

# Uniform Guidance

## Changes to Grants Management and Single Audits

**Presented by:**

**Tiffany Mangold, CPA**



*Precision Experience Assurance*

Purvis  
Gray &  
Company<sub>LLP</sub>

# Outline of the Presentation:

- Guidance Source, Objectives, Organizational Changes and Effective Dates
- Compliance Changes for Auditee
  - Period of Performance, Cost Principles, Cash Management, Procurement and Sub-recipient Monitoring.
- Changes in Audit Requirements
  - Thresholds, determination requirements and the impact on the various compliance supplements.



*Precision Experience Assurance*

Purvis  
Gray &  
Company<sub>LLP</sub>

## Guidance:

Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards; Final Rule

2 CFR Chapter I, Chapter II, Part 200, et al.

## Objectives:

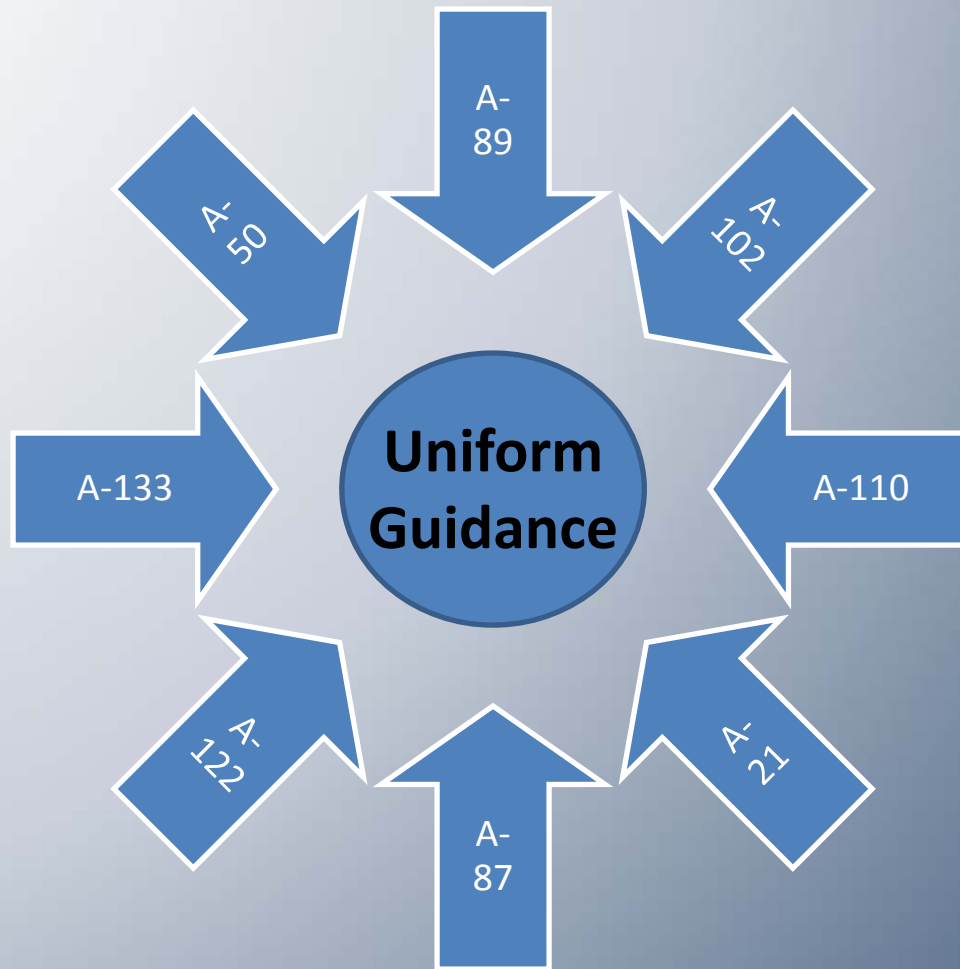
- Ease administrative burden
- Reduce risk of waste, fraud and abuse



