



2016 TRAINING CONFERENCE
UNIFORM GUIDANCE
2 CFR 200

presented

by

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ATKINSON & CO.

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foodiggity

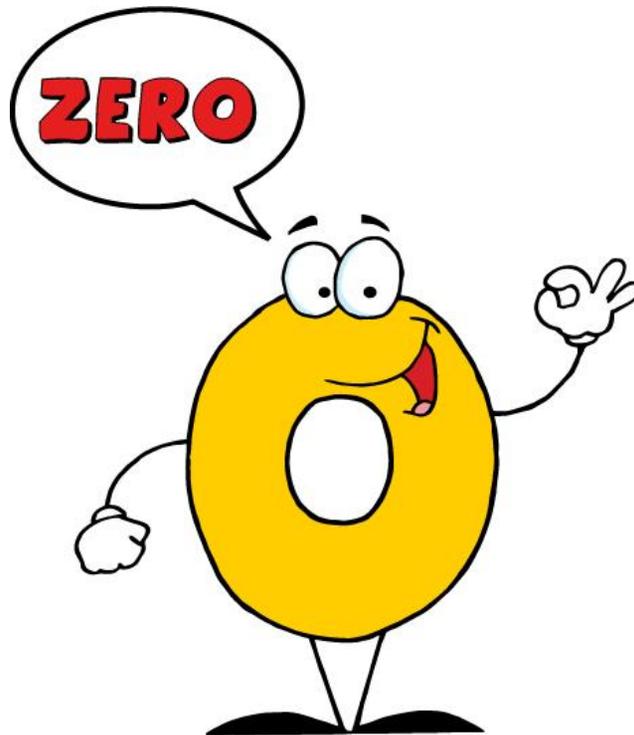
Accounting Standards Distilled 5 Times

- Clarify
- Simplify
- Harmonize

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HERE WE GO!
EVERYONE GETS SET TO
ZERO



8 CIRCULARS GONE.....

8 Circulars

A-102

A-110

A-21, A-87, A-122

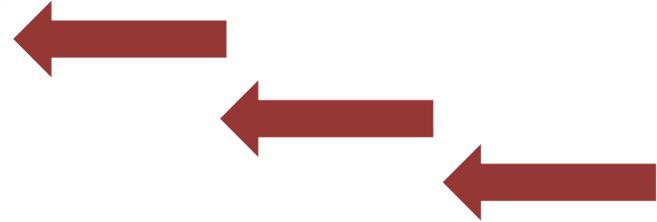
A-133, A-50

A-89

OMB Directive on program announcement



UNIFORM GUIDANCE



2 CFR 200

Subpart A A Acronyms & Definitions

Subpart B B General Provisions

Subpart C C Pre-award Federal Requirements & Comments

Subpart D D Post Federal Auditing Requirements

Subpart E E Cost Principles

Subpart F F Audit Requirements

Appendices

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APPENDICES

- **Appendix I – Full Text Of Notice Of Funding Opportunity**
- **Appendix II – Contract Provisions For Non-Federal Entity Contracts Under Federal Awards**
- **Appendix III – Indirect (F&A) Costs Identification And Assignment, And Rate Determination For Higher Institutions Of Higher Education**
- **Appendix IV – Indirect (F&A) Costs Identification And Assignment, And Rate Determination For Nonprofit Organizations**
- **Appendix V – State/Local Government And Indian Tribe-Wide Central Service Cost Allocation Plans**
- **Appendix VI – Public Assistance Cost Allocation Plans**

APPENDICES

- **Appendix VII – State And Local Government And Tribe Indirect Cost Proposals**
- **Appendix VIII – Nonprofit Organization Exempted From Subpart E**
- **Appendix IX – Hospital Cost Principles**
- **Appendix X – Data Collection Form (SFSAC)**
- **Appendix XI – Compliance Supplement (For Single Audits)**
- **Appendix XII – Award Term And Condition For Recipient Integrity And Performance Matters**

OMB'S INTENT

Four Overarching Objectives

- **Federal Program Announcements**
- **Financial Risk + Merit Evaluate Upfront**
- **Strengthen Subrecipient Oversight**
- **Get Results And Address Weakness**

EXPANDED INTENT

- 1. Integrating and streamlining eight overlapping OMB circulars into one set of guidance in Title 2 of the CFR;**
- 2. Providing a set of uniform definitions for federal assistance;**
- 3. Requiring pre-award consideration of merit and risk;**
- 4. Strengthening internal controls while providing administrative flexibility;**
- 5. Provisions for exceptions to support new innovative programs that improve cost-effectiveness while achieving outcomes;**
- 6. Streamlining and clarifying guidance on sub-recipient monitoring;**
- 7. Providing consistency on negotiated indirect cost rates by creating a minimum rate for recipients and requiring agency-head approval for deviations from negotiated rates;**
- 8. Simplifying reporting requirements for time and effort while strengthening the requirement for effective internal controls;**
- 9. Targeting audit resources based on risk by raising the single audit threshold from \$500k to \$750k and focusing audits on material weaknesses; and**
- 10. Strengthening audit follow-up by requiring greater accountability and monitoring results more closely.**

FUNDING OPPORTUNITIES ON GRANTS.GOV

The screenshot shows the Grants.gov search results page. The search criteria include 'Grant Opportunities' and a search for 'Grant Opportunities'. The results are sorted by 'Posted Date (Descending)' and show 25 of 2196 matching results. The table below lists the first 15 results.

