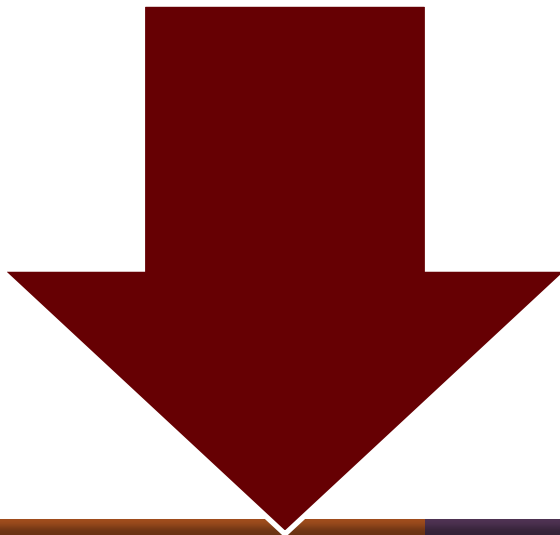
New to the Uniform Guidance

- Such activities must either be specifically provided for in the federal award budget or receive prior written approval by the federal awarding agency.

Time and Effort – Faculty Salary Basis



Unless there is prior approval by the federal awarding agency, charges of a faculty member's salary to a federal award must not exceed the proportionate share of the IBS for the period during which the faculty member worked on the award.



New to the Uniform Guidance

- The new guidance also allows for charging of a faculty member's salary exceeding the proportionate share of the IBS only if there is prior approval by the federal awarding agency. By contrast, the old guidance stated that "in no event" is it allowable.

Time and Effort – Extra Service Pay

A-21 did not address

Non-faculty full-time professional personnel may also earn “extra service pay” in accordance with the non-Federal entity's written policy and consistent with the allowable activities paragraph

Extra service pay normally represents overload compensation, subject to institutional compensation policies for services above and beyond IBS.



Time and Effort – Extra Service Pay

It is allowable if all of the following conditions are met:

The nonfederal entity establishes consistent written policies which apply uniformly to all faculty members, not just those working on federal awards.

The nonfederal entity establishes a consistent written definition of work covered by IBS

The supplementation amount paid is equal with the IBS rate of pay and the amount of additional work performed.

The salaries fall within the salary structure and pay ranges established by and documented in writing or otherwise applicable to the nonfederal entity.

The total salaries charged to federal awards including extra service pay are subject to the standards of documentation



Time and Effort Reporting – IHE Specific

- Areas specific to institution of higher education that did not change between A-21 and the UGG:
 - Intra-institution of higher education (IHE) consulting
 - Periods outside the academic year
 - Part-time faculty
 - Sabbatical leave costs
- Article *Uniform Grant Guidance for Higher Educational Institutions: Personal Services and Fringe Benefits*
<http://www.claconnect.com/Higher-Education/Uniform-Guidance-on-Personal-Services-and-Fringe-Benefits.aspx>



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.



Materials and Supplies

If there is a residual inventory of unused supplies exceeding \$5,000 which are not needed for any other federal award, the non-federal entity must retain the supplies for use on other activities or sell them.

In either case, the federal government must be compensated for its share

IHE's should have policies or procedures in place ensuring compliance

In cases where a campus does not have sufficient procedures for identifying potential inventory at closeout, close out procedures should be strengthened to ensure compliance.

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



Uniform Guidance Implications on Single Audits

Impact on Audits



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



Auditing Through the Transition

Effective date will be key for proper compliance testing

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

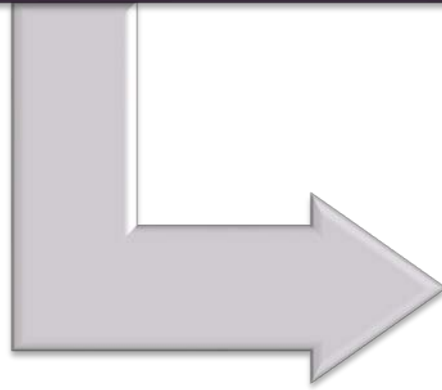
Likely to take several years for “old” funding to run out

Challenge related to fund receive 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

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



Subaward reporting requirements under the Federal Funding Accountability and Transparency Act (FFATA) have been deleted from section L - Reporting so it will no longer be a compliance requirement to be tested by auditors.

Key Planning Considerations

Understand the Nature of Federal Awards

Meet early on with auditors to discuss nature of federal awards expended

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



Impact on Audits

December 31, 2015
and after year-ends

Single Audits

Increased threshold for an A-133 audit

- From \$500,000 to \$750,000

Increased Type A threshold

- A new table simplifies the Type A / Type B determination. For those organizations with federal expenditures below \$25 million, the threshold is increased from \$300,000 to \$750,000

Increased Type B threshold

- Programs that exceed 25% of the Type A threshold. For orgs with federal expenditures below \$25 million, threshold increased from \$100,000 to \$187,500



Single Audits

High Risk A criteria

- Material weakness in I/C (was any control deficiency finding)
- Modified opinion on the program
- Known or likely questioned costs that exceed 5% of total program expenditures

High Risk Bs to be tested

- Auditor not required to identify more than at least $\frac{1}{4}$ the number of low-risk Type A.
- No longer have two options to choose from



Single Audits

Low-Risk Auditee Criteria

- Now includes that auditors report did not include a going concern
- Unmodified opinion on a major program

Percentage of coverage rule

- 25 percent to 20 percent for low-risk auditees
- 50 percent to 40 percent for all others