*Precision Experience Assurance*

Purvis  
Gray &  
Company<sub>LLP</sub>

# Consolidated Guidance



*Precision Experience Assurance*

Purvis  
Gray &  
Company<sub>LLP</sub>

# Organization of Uniform Guidance

---

<b>Subpart A</b>	<b>Subparts B, C and D</b>	<b>Subpart E</b>	<b>Subpart F</b>
<ul style="list-style-type: none"><li>• Acronyms and Definitions</li></ul>	<ul style="list-style-type: none"><li>• Administrative Requirements</li></ul>	<ul style="list-style-type: none"><li>• Cost Principles</li></ul>	<ul style="list-style-type: none"><li>• Audit Requirements</li></ul>

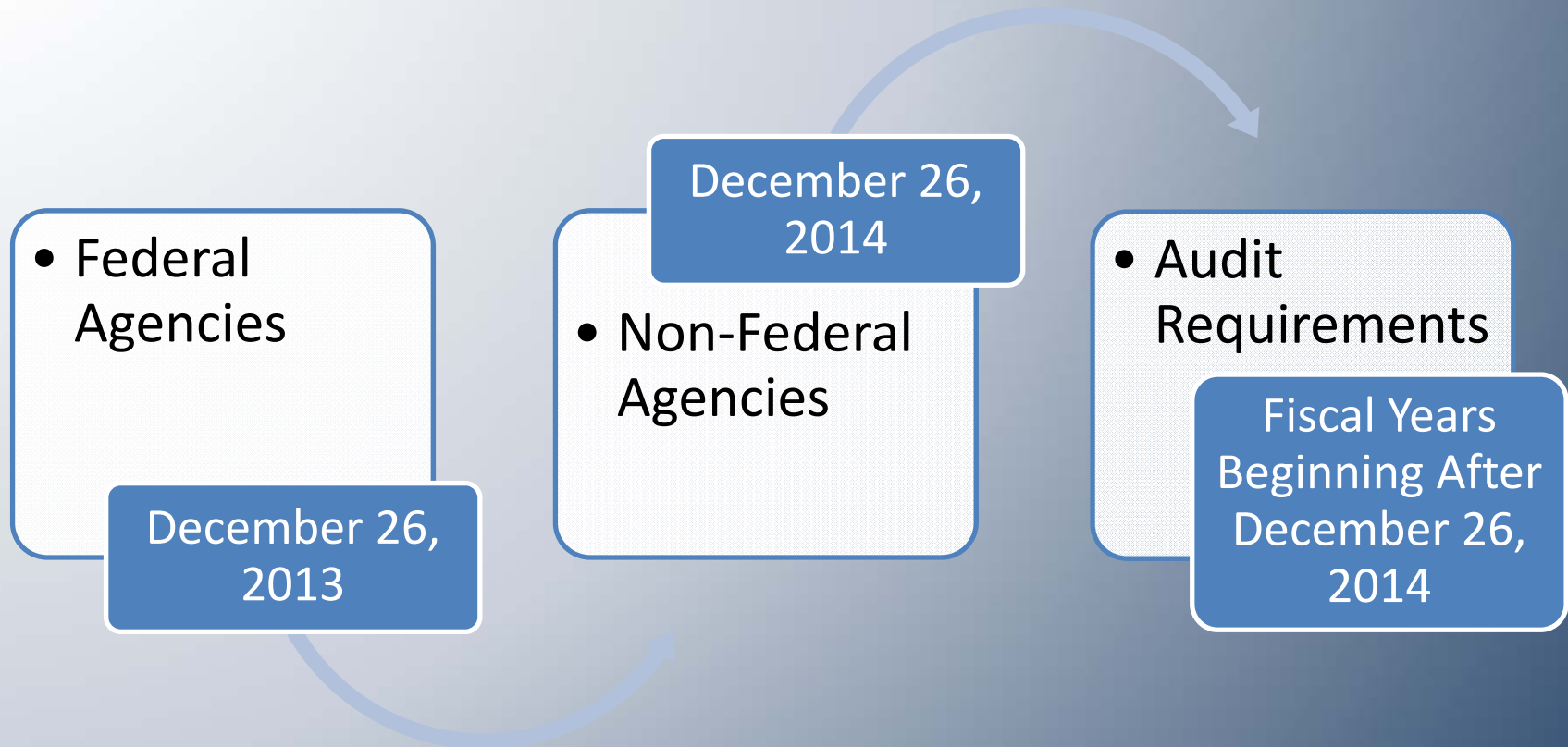
---



*Precision Experience Assurance*

Purvis  
Gray &  
Company<sub>LLP</sub>

# When is it Effective?



# Effective Dates

- Administrative requirements and cost principles only apply to new awards and additional funding to existing awards made after December 26, 2014
- Existing Federal awards remain governed by the terms and conditions of the Federal award and current guidance



# COMPLIANCE CHANGES FOR AUDITEE



*Precision Experience Assurance*

Purvis  
Gray &  
Company<sub>LLP</sub>



# New: Period of Performance 200.309

- May charge to the Federal award only allowable costs incurred during the period of performance.
  - Stated in grant award notice.
- Includes any costs prior to the award as permitted by the Federal awarding agency (similar to pre-award cost authority).



# Cost Principles: “Factors Affecting Allowability of Costs” 200.403

- **In Order to Be Allowable, All Costs Must Be:**
  1. **Necessary, Reasonable and Allocable**
  2. **Conform with federal law & grant terms**
  3. **Consistent with state and local policies**
  4. **Treated consistently**
  5. **In accordance with GAAP**
  6. **Not included as match in any other federally-financed program.**
  7. *Net of applicable credits (moved to 200.406)*
  8. **Adequately documented**



# New: Prior Written Approval 200.407

- In order to avoid subsequent disallowance:
  - Non-Federal entity may seek prior written approval of cognizant agency (for indirect costs) or Federal awarding agency in advance of the incurrence of special or unusual costs



# Selected Items of Cost (Example)

- **Advertising/PR 200.421 (Clarified)**
  - Allowable for programmatic purposes including:
    - Recruitment
    - Procurement of goods
    - Disposal of materials
    - Program outreach