Funding Opportunity Number	Opportunity Title	Agency	Posted Date	Close Date
DOS-BAGHDAD-PD-2015-06	English for Mission Contacts	U.S. Mission to Iraq	06/08/2015	07/09/2015
G15AC00204	Cooperative Monitoring and Assessment of Hawaii Volcano Hazards	Geological Survey	06/08/2015	06/22/2015
NPS-NOIP15AC00889	National Park Service-Restoration Design, Implementation and Effectiveness Monitoring: Upper Colorado River	National Park Service	06/08/2015	05/17/2015
NPS-NOIP15AC00895	National Park Service-Visitor Capacities on Longs Peak	National Park Service	06/08/2015	06/17/2015
RFA-DC-16-001	Open Design Tools for Speech Signal Processing (R01)	National Institutes of Health	06/08/2015	10/01/2015
FR-SEC-15-002	FY15 Supplemental for Security, Routing, and Information Technology Implementation Support for Hazardous Materials Transportation Analytical Risk Model (H-TRAM) for Class II and Class III Railroads.	DOT/Federal Railroad Administration	06/08/2015	07/31/2015
P15AS00161	Exotic Plant Management Internships	National Park Service	06/08/2015	
RFA-DC-16-002	Open Design Tools for Speech Signal Processing (R43/R44)	National Institutes of Health	06/08/2015	10/01/2015
IVV-TEST-S2S-201506159-124759	IVV S2S Testing	IVSV Test Agency	06/08/2015	05/15/2015
NPS-15-NERO-0057	Taunton Wild and Scenic River Assistance	National Park Service	06/06/2015	06/17/2015
P15AC00767-BALD	NOT A REQUEST FOR APPLICATIONS- Badlands National Park Centennial Design Studio- NOT A REQUEST FOR APPLICATIONS	National Park Service	06/08/2015	06/12/2015
F15AS00263	National Fish and Wildlife Foundation - Sustain Our Great Lakes Program	Fish and Wildlife Service	06/08/2015	08/15/2015
2015-NIST-PREP-MML-01	Professional Research Experience Program (PREP-MML)	National Institute of Standards and Technology	06/08/2015	08/07/2015
L15AS00149	BLM ORWA - Hands on the Land Outdoor Environmental Classroom, Spokane District	Bureau of Land Management	06/08/2015	08/07/2015
P15AS00159	Restore Native Plants Associated with Accessibility	National Park Service	06/09/2015	06/22/2015
L15AS00151	BLM OR-WA (WO) National Trails System Development	Bureau of Land Management	06/08/2015	08/07/2015
F15AS00264	Red-cockaded Woodpecker Re-introduction	Fish and Wildlife Service	06/08/2015	
CDC-RFA-CK12-1205PPHFSUPP15	PPHF 2015: Immunization- Strengthening Surveillance for Diseases Among Newly-Arrived Immigrants and Refugees - financed solely by 2015 Prevention and Public Health Funds	Centers for Disease Control and Prevention	06/09/2015	07/23/2015

URL: <http://www.grants.gov/web/grants/search-grants.html>

The block on the SF 424 states, “By signing this application, I certify (1) to the statements contained in the list of certifications and (2) that the statements herein are true, complete and accurate to the best of my knowledge. I also provide the required assurances and agree to comply with any resulting terms if I accept an award. I am aware that any false, fictitious or fraudulent statements or claims may subject me to criminal, civil or administrative penalties.

NEW CLASS OF FEDERAL CASES

Whistle Blower
Lawsuits

Sealed
In Court

Whistle Blower
Collects A
Percentage!



- QUI
TAM

False Claims Act

Medicaid / Medicare
False Billings

IF Government
Prevails



Relayers Get A %

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SHOULD VS. MUST

Q: The word “should” is used throughout 2 CFR 200. Does it really mean “must”?

A: No, The word “must” is used throughout 2 CFR 200 to indicate requirements. The word “should” is used to indicate best practices or recommended approaches that the COFAR wanted nonfederal entities to be aware of, but not, necessarily required to comply with.

Source: Council on Financial Assistance Reform, FAQ, 200.303-2, <https://cfo.gov.cofar>

COFAR Q+A

- **Broad based group**
Council On Financial Assistance Reform
Another resource
- **2 CFR 200**
Governance is the authority not the Q+A
But we all know Q+A is beneficial and
might hit your nuance head on
- **Besides Q+A there are crosswalks + metrics**
- **www.cfo.gov/cofar**

FEDERAL BUSINESS GRANTS VS. CONTRACTOR

“Assistance Awards”

“Procurements”

PURPOSE



Grants
Cooperative Agreements
Assist
Stimulate
Support
Transfer

Buy
Acquire
Procure

Government Offers
And Recipient Accepts

Scope Of Work Established -
Results To Federal Government
Contractor Offers And
Government Accepts