Questioned costs reporting

- Increases the threshold for reporting known or likely questioned costs from \$10,000 to \$25,000
- Requires more detailed information to be reported



Client/Auditor Discussions

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

Be prepared to discuss the following with 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



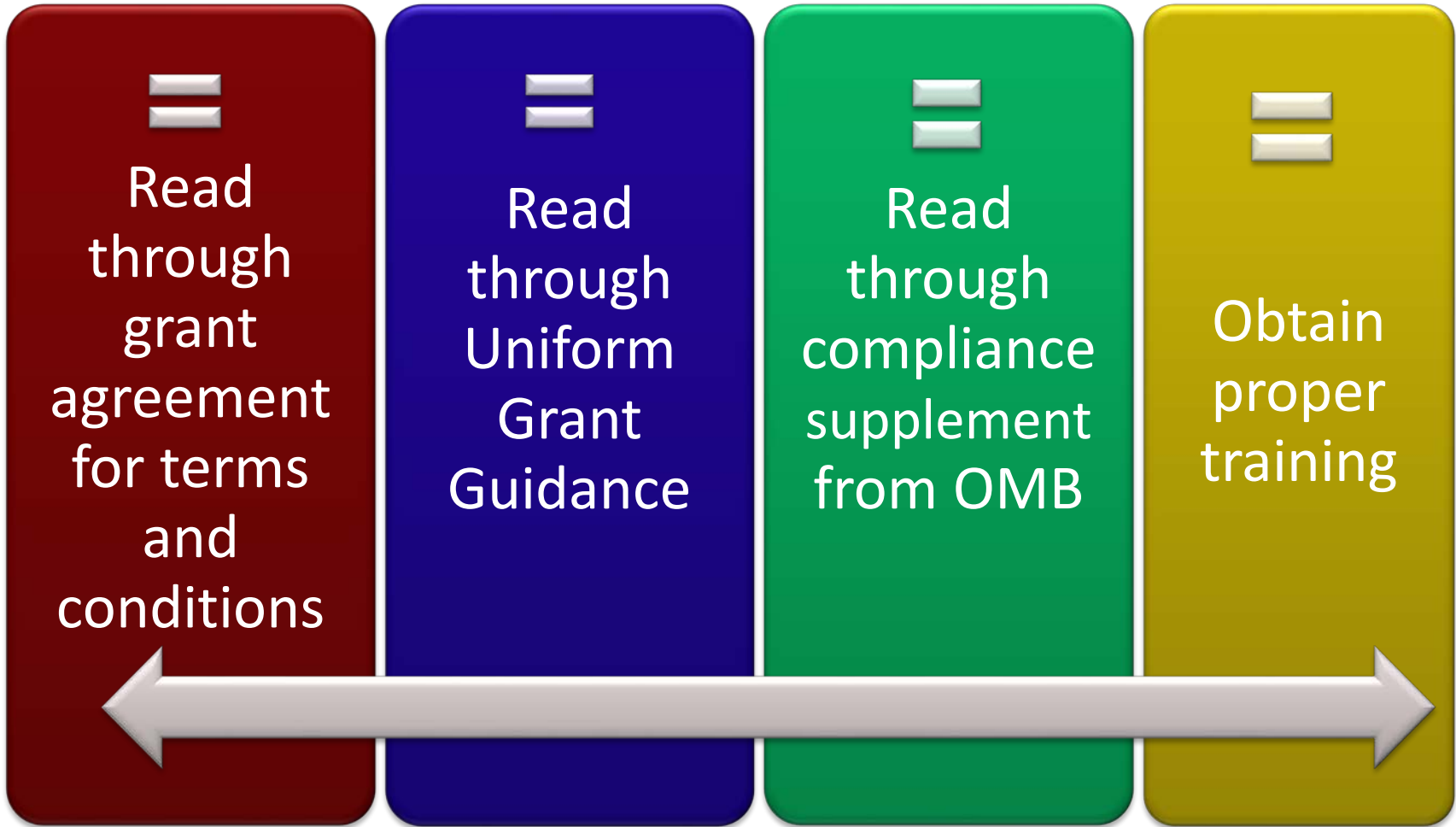


Grants Management Best Practices under the Uniform Guidance

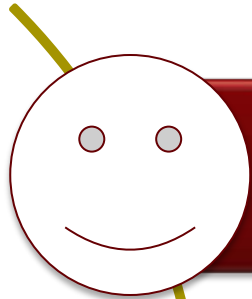
Grant Compliance



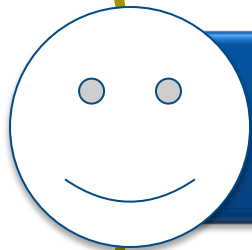
Grants Compliance



Documentation of Compliance



Document compliance requirements



Document proper internal controls over compliance

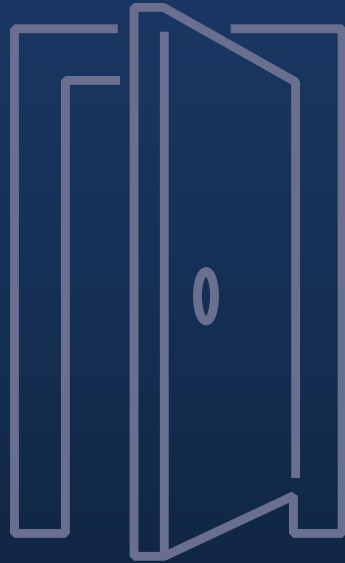


CLA's "Program Understanding and Internal Control Workbook" for each grant agreement

Questions



Thank you!



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