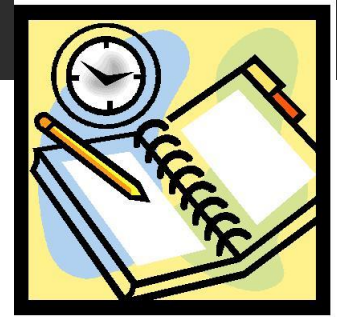


# OMB's Uniform Guidance: What You Need to Know

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Principal

# Agenda



- Uniform Guidance [2 CFR 200] Overview
- Common UG Implementation To-Do's
- Single Audit – UG Impact
- Resources
- Q&A



# Troy Rector

- Hails from Indiana graduating from Indiana University
- Joined Clark Nuber in 2002
- Current practice focus:
  - Not-for-profit, Governmental and Healthcare, Federal Compliance and Consulting
- Current life focus:
  - Wife, twin 10 year old girls

## 2 CFR 200 Framework

- Subpart A – Acronyms and Definitions
- Subpart B – General Provisions
- Subpart C – Pre-Federal Award Requirement and Contents of Federal Awards
- Subpart D – Post Federal Award Requirements
- Subpart E – Cost Principles
- Subpart F – Audit Requirements
- Appendices
- Council on Federal Assistance Reform FAQ's – *last update 9/2015*

# For Every Rule, There is an Exception...

## Agencies

<a href="#"><u>Agency for International Development</u></a>	<a href="#"><u>Corporation for National and Community Service</u></a>	<a href="#"><u>Department of Agriculture</u></a>	Department of Commerce*
<a href="#"><u>Department Of Defense</u></a>	<a href="#"><u>Department Of Education</u></a>	<a href="#"><u>Department Of Energy</u></a>	Department of Homeland Security*
<a href="#"><u>Department Of Justice</u></a>	<a href="#"><u>Department Of Labor</u></a>	<a href="#"><u>Department of State</u></a>	<a href="#"><u>Department of The Interior</u></a>
<a href="#"><u>Department Of Transportation</u></a>	<a href="#"><u>Department of Treasury</u></a>	<a href="#"><u>Environmental Protection Agency</u></a>	Gulf Coast Restoration Council*
<a href="#"><u>Health and Human Services</u></a>	Housing and Urban Development*	Institute of Museum and Library Services*	<a href="#"><u>National Aeronautics and Space Administration</u></a>
<a href="#"><u>National Archives and Records Administration</u></a>	National Endowment for Arts*	National Endowment for Humanities*	<a href="#"><u>National Science Foundation</u></a>
Office of the National Drug Control Policy*	<a href="#"><u>Small Business Administration</u></a>	Social Security Administration*	Veterans Affairs*