Cost Principles
No Fees For Services

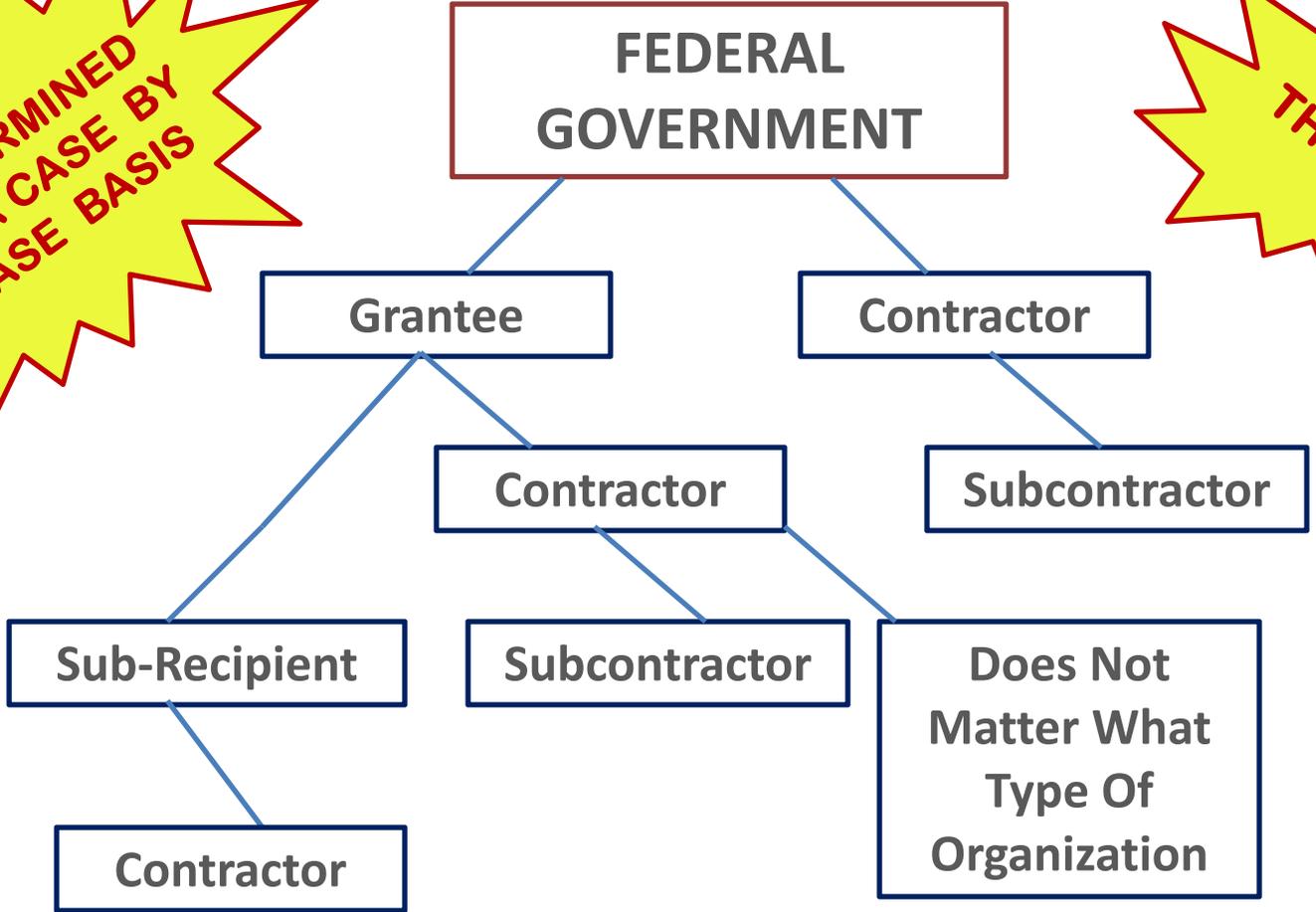
FARS
Fees For Services

Know The Relationship

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**DETERMINED
ON A CASE BY
CASE BASIS**



**PASS
THROUGH**

SUBAWARD OR CONTRACT

SUBRECIPIENT		CONTRACT
<ul style="list-style-type: none"> • An assistance relationship 		<ul style="list-style-type: none"> • A procurement relationship
<ul style="list-style-type: none"> • Determine eligibility (of beneficiaries) 		<ul style="list-style-type: none"> • Provides goods and services within normal business operations
<ul style="list-style-type: none"> • Performance measured against federal program objectives 		<ul style="list-style-type: none"> • Provides similar goods and services to many purchasers
<ul style="list-style-type: none"> • Responsible for programmatic decision-making 		<ul style="list-style-type: none"> • Normally operates in a competitive environment
<ul style="list-style-type: none"> • Adheres to applicable federal program requirements 		<ul style="list-style-type: none"> • Provides goods or services that are ancillary to the federal program
<ul style="list-style-type: none"> • Uses federal funds to carry out a program for a public purpose specified in statute, as opposed to providing goods or services for the benefit of the pass-through entity 		<ul style="list-style-type: none"> • Not subject to compliance requirements of the federal program

SUBRECIPIENT REQUIREMENT TO ASSESS RISK

- Under 2 CFR 200.331(b)
- The pass-through entity is instructed to evaluate each subrecipient's risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward.
- OMB does not say when to do this
- A best practice would be to accomplish the task up front. At 2 CFR 200.205, OMB tells the federal agencies to conduct preaward risk assessments of all federal grant applicants, up front would mirror the federal approach .

FACTORS TO CONSIDER ABOUT SUBAWARDEE DURING RISK ASSESSMENT

- **Prior award experience**
- **Prior audit experience**
- **Extent of any federal monitoring**
- **Check federal databases**
- **Its expected level of federal fund expenditures**
- **Name of the entity auditor**

SUBRECIPIENT MONITORING AND MANAGEMENT

The pass-through entity must:

- Put specific information in the subaward, including indirect cost rate if applicable
- Do risk assessment to determine appropriate sub-recipient monitoring AND must monitor sub-recipients
- Consider if specific subaward conditions are needed
- Verify subrecipients have audits in accordance with Subpart F
- Make any necessary adjustments to the pass-through entity's records based on reviews and audits of subrecipients
- Consider actions to address subrecipient noncompliance
- Responsibility and accountability added to the pass-through entity
- A “kick off “meeting to train and explain webinar must be a very good idea.

CONTRACTOR SELECTION

CONTRACTOR SELECTION (2 CFR §200.318(H))

The non federal entity must award contracts only to responsible contractors “possessing the ability to perform successfully under the terms and conditions of a proposed procurement.” In awarding contracts, OMB instructs that a nonfederal entity will consider a contractor’s:

- integrity
- compliance with public policy
- record of past performance and
- financial and technical resources

Procurement policies should include policy components

THE PRIMARY TOOL OF MANAGING SUBRECIPIENT IS THE AGREEMENT ITSELF

- **2 CFR 200.331(a) discusses necessary provisions 2 CFR 200,210 (b) discusses content**
- **Call it a Subaward**
- **Required Data**
- **All necessary terms and conditions from the original prime award should also be in the subaward**
- **A PRIME recipient must recognize indirect cost recovery by subrecipients in subgrant agreements. 3 options:**
 - 1. Recognize their indirect cost rate**
 - 2. Negotiate a new one**
 - 3. Option to adopt de minimis 10% indirect cost rate**

SPECIAL CONDITIONS

2 CFR 200.207

If Subrecipient is a high risk but award is given nonetheless, the prime must decide which additional requirements to impose on the subrecipient.