    - Public relations (in limited circumstances)



# New: Direct v. Indirect Costs 200.413

- Salaries of administrative and clerical staff should be treated as “indirect” unless all of following are met:
  1. Such services are integral to the activity
  2. Individuals can be specifically identified with the activity
  3. Such costs are explicitly included in the budget
  4. Costs are not also recovered as indirect costs.



# New: “Standards for Documentation of Personnel Expenses” 200.430

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

1. Must be supported by a system of internal controls which provides reasonable assurance charges are accurate, allowable and properly allocated
2. Be incorporated into official records
3. Reasonably reflect total activity for which employee is compensated
  - Not to exceed 100%
4. Budget estimates alone do not qualify as support for charges to Federal awards 200.430(i)(1)(viii)
5. Percentages may be used for distribution of total activities 200.430(i)(1)(ix)
6. Encompass all activities (federal and non-federal)
7. Comply with established accounting policies and practices
8. Support distribution among specific activities or cost objectives



Precision Experience Assurance

Purvis  
Gray &  
Company<sub>LLP</sub>

# Financial Management System

## 200.302

- 1. New: Identification of Federal Awards**
2. Financial Reporting
3. Accounting Records
4. Internal Control
5. Budget Control
- 6. New: Written Procedures to Implement CMIA**
- 7. New: Written Procedures to Determine Allowability of costs**



*Precision Experience Assurance*

Purvis  
Gray &  
Company<sub>LLP</sub>

# New: Internal Controls 200.303

- The non-Federal entity must:
  - Establish and maintain effective control over the federal award.
  - Evaluate and monitor the non-federal entity's compliance statutes, regulations, and terms of the federal award
  - **Take prompt action when instances are identified including noncompliance identified in audit findings**
  - Take reasonable measures to safeguard protected personally identifiable information as defined under 200.79



*Precision Experience Assurance*

Purvis  
Gray &  
Company<sub>LLP</sub>



# Cash Management

- Payment Process
  - Obligation
  - Liquidation
  - Drawdown
  - Payment
- Cash Management Improvement Act (CMIA)
  - 72 Hours between draw down and payment otherwise interest begins to accrue



