



## Uniform Guidance – An Overview of Changes

ACBO - October 27, 2015

### Presented by:

Jeff Jensen, CPA, Crowe Horwath LLP

Tina Treis, CPA, Crowe Horwath LLP

Kathryn Turner, CPA, Crowe Horwath LLP

Sarah Schrader, Ed.D., Controller, Yosemite Community College District

## Agenda

- Rationale for the changes
- Structure of the Uniform Guidance (2 CFR Part 200)
- Review Subparts A-F
- Keys to District Implementation
- Questions



---

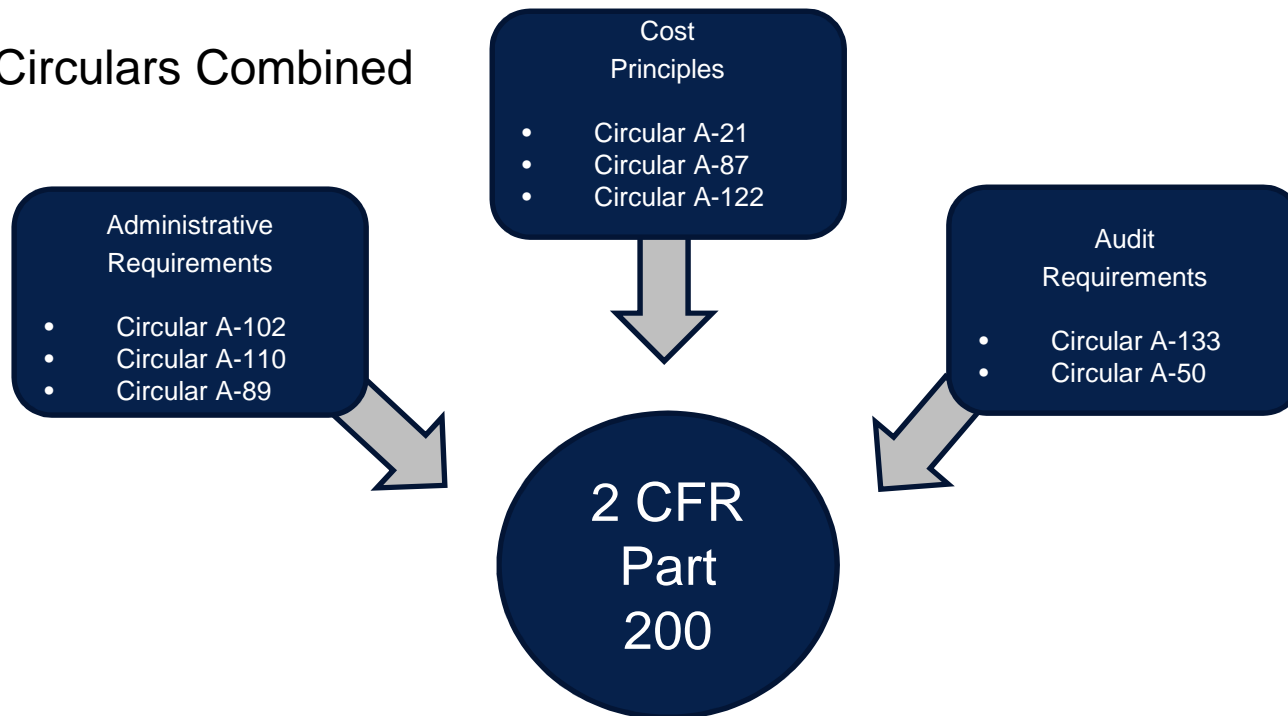
## Goals of the Reform

- Streamline guidance for Federal awards to **ease administrative burden**
- **Strengthen oversight** over Federal funds to **reduce** risks of **waste, fraud, and abuse**.
- **Streamlining** existing OMB **guidance** will **increase** the **efficiency** and **effectiveness** of Federal awards to ensure best use of the more than \$500 billion expended annually.
- Focusing on **Performance** over Compliance for Accountability