Additional award conditions may include:

- **Requirement payments as reimbursements rather than advance payments**
- **Withholding authority to proceed to the next phase until receipt of evidence of acceptable performance**
- **Requiring more detailed or additional financial reports**
- **Require additional project monitoring**
- **Requiring the nonfederal entity to obtain technical or management assistance**

Establish additional prior approvals

Must communicate

The nature of additional requirements, the reasons for impositions, the nature of action to remove the requirements, the time allowed for completing the actions, and method for requesting reconsideration.

POST AWARD ADMINISTRATION

The objectives of post award monitoring are compliance and performance.

Are they following the rules?

Is anything getting done?

Mandatory Steps

1. Review financial and performance reports
2. Verify single audit compliance
3. Ensure corrective action on deficiencies
4. Issue management decision on relevant audit findings
5. Consider whether audit results or other cofactors necessitate adjustment to pass through entity records
6. Consider whether enforcement actions are necessary

LEARN FROM THE FEDS

PROCUREMENT STANDARDS

Non-federal entities must comply with a new set of standards for the procurement process, 2 CFR 200.318-326

- **The details of the purchasing system used by an entity is left to its own decision**
- **System must comply with minimum standards**

SPECIAL REQUIREMENT FOR STATE GOVERNMENT

2 CFR 200.317 – a state government is required to use the same policies and procedures it uses for procurements with nonfederal funds

Subrecipients of state governments must follow 2 CFR 200.318-326

PROCUREMENT NON FEDERAL ENTITIES

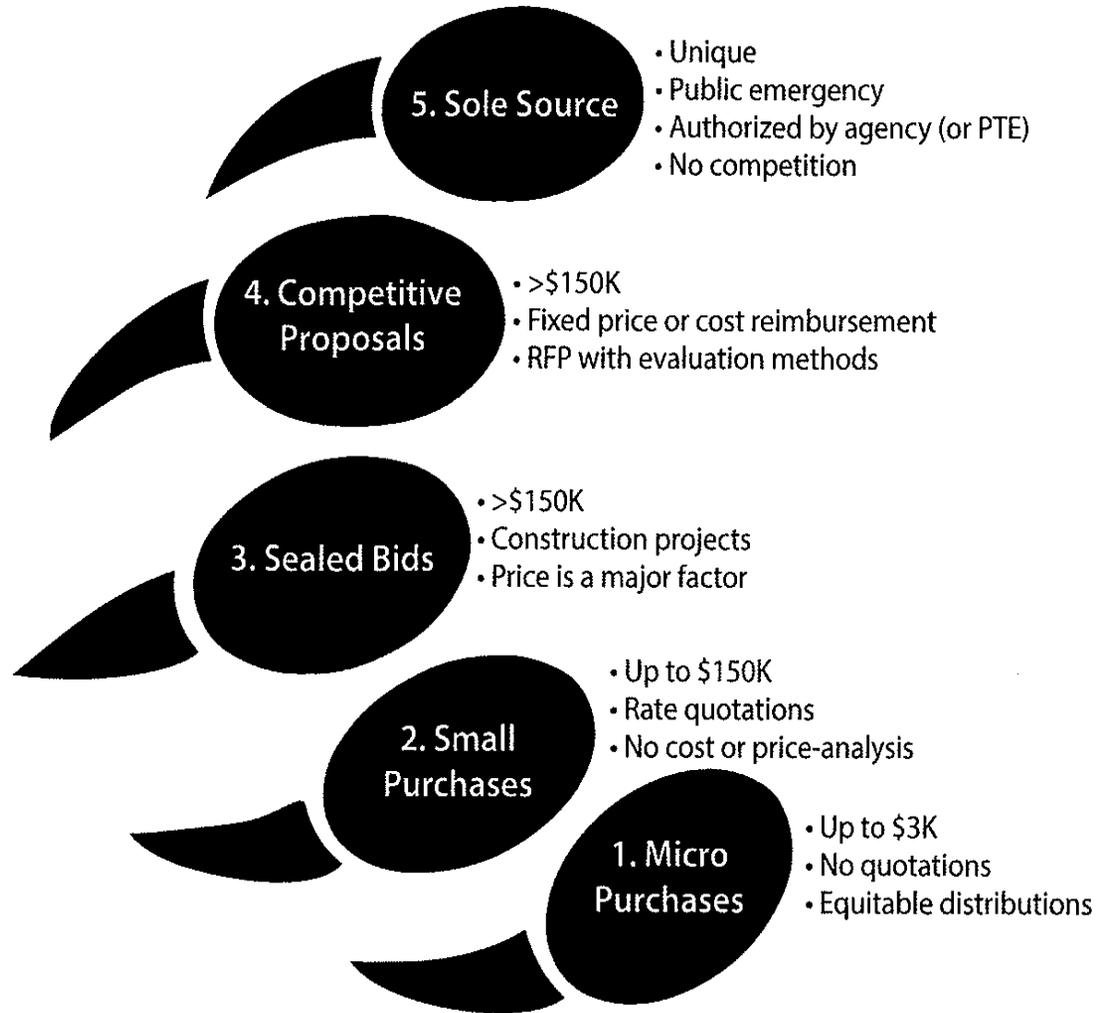
- **There is a grace period of two fiscal years for non federal entities to implement changes to their procurement policies and procedures to comply with UG.**
- **A June 30 fiscal year would be required to comply as of July 1, 2017.**
- **Full compliance supplement will instruct auditors to review procurement based on documented standards.**

AUDITOR SELECTION

- Auditor selection (200.509)
- Most recent Peer Review Report
- Solicit procurement (200.317-326)
- RFP's must contain elements found in 509



PROCUREMENT "BEAR CLAW"