*Precision Experience Assurance*

Purvis  
Gray &  
Company<sub>LLP</sub>

# Changes: Payment 200.305

- Pass Through cannot require Subrecipient to maintain separate depository accounts
  - However, Subrecipient must be able to account for the receipt, obligation and expenditure
- Cash advances must be kept in interest bearing accounts unless:
  - Entity received < \$120,000 per year in Fed awards
  - Best interest bearing account would not earn > \$500/year
  - The depository would require high minimum balance, therefore, not feasible
  - Foreign Gov't or banking precludes interest bearing accounts.
- CMIA interest amounts up to **\$500** may be retained for administrative expense.



*Precision Experience Assurance*

Purvis  
Gray &  
Company<sub>LLP</sub>

# New: Conflict of Interest 200.112

- All non federal entities must establish conflict of interest policies, and disclose in writing any potential conflict to federal awarding agency in accordance with applicable Federal awarding agency policy.



*Precision Experience Assurance*

Purvis  
Gray &  
Company<sub>LLP</sub>

# Vendor Selection Process 200.320

- Method of procurement:
  - New: Micro-purchase
  - Small purchase procedures
  - Competitive sealed bids
  - Competitive proposals
  - Noncompetitive proposals



*Precision Experience Assurance*

Purvis  
Gray &  
Company<sub>LLP</sub>

# New: Micro-purchases 200.320

- Supplies or services not to exceed \$3,000
- Micro-purchases must be distributed equitably among qualified suppliers, to the extent practicable.
- Micro-purchases may be awarded without soliciting competitive quotations if the non-Federal entity considers the price to be reasonable.



# Methods of Procurement 200.320

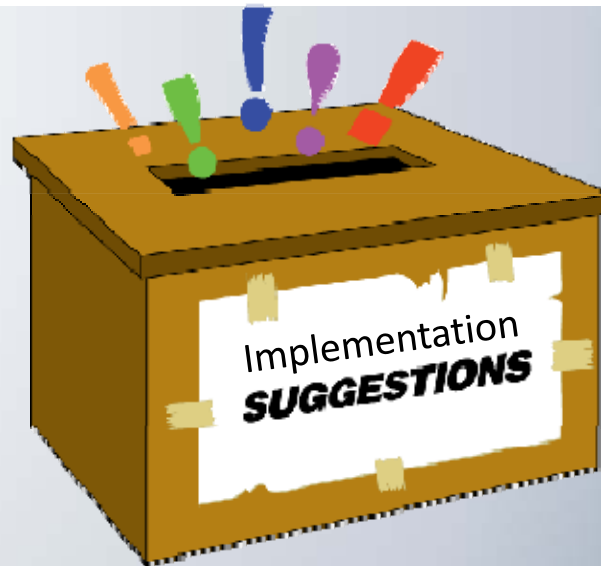
- Noncompetitive proposals appropriate only when:
  - The good or services is available only from a single source (sole source)
  - There is a public emergency
  - **Change:** The awarding agency expressly authorizes noncompetitive proposals in response to a written request from the non-Federal entity
  - After soliciting a number of sources, competition is deemed inadequate



# Property definitions

- **Equipment 200.33**
  - Tangible personal property,
  - Useful life of more than one year
  - Per unit acquisition cost which equals or exceeds \$5,000
- **New: Computing Devices 200.20**
  - Machines used to acquire, store, analyze, process, public data and other information electronically
  - Includes accessories for printing, transmitting and receiving or storing electronic information
- **Supplies 200.94**
  - All tangible personal property other than equipment.
  - Computing devices are supplies if less than \$5,000





- Revisit applicable policies and procedures (Procurement and Compensation) to determine need to incorporate Uniform Guidance changes