\*These agencies do not have exceptions relating to 2 CFR 200

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

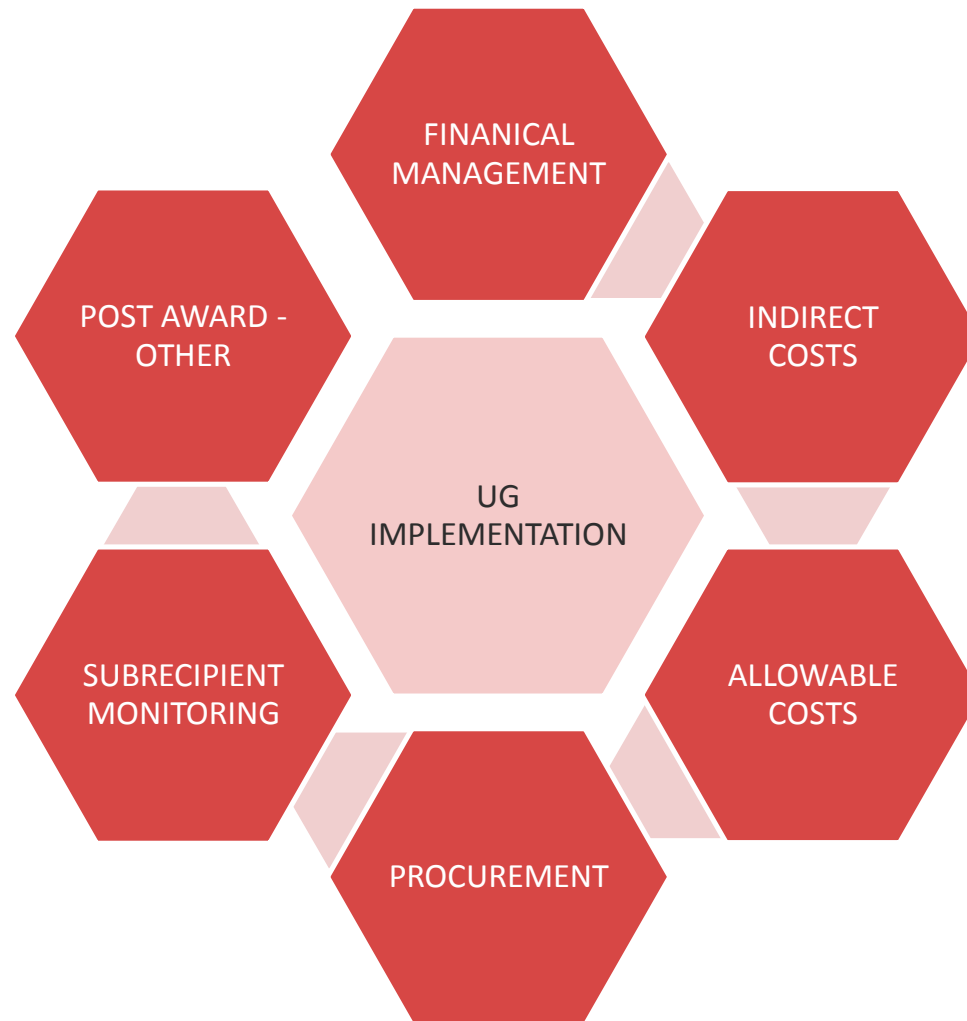
# Key Facts to Remember

- To whom does it apply?
  - State and local governments
  - Institutes of higher education
  - NFP organizations
  - Subrecipients
- Not included
  - Commercial and foreign entities (discretionary)
  - **Separate Hospital cost principles remain for now; Appendix IX**
- To what does it apply?
  - Direct federal awards and cooperative agreements
  - Pass-through awards of federal funds
  - Certain procurement contracts under grants
    - Terms and conditions to reference the applicable Federal laws and regulations
- Some exceptions
  - Discussed in 200.101 and 200.102

# When is 2 CFR 200 Applicable? Now.

Date	Item
12/26/13	Became applicable to Federal agencies
6/30/14	Federal agencies had to submit to OMB their drafts for implementing the changes
12/26/14	Federal agencies' regulations became <u>uniformly</u> effective for all federal awards or funding increments issued after this date  Two-year optional grace period for procurement provisions
12/26/14	New <u>Single Audit</u> changes are effective for fiscal years beginning after 12/26/14

# Common Implementation To-Do's







# Internal Controls [200.303]

- Many existing/new policies and procedures impacted
- Protected Personally Identifiable Information
- COSO framework familiarity
- “Awareness” of the Green Book

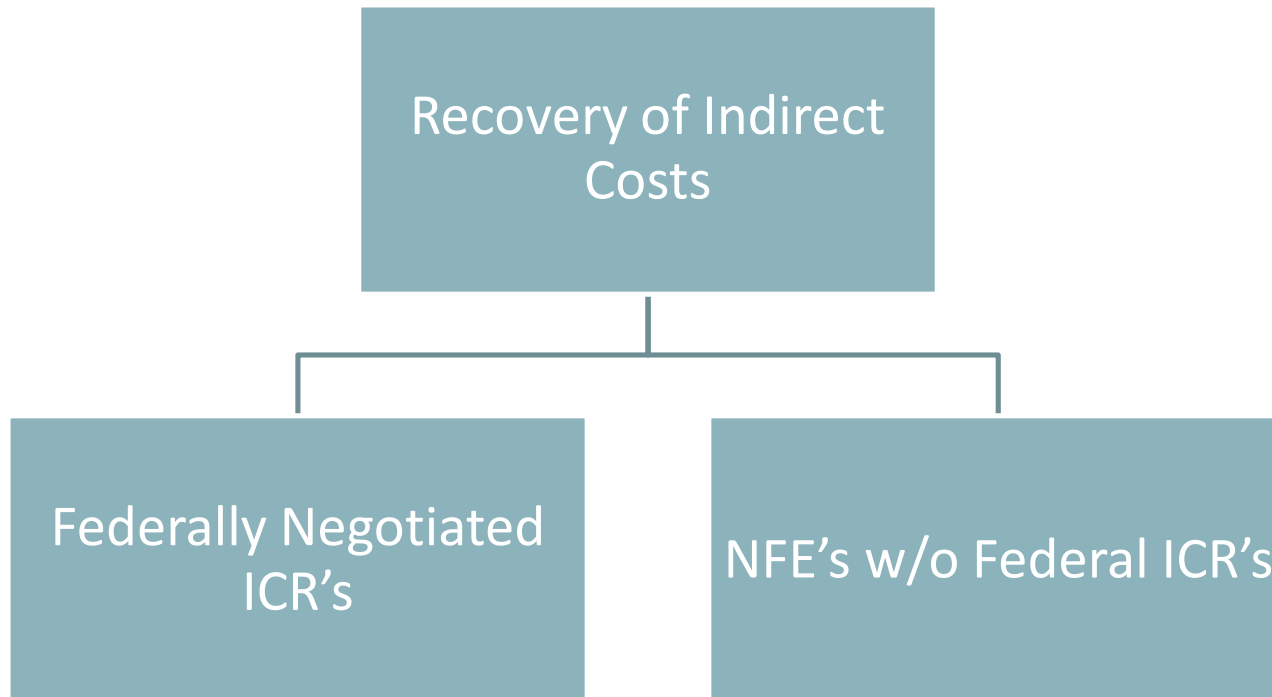
# Financial Management [200.302]