EFFORT REPORTING

- **Time & Effort Reporting is now called Standards for Documentation of Personnel Expenses**
- **Largest line item for many NFEs for grants budget**
- **Area producing the largest amount of findings in single audits**
- **UG does not give explicit directions for a time and reporting system, but one must be created using the basic standards**
- **Internal control must be in place that accounts for 100% of an employees efforts**
- **Unsupported (in other words undocumented) or poorly documented costs can be questioned**
- **Auditors pay particular attention to whether compliance with changed requirements has occurred**

WHAT IS REQUIRED

- **After the fact determination of effort**
- **Full disclosure of all effort**
- **Credible signatures**
- **Timely completion**
- **Accurately reflect work performance**
- **Incorporated into the official records of NFEs**
- **Encompass both federally assisted and other activities**
- **Comply with established policies and procedures of the NFEs**
- **Support distribution of employees salaries and wages to specific activities**
- **Percentages may be used**

DOCUMENTS REQUESTED BY AUDITORS

Perhaps one of the most problematic areas that has been and continues to be audited by many federal offices of inspectors general (OIGs) is labor charges, with focus on time and effort reporting. Following is a list of documents requested by auditors during audits conducted in compliance with Circular A-21 (2 CFR Part 220, Appendix A) by OIG's at two large funding agencies – National Science Foundation and Department of Health and Human Services (National Institute of Health awardees). There are likely some lessons to be learned in reviewing the detail of these requested documents.

- All policies and procedures relating to time and effort reporting and the payroll distribution system
- Award documents to determine whether the grant had any terms and conditions that would affect allowable labor charges to the award and whether the amount of effort pledged was actually expended and charged correctly
- Documents supporting the approved annual salary for employees
- Fiscal year salary change forms or other documents supporting the approved annual salary for employees

DOCUMENT REQUESTED BY AUDITORS - CONTINUED

- Reports or time records documenting 100% of each employee's compensation as allocated to sponsored or non sponsored projects
- Documentation detailing the actual salary and wages charged to sponsored projects and other activities for each employee during each reporting period (e.g., Distribution of Payroll Expense Summary, Personnel Activity Reports), as well as approval and signoff
- Management reports detailing the actual salary and wages charged to sponsored projects and other activities for each employee during each reporting period
- Project director confirmations certifying the total aggregate labor costs charged to each NSF award during the effort reporting period
- Other business documents used to verify work performed and proper charging
- Monthly financial reports showing total expenditure for each award, including salary and wages
- Internal audit and accountability reports with findings regarding the payroll distribution/effort reporting system or salary and wage costs
- Most recent single audit

AUDIT ISSUES

There are some types of cost transfers that have been particularly suspect in an audit. Examples of these are:

- ◆ Transfers to or between federal projects
- ◆ Transfers that are late
- ◆ Transfers to a federal project that is nearing its termination date thereby giving the appearance of utilizing funds inappropriately
- ◆ Transfers with an inadequate explanation
- ◆ Transfers between federal projects that clears an overrun on one of the projects
- ◆ Payroll transfers that are recorded in the accounting system but not corrected in the payroll system or on the effort certification

Audits tend to focus on late cost transfers, and, in particular, payroll transfers, because these are hard to defend if not properly documented. Payroll transfers are particularly vulnerable because it is likely that the original charge has already been certified as correct. In one audit finding, the audit focused on those cost transfers that appeared to shift costs from overdrawn accounts to those that had remaining funds.

In most audits, findings related to cost transfers rest on the fact that the documentation is not sufficient to justify the transfer or the reason why it is late. Documents that auditors request and review for cost transfer audits include the following:

- ◆ cost transfer supporting documentation;
- ◆ background information on the cost transfers;
- ◆ the accounting system reports;
- ◆ transaction reports;
- ◆ monthly payroll expense detail report; and
- ◆ the documentation regarding persons authorized to initiate and approve cost transfers.

SECTION 200.303

INTERNAL CONTROLS

Section 200.303 contains the internal control-related requirements that the agencies and pass-through entities are to follow:

- **Establish internal controls over the federal award that provide reasonable assurance of compliance with laws, regulations, and award terms and conditions**
- **Self-monitor and evaluate compliance.**
- **Take prompt action on identified instances of noncompliance**
- **Protect personally identifiable information**

INTERNAL CONTROL OBJECTIVES FOR FEDERAL GRANT PROGRAMS

- Recipients of federal awards are required to have effective internal controls over award administration; and
- Provide reasonable assurance that compliance departures will be prevented or detected and corrected on a timely basis by staff performing their assigned functions.

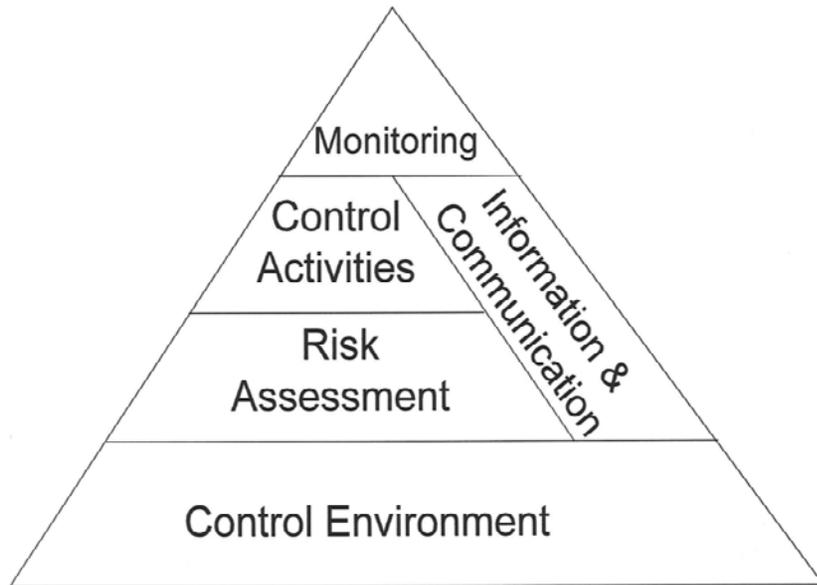
Transactions are properly recorded and accounted for to:

- Permit the preparation of reliable financial statements and federal reports;
- Maintain accountability over assets; and
- Demonstrate compliance with laws, regulations and other requirements.