*Precision Experience Assurance*

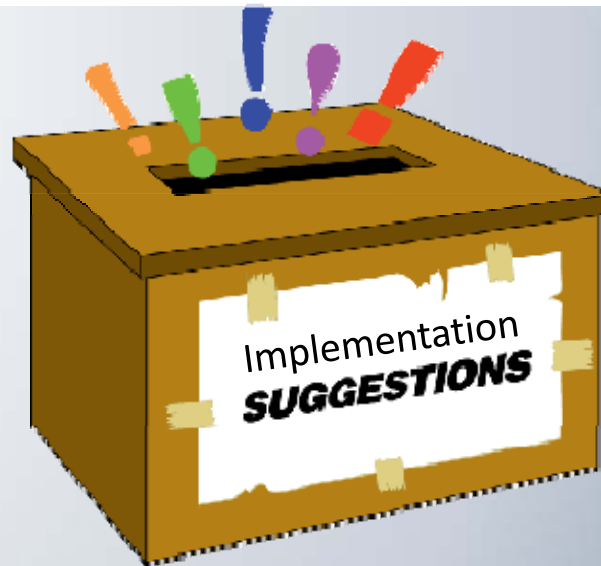
Purvis  
Gray &  
Company<sub>LLP</sub>



# New: Monitoring and reporting program performance 200.328

- Monitoring by the “Pass Through”
  - Monitor to assure compliance with applicable federal requirements and performance expectations are achieved
  - Must cover each program, function or activity (see also 200.331)
  - Must submit “performance reports” at least annually
  - Must evaluate subrecipient’s risk of noncompliance with Federal statutes, regulations, and terms and conditions of federal awards





- Revisit or develop separate monitoring policies for sub-recipients that receive a Single audit and one for those who do not.



*Precision Experience Assurance*

Purvis  
Gray &  
Company<sub>LLP</sub>

# CHANGES IN AUDIT REQUIREMENTS



*Precision Experience Assurance*

Purvis  
Gray &  
Company<sub>LLP</sub>

# Audit Requirements/Single Audit (Subpart F)

- Increase audit threshold from \$500,000 to \$750,000
- Major Program Determination
- Percentage of Coverage Rules
  - Including Determination of Low Risk Auditee
- Audit Findings



*Precision Experience Assurance*

Purvis  
Gray &  
Company<sub>LLP</sub>

# Major Program Determination

- Type A minimum threshold increased from \$300,000 to \$750,000
- Risk assessment of Type A programs focuses on material weaknesses
  - Significant deficiency in internal control no longer precludes program from being considered low risk
- Type B small program floor is 25% of Type A threshold
  - Minimum increased from \$100,000 to \$187,500
  - Not required to identify more high-risk Type B programs than at least one fourth the number of low-risk Type A programs (previously one-half)



# Low Risk Auditee Determination

- Low Risk Auditees
  - Single Audit in each of the previous two years
  - Unmodified opinion on financial statements and in relation to opinion on SEFA
  - No material weaknesses in internal control over financial reporting
  - Final guidance removed provision to allow entities with any of the above to be considered low risk with cognizant/oversight agency approval***
  - No substantial doubt about the auditee's ability to continue as a going concern reported by auditor (***new***)
  - No Type A programs in each of the previous two years had material weaknesses in internal controls , modified opinion, or known or likely questioned costs that exceed 5% of expenditures
  - Reporting package submitted timely (***clarified***)



# Percentage of Coverage Rule

- If non-Federal entity meets the low-risk auditee criteria
  - 20% of Federal awards expended must be tested (***decreased from 25%***)
- If non-Federal entity does not meet the low-risk auditee criteria
  - 40% of Federal awards expended must be tested (***decreased from 50%***)

	Circular A-133	Uniform Guidance
Low Risk Auditee	25%	20%
<u>Non Low Risk</u>	<u>50%</u>	40%



Precision Experience Assurance

Purvis  
Gray &  
Company<sub>LLP</sub>

# Audit Findings

- Auditor must report the following as audit findings
  - Significant deficiencies and material weakness in internal control over major programs and abuse
  - Material noncompliance
  - Known questioned costs greater than \$25,000 for major programs ***(increased from \$10,000)***
  - Known questioned costs greater than \$25,000 for a Federal program not tested as major if auditor becomes aware of noncompliance (not required to test)