- Reorient to existing requirements
- Improved grants tracking including UG identification
- Lack of written procedures – allowable costs, cash management, procurement

# Allowable Costs [Subpart E only]

- Required certifications [200.415] – able to legally bind?
- Standards for Documentation of Personnel Expenses [200.430] – focus on internal controls
- Travel policy including costs of dependent care, necessity of travel [200.474]
- Treatment of Proposal Costs [200.460] – previously thought to be unallowable
- Direct Administrative and Clerical Salaries [200.430] – test existing use or consider using

# Indirect Cost Recovery [200.414]



# Indirect Cost Recovery: Federally Negotiated IDC Rates (200.414(c))

- Negotiated rate must be accepted unless cap on indirect recovery required by statute or approved by Federal agency head or designee
  - Federally agency approval, policies and general decision making criteria for lowered IDC recovery must be made publicly available
  - Indirect cost reimbursement policy to be included in the Notice of Funding Opportunity
  - Also applicable to subawards with pass through agencies [200.331(a)(4)]
- May apply for an extension of previously negotiated rate for up to 4 years
  - Limited applicability to predetermined and fixed rates
  - Not available for provisional and fixed carryforward rates

# Indirect Cost Recovery: Federally Negotiated IDC Rates COFAR FAQ

## .331-7 Indirect Cost Rates and non-Compliance with Guidance

What should I do if my pass-through entity won't honor my entity's federally negotiated indirect cost rate agreement?

You may wish to remind your pass-through entity of their obligation under the uniform guidance in part 200.331. As with any instance where a non-Federal entity does not comply with the guidance, the pass-through entity will be vulnerable to any of the measures available in sections 200.338-200.342, Remedies for Non-Compliance, depending on the Federal awarding agencies oversight of their Federal award. The COFAR is working with a Coalition of non-Federal entities to evaluate the effectiveness of implementation and the overall impact of the guidance. For information about where to direct inquiries about the Uniform Guidance in general, please see part 200.108.

## Indirect Cost Recovery: Entities w/o Federally Negotiated IDCRCR

- Recognition that grantees do incur indirect costs at some level
- Options for indirect cost recovery
  - Negotiate IDCRCR with pass through entity using guidelines in the applicable Appendix
  - Indefinite application of “de minimis” indirect cost rate of 10% of Modified Total Direct Costs (MTDC)
- Pass-through entity (State and Local Government) communications



# Indirect Cost Recovery: Pass-Through Entity IDC COFAR FAQ

## .331-6 Pass-through Entities and Indirect Cost Rate Negotiation

This section states that pass-through entities are expected to honor a subrecipient's negotiated F&A rate agreement, or use a 10% MTDC de minimis rate, or negotiate an F&A rate with the subrecipient. Is it acceptable to require a subrecipient to accept a rate lower than 10% MTDC via negotiation, or in lieu of their negotiated F&A rate? If a subrecipient requests to establish a rate via negotiation, does the pass-through entity have to establish the rate via negotiation?