BEST PRACTICES – INTERNAL CONTROLS

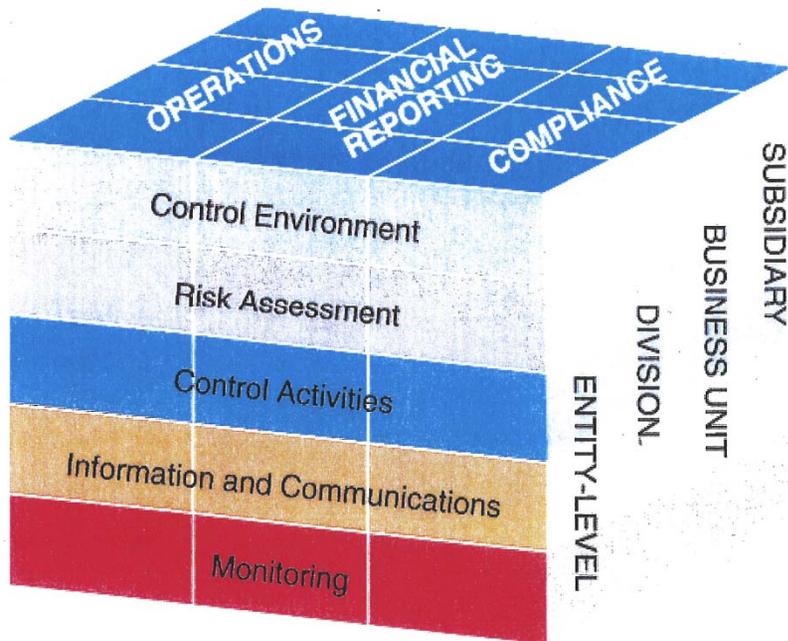
OMB permits a grantee to craft its own system of internal controls, but internal control system should be in compliance with:

- **Standards For Internal Control in the Federal Government (Green Book)**
- **Internal Control Integrated Framework COSO – www.coso.org**



COSO 2 Views

Identified guidance sources will become more important



A THIRD VIEW

60 SQUARES TO CONSIDER

	Control Environment	Risk Assessment	Control Activities	Information And Communication	Monitoring
A. Activities Allowed or Unallowed					
B. Allowable Costs/Cost Principles					
C. Cash Management					
E. Eligibility					
F. Equipment & Real Property					
G. Matching, Level of Effort, Earmarking					
H. Period of Performance					
I. Procurement & Suspension & Debarment					
J. Program Incomes					
L. Reporting*					
M. Subrecipient Monitoring					
N. Special Tests & Provisions					
<i>*Note: D and K were eliminated in the 2015 Compliance Supplement</i>					

CFDA

Sample CFDA Search



CATALOG of FEDERAL DOMESTIC ASSISTANCE



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Programs

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Search Tip: Use the [Advanced Search Form](#) for a wide array of search fields. To view programs by agency, go to the [Agencies](#) section. A quick search can be conducted using the fields below.

Note : Once you have found the Federal assistance program you want, please contact the office that administers the program for application instructions.

Keywords: [More Search Fields](#)

Items 1-25 of 2313

Showing Jump [Next >](#)

<input type="checkbox"/>	#	Program Title	Agency/Office	Types of Assistance
<input type="checkbox"/>	10.001	Agricultural Research_Basic and Applied Research	Department of Agriculture Agricultural Research Service	B - PROJECT GRANTS
<input type="checkbox"/>	10.025	Plant and Animal Disease, Pest Control, and Animal Care	Department of Agriculture Animal and Plant Health Inspection Service	B - PROJECT GRANTS
<input type="checkbox"/>	10.028	Wildlife Services	Department of Agriculture Animal and Plant Health Inspection Service	B - PROJECT GRANTS
<input type="checkbox"/>	10.090	Indemnity Program	Department of Agriculture Animal and Plant Health Inspection Service	D - Direct Payments with Unrestricted Use
<input type="checkbox"/>	10.051	Commodity Loans and Loan Deficiency Payments	Department of Agriculture Farm Service Agency	D - DIRECT PAYMENTS WITH UNRESTRICTED USE, E - DIRECT LOANS
<input type="checkbox"/>	10.053	Dairy Indemnity Program	Department of Agriculture Farm Service Agency	D - DIRECT PAYMENTS WITH UNRESTRICTED USE
<input type="checkbox"/>	10.054	Emergency Conservation Program	Department of Agriculture Farm Service Agency	C - DIRECT PAYMENTS FOR A SPECIFIED USE

URL: <https://www.cfda.gov/?s=program&mode=list&tab=list>

A-133 BECOMES SUBPART F

- Coverage previously in A-133
 - internal controls discussion
 - subrecipient monitoring
 - sanctions for noncompliance
 - accountability of audit costs

Have been moved to other subparts

- Compliance testing should relate to requirements that were in effect at the time the grant and subgrant transactions were actually executed.