## Structure of Guidance

OMB issued on December 26, 2013

### Eight Circulars Combined



Crosswalk documents located at [www.whitehouse.gov/omb/grants\\_docs](http://www.whitehouse.gov/omb/grants_docs)

---

## Structure of the Uniform Grant Guidance

- **2 CFR Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards**
  - 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
    - Financial and program management standards
    - Property standards
    - Procurement standards
    - Performance and financial monitoring and reporting
    - Sub recipient monitoring and management
    - Record retention and access
    - Remedies for noncompliance
    - Closeout

---

## Structure of the Uniform Grant Guidance (continued)

- **2 CFR Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards**
  - Subpart E - Cost Principles
    - General provisions
    - Basic considerations
    - Direct and indirect costs
    - Special considerations for states, local governments and Indian Tribes
    - Special considerations for institutions of higher education
    - General provisions for selected items of costs
      - Compensation – personal services
  - Subpart F - Audit Requirements

## Subpart A – Acronyms and Definitions

- Need to review as some of the definitions may have changed due to the consolidation of circulars
  - Example:
    - Vendor has been replaced with Contractor
      - Note – guidance on subrecipient versus contractor determination relocated to Subpart D
    - Added the term personally identifiable information (PII) and protected personally identifiable information (protected PII)
      - These two terms will affect the single audit reporting package
    - Program Income has now been defined (was not defined in A-133)
    - Equipment threshold did not change (\$5,000)
- Must and Should –
  - Must = Required
  - Should = Recommended, but not required

---

## Subpart B – General Provisions

- Discusses the purpose, applicability, exceptions, and effective date of the Uniform Grant Guidance
  
- Strengthen oversight:
  - Conflict of interest
    - The Federal awarding agency must establish conflict of interest policies for their Federal awards. The non-Federal entity must disclose in writing any potential conflict of interest to the Federal awarding agency (or pass-through entity) in accordance with applicable Federal awarding agency policy
  
  - Mandatory disclosures
    - Non-Federal entities must disclose, in writing, all violations of Federal criminal law involving fraud, bribery, or gratuity violations potentially affecting the Federal award



## Subpart B – General Provisions

### Applicability of Super Circular

| The following portions of the Part 2 of CFR                                 | Are applicable to the following types of Federal Awards   | Are not applicable to the following types of Federal Awards  |
|---|---|--|
| Subpart A – Acronyms and definitions  | All   |  |
| Subpart B – General provisions  | All   |  |
| Subpart C – Pre-federal Award requirements and Contents of Federal Awards   | Grant agreements and cooperative agreements   | Agreements for loans, loan guarantees, interest subsidies, and insurance<br><br>Cost reimbursement contracts awarded under the Federal Acquisition Regulations and cost-reimbursement subcontracts under these contracts |
| Subpart D – Post Award requirements, subrecipient monitoring and management | All   |  |
| Subpart E – Cost principles   | Grant agreements and cooperative agreements, except those providing food commodities<br><br>Cost reimbursement contracts awarded under the Federal Acquisition Regulations and cost-reimbursement subcontracts under these contracts in accordance with FAR | Grant agreements and cooperative agreements providing food commodities<br><br>Fixed amount awards<br><br>Agreements for: loans, loan guarantees, interest subsidies, insurance<br><br>Federal award to hospitals         |
| Subpart F – Audit requirements  | All   |  |

## Subpart B – General Provisions

- Effective Date –
  - Federal agencies - December 26, 2014
  - Non-federal entities - The new administrative requirements and cost principles are required to be implemented for all federal awards and incremental **funding made after December 26, 2014**
    - *nonfederal entity* is a state, local government, Indian tribe, institution of higher education, or nonprofit organization that carries out a federal award as a recipient or subrecipient.
  - Audit Requirements - FYs beginning on or after December 26, 2014
  - Early Implementation **not** allowed