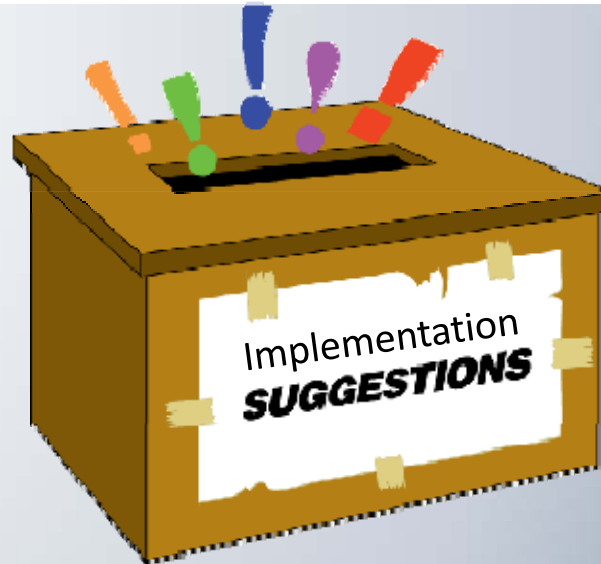




# Compliance Supplement Part 3 – Compliance Requirements

- Reduction in compliance requirements from 14 to 12
  - Davis Bacon Act and Real Property Relocation Assistance removed
  - Reduction also applies Circular A-133 audits performed under the 2015 Supplement
- Changed title of “Period of Availability of Funds” to “Period of Performance” in Part 3.2
- Deleted Recovery Act (ARRA) testing in 3.2, N. Special Tests and Provisions



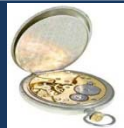


- Review your grant agreement and compliance supplement.  
For example, although no longer included as a Compliance Requirement, Davis Bacon can be included in special test/provisions and/or the grant agreement itself.



# 2015 Compliance Supplement – Part 3

- Compliance requirements with no significant changes in audit objectives or suggested audit procedures
  - A. Activities Allowed/Unallowed
  - E. Eligibility
  - G. Matching, Level of Effort, Earmarking
  - L. Reporting
  - N. Special Tests and Provisions
- Compliance requirements “removed” and identified as “reserved” in 3.2
  - D. Davis Bacon Act
  - K. Real Property and Relocation Assistance



*Precision Experience Assurance*

Purvis  
Gray &  
Company<sub>LLP</sub>

# 2015 Compliance Supplement – Part 3

- Compliance requirements with more substantive changes
  - B. Allowable Costs/Cost Principles
  - C. Cash Management
  - F. Equipment and Real Property Management
  - H. Period of Performance
  - I. Procurement and Suspension and Debarment
  - J. Program Income
  - M. Sub recipient Monitoring



# 2015 Compliance Supplement – B. Allowable Costs / Cost Principles

- Introductory Section – application to all nonfederal entities
  - Includes de minimis indirect cost rate information
    - Applies to nonfederal entities using a de minimis indirect cost rate, whether a recipient or subrecipient
    - Includes suggested audit procedures
  - More focused on improper payments
  - Separate subsections under each of the above sections for direct costs and indirect costs
  - Deleted step that gave auditors flexibility to test certain central service cost pools at least every 5 years
  - More flexibility provided to comply with time and effort requirements for applicable non federal entities



*Precision Experience Assurance*

Purvis  
Gray &  
Company<sub>LLP</sub>

# 2015 Compliance Supplement – C. Cash Management

- Audit objectives similar but revised
- For grants and cooperative agreements, all non-federal entities must establish written procedures to implement the requirements of 2 CFR section 200.305
- The “minimized elapsed time for funds transfer” is based on the payment system/method a non-Federal entity uses
- More emphasis on cost-reimbursement contracts under the FAR



*Precision Experience Assurance*

Purvis  
Gray &  
Company<sub>LLP</sub>

# 2015 Compliance Supplement – F. Equipment and Real Property Management

- Example: Disposition of Equipment - Suggested audit procedures
  - For dispositions of equipment acquired under grants and cooperative agreements, verify whether the Federal awarding agency was reimbursed for the Federal portion of the current market value or sales proceeds.
  - For disposition of equipment acquired under cost-reimbursement contracts, verify that the non-Federal entity followed Federal awarding agency disposition instructions.