AUDIT REQUIREMENTS COMPARISON CHART

Audit Requirements Comparison Chart – OMB Circular A-133 and OMB Uniform Guidance (Prepared by OMB)	
OMB Circular No. A-133	Subchapter F – Audit Requirements
Subpart A – General ___ .100 Purpose. ___ .105 Definitions.	General 200.700 Purpose. Subpart A – Definitions
Subpart B – Audits ___ .200 Audit requirements. ___ .205 Basis for determining Federal awards expended. ___ .210 Subrecipient and vendor determinations. ___ .215 Relation to other audit requirements. ___ .220 Frequency of audits. ___ .225 Sanctions. ___ .230 Audit Costs. ___ .235 Program-specific audits.	Audits 200.501 Audit requirements. 200.502 Basis for determining federal awards expended. 200.503 Relation to other audit requirements. 200.504 Frequency of audits. 200.505 Sanctions. 200.506 Audit Costs. 200.507 Program-specific audits.
Subpart C – Auditees ___ .300 Auditee responsibilities. ___ .305 Auditor selection. ___ .310 Financial statements. ___ .315 Audit findings follow-up. ___ .320 Report submission.	Auditees 200.508 Auditee responsibilities. 200.509 Auditor selection. 200.510 Financial statements. 200.511 Audit findings follow-up. 200.512 Report submission.
Subpart D – Federal Agencies and Pass-Through Entities ___ .400 Responsibilities. ___ .405 Management decision.	Federal Agencies 200.513 Responsibilities. 200.521 Management decision.
Subpart E – Auditors ___ .500 Scope of audit.	Auditors 200.514 Scope of audit. 200.515 Audit reporting. 200.516 Audit findings. 200.517 Audit documentation. 200.518 Major program determination. 200.510 Criteria for federal program risk. 200.520 Criteria for a low risk auditee.
Appendix XI – Audit Data Collection Form (SF SAC) ___ .505 Audit reporting. ___ .510 Audit findings. ___ .515 Audit working papers. ___ .520 Major program determination. ___ .525 Criteria for Federal program risk. ___ .530 Criteria for a low risk auditee.	Appendix A – Data Collection Form (Form SF SAC)
Appendix B – Circular A-133 Compliance Supplement	Appendix XII – Single Audit Compliance Supplement

WHAT IS THE EMPHASIS ON SUBPART F

In the objectives section on the publication of Uniform Guidance in the Federal Register the purpose of Subpart F is to:

“concentrate audit resources, oversight and resolution on higher dollar, higher risk federal awards and improve audit quality”

WHAT IS THE EMPHASIS ON SUBPART F

UG does the following:

- **Strengthen audit procurement process**
- **Increases dollar threshold for audit (\$750,000)**
- **Clarifies and streamlines the determination of federal programs and awards to be tested**
- **Improve the reporting of audit findings and resolution of audit findings**

Sec. 200.5XX, Audit Requirements

▶ Basic structure of single audit process unchanged

- Audit threshold (200.501)
- Subrecipient vs. Contractor (200..501(f) & 200.330)
- Program-specific (200.507) and biennial audits (200.504)
- 9 month due date (set in law) (299.512(a))
- Auditee prepares basic financial statements & SEFA (200.510)
- Major program determination based on risk (200.518)
- Compliance Supplement overall format (Appendix XI)
- Reporting to Federal Audit Clearinghouse (FAC).(200.512)
- Audit follow-up and corrective action. (200.511 & 200.521)

Audit Threshold

- ▶ **Increases audit threshold from \$500,000 to \$750,000**
- ▶ **Maintains oversight over 99.7% of the dollars currently subject Single Audit and reduces audit burden for approximately 5,000 entities**
- ▶ **Increase of \$250,000 is in line with previous threshold increase in 2003**

Type A/B Threshold

- ▶ **Programs are grouped based on dollars.**
 - Type A programs are those above the threshold.
 - Type B are those below the threshold.
- ▶ **Type A/B threshold is a sliding scale with minimum.**
 - Minimum increases from **\$300,000** to **\$750,000**
 - Threshold presented in table to be more easily understood
- ▶ **Audit threshold and Type A/B minimum threshold will be the same at \$750,000**

THRESHOLDS FOR TYPE A & B PROGRAMS (FROM 2 CFR §200.518)

Total Federal Awards Expended	Type A/B Threshold
Equal to or exceed \$750,000 but less than or equal to \$25 million...	\$750,000
Exceed \$25 million but less than or equal to \$100 million.....	Total Federal awards expended times .03.
Exceed \$100 million but less than or equal to \$1 billion.....	\$3 million
Exceed \$1 billion but less than or equal to \$10 billion.....	Total Federal awards expended times .003.
Exceed \$10 billion but less than or equal to \$20 billion.....	\$30 million
Exceed \$20 billion.....	Total Federal awards expended times .0015.

CRITERIA FOR FEDERAL PROGRAM RISK

The auditor's determination of risk should be based on an overall evaluation of the risk of noncompliance occurring that could be material to the federal program, according to 2 CFR §200.519. As part of the risk analysis, the auditor may discuss a particular program with auditee management and the federal agency or pass-through entity. The following criteria should also be considered:

- **Current and prior audit experience.**
- **Weaknesses in internal control would indicate higher risk. A program administered under multiple internal control structures may have higher risk. When assessing risk in a large single audit, the auditor must consider whether weaknesses are isolated in a single operating unit (e.g., one college campus) or pervasive throughout the entity. When significant parts of a program are passed through to subrecipients, a weak system for monitoring subrecipients would indicate higher risk.**
- **Prior audit findings would indicate higher risk, particularly when the situations identified in the audit findings could have a significant impact on a federal program or have not been corrected.**
- **Federal programs not recently audited as major programs may be of higher risk than those recently audited as major programs without audit findings.**

CRITERIA FOR FEDERAL PROGRAM RISK

- Oversight exercised by federal agencies and pass-through entities. (for example, recent monitoring or other reviews performed by an oversight entity that disclosed no significant problems would indicate lower risk, whereas monitoring that disclosed significant problems would indicate higher risk.)
- Inherent risk of federal program.
- The nature of a program may indicate risk. Consideration should be given to the complexity of the program and the extent to which the federal program contracts for goods and services. For example, federal programs that disburse funds through third party contracts or have eligibility criteria may be of higher risk. Federal programs primarily involving staff payroll costs may have a high risk for noncompliance with requirements of 2 CFR §200.430 (“Compensation-personal services”), but otherwise be at low risk.
- The phase of a program in its lifecycle at the federal agency may indicate risk.
- The phase of a program in its lifecycle at the auditee may indicate risk. For example, the risk may be higher at start-up or closeout.
- Type B programs with larger awards expended would be of higher risk than programs with substantially smaller federal awards expended.
- Certain federal programs may be identified as high risk in compliance supplement.