---

## Subpart B – General Provisions

- Effective Date Clarification –
  - June 30, 2015 fiscal year-end
    - Non-federal entities will have to adopt new Administrative Requirements and Cost Principles relating to all new federal awards and additional funding to existing awards
    - Single audit requirements continue to use “old” regulation but auditor compliance testing will be affected by client adoption of “new” requirements
  - June 30, 2016, year-ends and beyond
    - New administrative requirements, Cost Principles, and new single audit requirements apply (i.e., will likely have to test some awards subject to the old requirements and some the new requirements)

---

## Subpart C - Pre-Federal Award Requirements and Contents of Federal Awards

- Pre-Award Risk Assessment
  - Agency Framework – for how and when to conduct risk assessments
    - All applicants need a risk assessment process
  - **May** include:
    - Financial Stability
    - Quality of management systems
    - History of Performance
    - Reports and findings from Audits
    - Applicants Ability to Effectively Implement Program Requirements
- Federal Awards
  - Defined 15 data elements that must be included
  - Defined General Terms and Conditions that must be included
  - Performance Goals
    - Timing and scope of expected performance and outcomes to be achieved

---

## Subpart D – Post Federal Award Requirements

- Covers a wide range of topics that contain information for both federal agencies and nonfederal entities:
  - Financial management
  - Internal controls
  - Bonds
  - Payment
  - Cost sharing and matching
  - Program income
  - Revision of budget and program plans
  - Property standards
  - Procurement standards
  - Performance and financial monitoring and reporting
  - Subrecipient monitoring and management
  - Record retention and access
  - Remedies for noncompliance
  - Closeout

---

## Subpart D – Post Federal Award Requirements

- Topics that relate most to Community Colleges are internal controls, procurement standards and subrecipient monitoring and management
  - Internal controls
    - Must establish and maintain effective internal control over the Federal award
      - Should be compliant with Green book or COSO
    - Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards
    - Evaluate and monitor the District's compliance with statute, regulations and the terms and conditions of Federal awards.
    - Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.
    - Use reasonable measure to safeguard protected personally identifiable information (PII) and information designated as sensitive.
      - New explicit responsibility for safeguarding

---

## Subpart D – Post Federal Award Requirements

- Procurement
  - Community Colleges **must** follow documented procurement procedures
  - Community Colleges must maintain **oversight** to ensure that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders.

---

## Subpart D – Post Federal Award Requirements

- Subrecipient Monitoring and Management
  - A Community College may concurrently receive Federal awards as a:
    - Recipient
    - Subrecipient
    - Contractor
  - Pass-through entity (PTE) must make case-by-case determination whether each agreement it makes for the disbursement of Federal program funds casts the party receiving the funds in the role of a Subrecipient, or Contractor
  - Substance of the agreement is more important than the form



## Subpart D – Post Federal Award Requirements

- Subrecipient and Contractor Determination

| Subrecipient   | Contractor   |
|--|--|
| Creates a Federal assistance relationship  | Purpose is to obtain goods and services for the non-Federal entity's own use and <b>creates a procurement relationship</b>                             |
| Determines who is <b>eligible</b> to receive what Federal assistance   | Provides the goods and services within normal business operations  |
| Has its <b>performance</b> measured in relation to whether objectives of a Federal program were met  | Provides similar goods or services to many different purchasers  |
| Has responsibility for <b>programmatic decision making</b>   | Normally operates in a competitive environment   |
| Is responsible for <b>adherence to applicable Federal program requirements</b> specified in the Federal award; and   | Provides goods or services that are ancillary to the operation of the Federal program; and   |
| In accordance with its agreement, uses the Federal funds to carry out a <b>program for a public purpose</b> specified in authorizing statute, as opposed to providing goods or services for the benefit of PTE | Is not subject to compliance requirements of the Federal program as a result of the agreement, though similar requirements may apply for other reasons |

---

## Subpart D – Post Federal Award Requirements

- Requirements for Pass-Through Entity (PTEs)
  - Must clearly identify the agreement as a subaward at the time of the subaward
  - Must provide the following Federal award identification information and if not available provide the best available information:
    - Identify all applicable Federal requirements
    - Identify all additional requirements imposed by the PTE
    - Communicate the Indirect cost rate
    - Permit the PTE and auditors to have access to the subrecipient's records and financial statements
    - Identify appropriate terms and conditions concerning closeout of the subaward.
  - Evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring

---

## Subpart D – Post Federal Award Requirements

- Requirements for PTEs
  - Monitor activities of the subrecipient. Monitoring must include:
    - Review financial and programmatic reports
    - Follow-up and ensure that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award identified through audits, on-site reviews and other means
    - Verify that every subrecipient is audited as required by Subpart F of the Uniform Grant Guidance
    - Consider the results of the subrecipient's audits, on-site reviews, or other monitoring indicate conditions that necessitate adjustments to the PTE's records

---

## Subpart E – Cost Principles (Allowable Activities and Costs)

- Major Changes in Indirect Cost Rate
  - Allows for a one-time extension of negotiated rates up to four years if no major changes in F&A (Facilities and Administrative) costs with cognizant agency approval.
  - A minimum flat rate of 10% of modified total direct costs has been added to ensure that entities without the capacity for a full negotiation receive a minimum reimbursement which may be used indefinitely.
  - The salaries of administrative and clerical staff should normally be treated as indirect (F&A) costs
  - The negotiated rates shall be accepted by all Federal agencies

---

## Subpart E – Cost Principles (Allowable Activities and Costs)

- Compensation – personnel services changes
  - Purpose was to reduce the administrative burden of documenting time and effort
  - The three examples of acceptable systems (Activity Reports, Plan Confirmation and Multiple Confirmation Records) have been eliminated
  - Compensation includes all amounts paid for employees rendered during the period of performance under the Federal award
  - Reasonable for services rendered – subject to ceiling
  - Conforms to the established written policy of the District
  - Is determined and supported according to “Standards for Documentation of Personnel Expenses”

---

## Subpart E – Cost Principles (Allowable Activities and Costs)

- Documentation of personnel expenses:
  - Must be based on records that accurately reflect the work performed. These records must:
    - Be supported by a system of internal control
    - Be incorporated into the official records of the District
    - Reasonably reflect the total activity for which the employee is compensated
    - Encompass both federally assisted and all other activities compensated by the District on an integrated basis
  - Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works

---

## Subpart F – Changes in Audit Requirements

### Objectives of a Single Audit

- Audit of the entity's financial statements and reporting on the schedule of expenditures of federal awards
  - Whether the financial statements of the auditee are presented fairly in all material respects in conformity with GAAP
  - Whether the SEFA is presented fairly in all material respects in relation to the auditee's financial statements taken as a whole (SAS 119).
- Compliance audit of federal awards
  - Obtain an understanding of the internal control over compliance of each major program
  - Determine whether the auditee has complied with laws, regulations, and the provisions of contracts or grant agreements that may have a **direct** and **material** effect on each of the major programs

---

## Subpart F - Audit Requirements

A-133's 14 Compliance Requirements has become 12 Requirements of Uniform Guidance:

- Activities allowed or unallowed
- Allowable costs/Cost principles
- Cash management
- ~~Davis-Bacon Act~~
- Eligibility
- Equipment and real property management
- Matching, level of effort, earmarking
- Period of Performance ~~availability~~ of federal funds
- Procurement, suspension and debarment



---

## Subpart F - Audit Requirements

- Program income
  - ~~Real property acquisition and relocation assistance~~
  - Reporting
  - Sub-recipient monitoring
  - Special tests and provisions
- 
- If award is received through a pass-through agency, the pass-through agency's requirements also apply

---

## Subpart F - Audit Requirements

### Schedule of Expenditures of Federal Awards (SEFA)

- Basis for major program determination process, and thus, the key to determining the required level of testing for an A-133 audit
  
- Preparation is the responsibility of management
  
- Auditor must also understand and test internal controls over SEFA preparation
  - Understanding must be sufficient for the auditor to assess the risks of material misstatement of the SEFA
  