*Precision Experience Assurance*

Purvis  
Gray &  
Company<sub>LLP</sub>

# 2015 Compliance Supplement – H. Period of Performance

- Title changed from “Period of Availability”
- Suggested audit procedures are broken into steps for:
  - Perform tests for transactions:
    - recorded during beginning of period of performance.
    - recorded during latter part and after period of performance.
    - for which obligation had not been liquidated as of end of performance period.
- Excludes the statement that the auditor may test period of availability using the same test items used to test other types of compliance requirements such as allowable costs/cost principles





# 2015 Compliance Supplement –

## I. Procurement and Suspension and Debarment

- States under grants and cooperative agreements should:
  - test a sample of procurements to ascertain if the State's laws and procedures were followed and that the policies and procedures used were the same for non-federal funds.
  - Apply procedures to all non-federal entities and relate to covered transactions and suspension and debarment
  - Separate ARRA procedures have been removed
- Non-federal entities other than States
  - New procedure related to in-State or local geographical preferences in the evaluation of bids or proposals



*Precision Experience Assurance*

Purvis  
Gray &  
Company<sub>LLP</sub>

# 2015 Compliance Supplement – J. Program Income

- Provides more detail on what program income includes and does not include
- Explains the 3 methods for using program income
  - Deduction
  - Addition
  - Cost Sharing or Matching
- Terminology and references in the audit objectives and suggested audit procedures are revised to conform to 2 CFR 200.
  - Example: Program income includes but is not limited to income from fees for services performed, the use or rental of real or personal property acquired under Federal awards, the sale of commodities or items fabricated under a Federal award, license fees and royalties on patents and copyrights, and principal and interest on loans made with Federal award funds.  
**Interest earned on advances of Federal funds is not program income**



*Precision Experience Assurance*

Purvis  
Gray &  
Company<sub>LLP</sub>

# 2015 Compliance Supplement – M. Subrecipient Monitoring

- Audit objectives reduced to 3 broad objectives (Part 3.1 objectives were very detailed)
- Suggested audit procedures reduced to 4 broad procedures from 10 very specific suggested procedures in Part 3.1
  - Gain understanding of subrecipient monitoring
  - Do subaward documents meet requirements?
  - Did documentation of monitoring provide reasonable assurance that the subrecipient used the subaward for authorized purposes?
  - Did the Entity verify that subrecipients received the required audits?



*Precision Experience Assurance*

Purvis  
Gray &  
Company<sub>LLP</sub>

# 2015 Compliance Supplement – Part 6, Internal Control

- Part 6 removed – expected to be included in 2016 Supplement
  - Substantive updates needed for:
    - 2013 update to the Committee of Sponsoring Organizations of the Treadway Commission (COSO) “Internal Control - Integrated Framework”
    - Government Accountability Office Standards for the Internal Control in the Federal Government (the Green Book)
  - Note included in Part 6 stating that non-federal entities and auditors better off looking to COSO or Green Book which are considered “best practices”



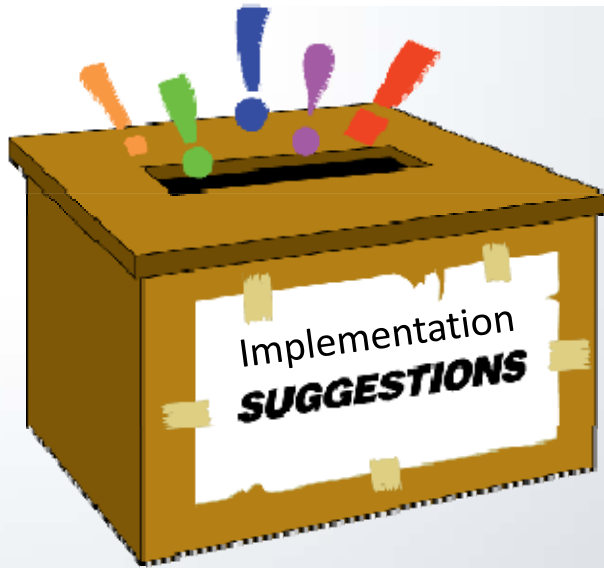
# 2015 Compliance Supplement – Part 6, Internal Control