If the subrecipient already has a negotiated F&A rate with the Federal government, the negotiated rate must be used. It also is not permissible for pass-through entities to force or entice a proposed subrecipient without a negotiated rate to accept less than the de minimis rate. The cost principles are designed to provide that the Federal awards pay their fair share of the costs recognized under these principles. (See section 200.100(c).) Pass-through entities may, but are not required, to negotiate a rate with a proposed subrecipient who asks to do so.

# Subrecipient Monitoring [200.330-332]

- Understand requirements for payment of indirect costs
- Modify subaward agreement terms
- Subrecipient risk assessment documentation
- Subrecipient monitoring plan and documentation
- Single Audit review and follow-up [management decision]

# Post Award Other [Subpart D]

- Record retention policies
- Conflict of interest policy – consideration of Federal Agency COI's
- Mandatory disclosure

# Procurement [200.317-326]

- Grace period election – required documentation
- Align to methods of procurement – keep from being overly restrictive, limited use of sole source
- Prohibition of geographic preference
- Small/minority business, women’s business enterprises, labor surplus area firms
- Contract provisions – Appendix II



# Single Audit Considerations FYE 12/31/2015 and Beyond

# Single Audit: Who Needs Them?

Threshold increased from **\$500k** to **\$750k** in federal expenditures during the fiscal year

- 99.7% coverage of funds audited under current threshold
- 87.1% coverage based on number of Single Audits (5,000 fewer Single Audits)

# *Uniform Guidance:*

## *Impact on the Single Audit – FYE 12/31/2015+*

Major Program  
Determination



Major Program  
Testing



Single Audit  
reporting

# Major Program Determination

- Type A program
  - Focus on larger, higher risk programs
  - Threshold increased to **\$750k**, up from **\$300k**
  - Inherent risk, except for changes in personnel and systems, no longer included
- Type B program
  - Change in the # of Type B programs to be evaluated
  - Inherent risk factors – no single factor results in high risk
  - Larger # of Type B program to be tested – could result in “new” programs being audited
- Low Risk Auditee Determination
  - Same 2-year lookback
  - No waivers
- Percentage-of-Coverage Rule
  - %'s decreased to 40% [high risk] and 20% [low risk]



# Major Program Testing: What Are the Applicable Requirements?

Uniform Guidance

OMB Circulars

Federal Acquisition Regulations

# 2015 OMB Compliance Supplement: An Introduction

- Issued in the Spring of every year
- Primarily used by auditors
- Significant sections
  - Part 3: Suggested audit objectives and procedures
  - Part 4: Federal agency program-specific audit guidance
  - Part 5: Program clusters including the R&D Cluster
  - Part 6: Internal control
- The final Supplement is available at:  
[https://www.whitehouse.gov/omb/grants\\_circulars](https://www.whitehouse.gov/omb/grants_circulars)