  - Controls must cover financial AND non-financial data

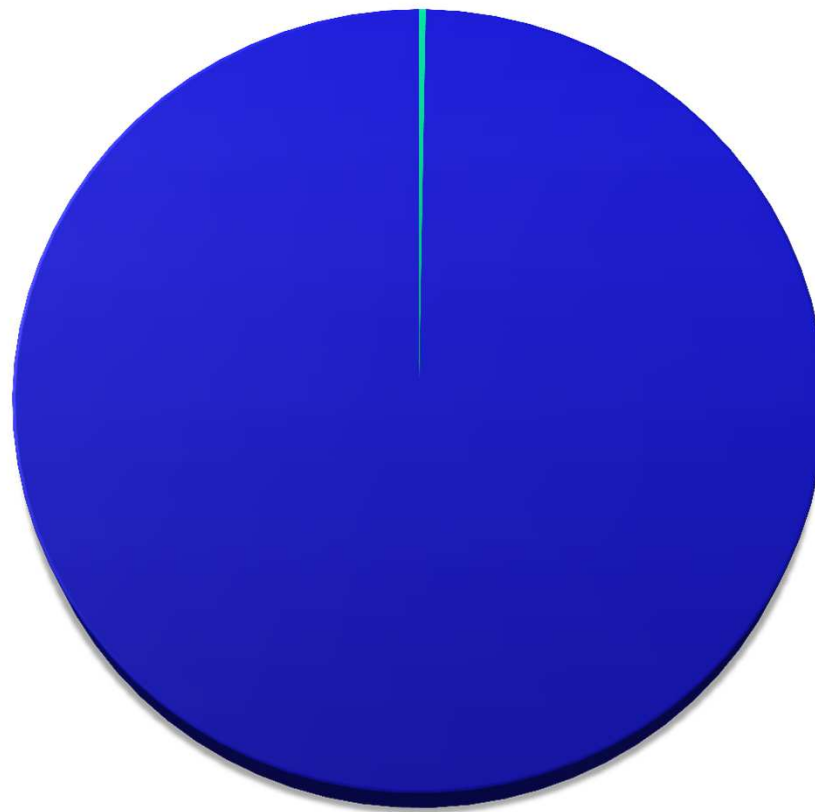
## Subpart F - Audit Requirements



- Concentrate audit resolution and oversight resources on higher dollar, higher risk awards
  - Increase \$500,000 threshold to \$750,000



## Subpart F - Audit Requirements

### Total Dollars



-  \$500K - \$750K
-  Over \$750K

## Subpart F - Audit Requirements

- Changes to Major Program Determination Process
  - Step #1 – Dollar Threshold - Type A minimum threshold revised from \$300,000 to \$750,000 or 3% of total federal expenditures
  - Step #2 – Risk Assessment - Focuses on material weaknesses in internal control and modified opinions (remove term “any” audit finding)
  - Step #3 – Type B Risk Assessment – not required to identify more high risk Type programs than at least 25% low risk Type A program threshold (removes smaller Type B from assessment)
  - Step #4 – Percentage of Coverage – reduced from 50% to 40% for not low risk auditees and from 25% to 20% for low risk auditees



## Subpart F - Audit Requirements

- Reforms to audit requirements
  - Changes in low-risk auditee designation
    - Requirements are for the prior 2 years
      - Annual Single Audits
      - Unmodified opinion on financial statements in accordance with GAAP or basis of accounting required by state law.
      - Unmodified SEFA in-relation-to opinion
      - **No GAGAS material weaknesses**
      - Type A programs did NOT have any of the following in the past two years:
        - Internal control deficiency identified as material weakness
        - Modified opinion on major programs
        - Questioned costs that exceed 5%
      - Timely filing of the Data Collection Form
      - **No auditor reporting of going concern**
      - No waivers

---

## Subpart F - Audit Requirements

- Reforms to audit requirements (continued)
  - Questioned costs threshold raised to \$25,000 (known or likely)
  - Data Collection Form requires a “YEAR-XXX” format
    - References in the Summary of Findings and Questioned Costs need to be consistent with the DCF requirement
  - Auditee certification that no protected personally identified information included in reporting package