- Keep in mind the “must” requirement in the UG:
  - The non-federal entity **must** establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-federal entity is managing the Federal award in compliance with federal statutes, regulations, and the terms and conditions of the Federal award.



*Precision Experience Assurance*

Purvis  
Gray &  
Company<sub>LLP</sub>



- Create an internal control document that describes your control processes, risks and key controls (similar to the documentation the auditors complete).
  - Example: The Department of Education is requiring that school boards now complete a document of internal control that details:
    - Definition of goals/objectives
    - Identify all assessable units
    - Detail the control environment
    - Prioritize and document Business Process
    - Identify Risks and Describe Control Activities
    - Link Progress and Processes
    - Implement an Internal Control Evaluation Routine.



# Single Audit Certification

- Developed by the AICPA
- Helps auditors demonstrate their level of competency and commitment to excellence.
- Timed online format – 100 questions – MC
- Results within 5 business days via email
- Awarded a certificate in the form of a digital badge to be used in proposals, email, social profile.
- No CPE credit awarded for taking the certificate exams.



*Precision Experience Assurance*

Purvis  
Gray &  
Company<sub>LLP</sub>

# Single Audit Certification (cont.)

- Intermediate Single Audit Certificate Exam (3-7 years of experience (YOE))
  - Tests ability to **plan, perform, and evaluate** single audits in accordance with the latest requirements of the new Uniform Guidance.
- Advanced Single Audit Certificate Exam (8+ YOE)
  - Available May 5, 2016
  - Tests ability to **plan, direct, and report** on single audits in accordance with the latest requirements of the new Uniform Guidance.
  - CPE Offered to update skills – 8 credit course



*Precision Experience Assurance*

Purvis  
Gray &  
Company<sub>LLP</sub>



# Single Audit Certification (cont.)

- Intermediate Single Audit Certificate Exam (cont.)
  - Topics Tested
    - Comprehending single audits
    - SEFA
    - Planning the audit
    - Major program determination
    - Using the Compliance Supplement
    - Internal Control over Compliance
    - Testing Compliance
    - Single Audit Reporting



# Single Audit Certification (cont.)

- Advanced Single Audit Certificate Exam (cont.)
  - Topics Tested
    - Planning compliance audit and risk assessment considerations
    - Required elements of the SEFA
    - Major program determination process, including clusters and loans/loan guarantees
    - Considerations when assessing and evaluating internal controls over compliance
    - Audit Sampling
    - Evaluating and reporting on applicable compliance requirements related to compliance testing
    - Considerations for pass-through entities
    - Advanced audit reporting issues



*Precision Experience Assurance*

Purvis  
Gray &  
Company<sub>LLP</sub>

# References

- [http://www.whitehouse.gov/omb/grants\\_docs](http://www.whitehouse.gov/omb/grants_docs)
  - Omni Circular (Uniform Guidance)
  - Uniform Guidance Crosswalk from Existing Guidance to Final Guidance
- <https://www2.ed.gov/policy/fund/guid/uniform-guidance/fundsguidance.pdf>
- [http://www.ecfr.gov/cgi-bin/text-idx?SID=f5459049733bfb47041d318a2e64486b&tpl=/ecfrbrowse/Title02/2cfr200\\_main\\_02.tpl](http://www.ecfr.gov/cgi-bin/text-idx?SID=f5459049733bfb47041d318a2e64486b&tpl=/ecfrbrowse/Title02/2cfr200_main_02.tpl)



# Questions?



*Precision Experience Assurance*

Purvis  
Gray &  
Company<sub>LLP</sub>