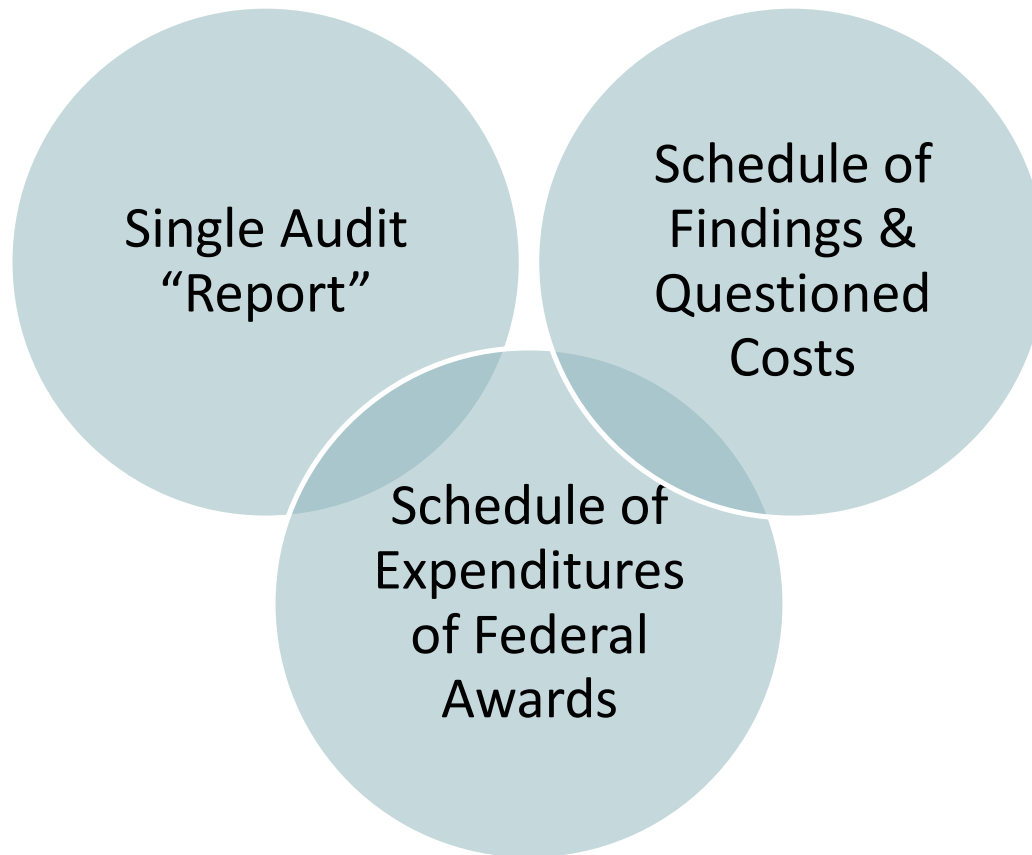
## A Look Into Part 3.2

- Compliance requirements with no significant changes in audit objectives or suggested audit procedures
  - A. Activities allowed/unallowed
  - E. Eligibility
  - F. Equipment and real property management
  - G. Matching, Level of Effort, Earmarking
  - L. Reporting (except FFATA)
  - N. Special tests and provisions
- Compliance requirements removed
  - D. Davis-Bacon Act
  - K. Real property and relocation assistance

## A Look Into Part 3.2

- Compliance requirements with more substantive change
  - B. Allowable costs/cost principles
  - C. Cash management
  - H. Period of performance
  - I. Procurement and suspension and debarment
  - J. Program income
  - M. Subrecipient monitoring

# Single Audit Reports: FYE 12/31/2015+



# Single Audit Report Changes

Report on Compliance for Each Major Federal Program;  
Report on Internal Control Over Compliance; and  
Report on Schedule of Federal Awards Required by the  
Uniform Guidance



*...Audit Engagement Letter too*

# Schedule of Findings and Questioned Costs

- Questioned costs threshold for reporting is increased to **\$25k** from the current **\$10k**
  - Note this is both “known” and “likely”
  - Remember to extrapolate the error to the entire population
- Mention of sampling methodology in Finding description
- Corrective Action Plan to be in document separate from auditor’s findings

# Schedule of Expenditures of Federal Awards: Summary of Changes

## Face of the SEFA

- Provide cluster of programs total
- Report amount provided to subrecipients from each federal program

## New SEFA Disclosures

- SEFA Notes to reference the Uniform Guidance and/or the OMB Circulars when applicable to the Federal awards reported in the SEFA
- Include disclosure of whether or not the entity elected to use the 10% de minimis cost rate
- Loans and loan guarantees – disclose loan balances outstanding at the end of the audit period



# Government Audit Quality Project

Conduct quality control reviews on selected audits

Council of Inspectors General on Integrity and Efficiency

- [www.ignet.gov](http://www.ignet.gov)
- Guides, manuals, checklists not yet updated for the Uniform Guidance

Performed once every 6 years beginning in 2018

Results must be made public

# Resources

- Uniform Guidance, 2 CFR 200: [http://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr200\\_main\\_02.tpl](http://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr200_main_02.tpl)
- Federal Register: *Subscribe to My FR to receive alerts of changes (top ribbon)*
- OMB Compliance Supplement: [https://www.whitehouse.gov/omb/circulars\\_default](https://www.whitehouse.gov/omb/circulars_default)
- Council on Financial Assistance Reform (COFAR) and FAQs: <https://cfo.gov/cofar/>
- A summary of the exceptions to the Uniform Guidance, 2 CFR 200, in the Federal agencies' implementing policies: <https://cfo.gov/wp-content/uploads/2014/12/Agency-Exceptions.pdf>

Various industry organizations are also publishing information as it becomes available:

- Council On Governmental Relations (COGR) – an association of research universities: <http://cogr.edu/>
- National Association of College and University Business Officers (NACUBO): <http://www.nacubo.org>
- InsideNGO, a global NGO community: <http://insidengo.org>

# Questions

# Thank You

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*You survived!*