---

## Subpart F - Audit Requirements

- Reforms to audit requirements (continued)
  - Online publication of reports (Clearinghouse)
    - Intended to be the sole point of submission and access moving forward
  - Federal due date is the earlier of nine months after fiscal year end or 30 days after receipt of the auditor's reports
    - "Next business day" due date provision
  - The Corrective action plan must be a separate document from the schedule of findings and questioned costs



## Subpart F - Audit Requirements

- Finding Elements

| Old Guidance        | New Guidance  |
|---------------------|---|
| Program Information | Program Information   |
| Criteria            | Criteria  |
| Condition           | Condition   |
| Questioned Costs    | Questioned Costs – Known costs by CFDA #  |
|                     | Cause   |
|                     | Effect  |
| Context             | Context <ul style="list-style-type: none"> <li>Sample Size Support for Statistical Samples</li> </ul> |
|                     | <b>Repeat Finding from PY?</b>  |
| Recommendation      | Recommendation  |
| Management Response | Management Response   |

---

## Subpart F - Audit Requirements

- Corrective action plans:
  - The corrective action plan must be a separate document from the schedule of findings and questioned cost
  - Submitted to FAC along with data collection form
  - Federal agency or pass-through entity must provide management decision within 6 months of acceptance of audit report by the FAC

---

## Subpart F - Audit Requirements

- Reforms to SEFA and audit requirements
  - The SEFA must include all federal awards expended (some types, such as noncash assistance, can be shown in the notes now instead of the SEFA)
  - SEFA requires payments to subrecipients (language on extent practical is removed)
  - The SEFA must include total federal awards expended for loan or loan guarantee programs (in addition to identifying the balances outstanding at the end of the audit period in the notes to the SEFA)
  - The notes to the SEFA are required to include if the entity elected to use the 10% de minimus cost rate

---

## Keys to District Implementation

- What enhancements may be needed to current documented policies and procedures?
  - Conflict of interest
  - Procurement
  - Capitalization of fixed assets
  - Identification and monitoring of subrecipients
  - Payroll and personnel records
  - Monitoring procedures
  - Action plans on noncompliance findings
  - Other

---

## Who at the District Needs to be Involved?

- Grant administration
- Internal audit
- Controller/chief fiscal officer
- Purchasing/procurement
- HR/Payroll
- Program directors
- Accounts payable
- Others depending on grants

## Questions?



## Crowe's Uniform Guidance Webinar Series

- Six-part webinar series that began in late 2014:
  - Overview of Changes
  - Grant Risk Assessments and Sub-recipient Monitoring
  - Cost Principles and Time & Effort Reporting
  - Federal Grant Fraud Risks and Reporting
  - Audit Preparation and Audit Process
- \* Archived recordings of past webinars available at [www.crowehorwath.com/ps](http://www.crowehorwath.com/ps)
- \* Visit [www.crowehorwath.com/events](http://www.crowehorwath.com/events) to register for the last two segments and other events.



---

## For more information, contact:

Jeff Jensen, CPA, Crowe Horwath LLP

916-492-5162

[jeff.jensen@crowehorwath.com](mailto:jeff.jensen@crowehorwath.com)

Tina Treis, CPA, Crowe Horwath LLP

916-492-5151

[tina.treis@crowehorwath.com](mailto:tina.treis@crowehorwath.com)

Kathryn Turner, CPA, Crowe Horwath LLP

916-491-5172

[kathryn.turner@crowehorwath.com](mailto:kathryn.turner@crowehorwath.com)

Crowe Horwath LLP is an independent member of Crowe Horwath International, a Swiss verein. Each member firm of Crowe Horwath International is a separate and independent legal entity. Crowe Horwath LLP and its affiliates are not responsible or liable for any acts or omissions of Crowe Horwath International or any other member of Crowe Horwath International and specifically disclaim any and all responsibility or liability for acts or omissions of Crowe Horwath International or any other Crowe Horwath International member. Accountancy services in Kansas and North Carolina are rendered by Crowe Chizek LLP, which is not a member of Crowe Horwath International. © 2014 Crowe Horwath LLP