High-Risk Type A Program

Current A-133 criteria:

- ▶ Not audited as major program in 1 of 2 most recent audit periods
- ▶ In most recent period had **Any Audit Finding**
 - Provided for auditor judgment in limited cases, e.g., very small questioned costs
- ▶ Auditor considered risk related to:
 - Federal or pass-through entity (PTE) oversight
 - **Inherent risk**
 - Results of audit follow-up
 - Changes in personnel or systems

Uniform Grant Guidance:

- **SAME** “two year look-back”
- In most recent period had a **High Risk Audit Finding** identified as:
 - Modified opinion
 - Material weakness in internal control
 - Known or likely questioned costs exceeding 5% of total program expenditures
- Auditor **only** considers risk related to:
 - Federal or PTE oversight
 - Results of audit follow-up
 - Changes in personnel or systems.

Key – An entity with strong internal controls and few audit findings will have less high-risk Type A programs

High-Risk Type B Program

Current A-133 criteria:

- ▶ **Currently there are two Type B risk assessment options:**
 - Option 1 – Perform risk assessments on all Type B programs and select at least 50% of Type B programs identified as high risk up to number of low-risk Type A programs
 - Option 2 – Perform risk assessments on all Type B programs until as many high-risk Type B programs have been identified as there are low-risk Type A programs.

Uniform Grant Guidance:

- Perform risk assessments on Type B programs until high-risk Type B programs have been identified **up to at least 1/4th** of number of low-risk Type A programs
- Type B program de minimis consideration (new criteria is 25% of Type A threshold)

Percentage of Coverage Rule

- ▶ **Guidance reduces the minimum coverage as follows:**

Type of Auditee	Current	New
Not low risk	50%	40%
Low risk	25%	20%

Sec. 200.510(b) SEFA Additions

- ▶ Federal awards expended as determined in 200.502
- ▶ Provide cluster of programs total (200.510(b)(3))
- ▶ Total amount provided to subrecipients from each federal program (200.510(b)(4))
 - Previous guidance only required “to the extent practical”
- ▶ For loans and loan guarantees, identify in the notes to the SEFA loan balances outstanding at the end of the audit period (200.510(b)(5) and 200.502(b))
 - This is in addition to including the total federal awards expended for loan or loan guarantees in the schedule
 - **Important Note:** Can no longer put beginning loan balance component of federal awards expended in the notes (now will go on face of schedule)
- ▶ Include in the notes to the SEFA whether or not non-federal entity elected to use the 10% de minimis cost rate (200.510(b)(5))

Low-Risk Auditee

Current A-133 criteria (2 prior years)

- ▶ Annual single audits
- ▶ Unmodified opinion on financial statements in accordance with GAAP
- ▶ Unmodified SEFA in-relation-to opinion
- ▶ No GAGAS material weaknesses
- ▶ In either of preceding two years, none of Type A programs had:
 - Material Weakness
 - Material noncompliance
 - QC that exceed 5%
- ▶ Timely filing with FAC
- ▶ Auditor reporting of going concern would not preclude low-risk
- ▶ Waivers

Uniform Grant Guidance (2 prior 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
- ▶ In either of preceding two years, none of Type A programs had:
 - Material Weakness
 - Material noncompliance
 - QC that exceed 5%
- ▶ Timely filing with FAC
- ▶ No auditor reporting of going concern
- ▶ No waivers

LOW RISK AUDITEE 2 CFR 200.520

- **Low risk auditee 2 CFR 200.520**
- **Completed its audits annually and submitted its reporting packages on time**
- **Unmodified opinions on the financial statements and the SEFA**
- **No material weaknesses in internal controls**
- **Raised no doubt about its ability to continue as a going concern**
- **No findings in the past two audits related to internal controls over major programs**
- **Modified opinion on major program compliance**
- **No QC exceeding 5% of the total expended in the Type A program**

MAJOR PROGRAM DETERMINATION

Major Program Determination (2 CFR §200.518)

“Risk-based” Approach

- Takes into consideration dollar size and nature of inherent and control risk
- “Tailored” to each auditee’s unique circumstances

Determination Steps

Step 1 — Identify “large” Type A programs (new parameters based on dollar size or percentage of federal funds expended)

Step 2 — Identify Type A programs that are “low risk” by applying risk factors contained in §200.519 and determining that programs have:

- Been audited as major in one of the last two years
- No material weaknesses in internal controls
- An unmodified opinion on compliance
- Questioned costs of less than 5% of funds expended in the program

Step 3 — Identify Type B programs that are “high risk” by applying criteria contained in §200.519 ... but:

- Limit the number of Type B programs on which to assess risk to $\frac{1}{4}$ the number of Type A programs, and
- Use an approach which provides that different Type B programs are audited as major over time

Step 4 — Determine and audit as major programs:

- All Type A programs not determined to be low risk
- All Type B programs determined to be high risk
- Any additional ones needed to comply with the “percentage of coverage” rule

Sample Matrix of Compliance Requirements (from the Single Audit Compliance Supplement)

CFDA	Types of Compliance Requirements													
	A. Activities Allowed or Unallowed	B. Allowable Costs/Cost Principles	C. Cash Management	D. Davis-Bacon Act	E. Eligibility	F. Equipment and Real Property Management	G. Matching, Level of Effort, Earmarking	H. Period of Availability of Federal Funds	I. Procurement and Suspension and Debarment	J. Program Income	K. Real Property Acquisition and Relocation Assistance	L. Reporting	M. Subrecipient Monitoring	N.** Special Tests and Provisions
45 – National Endowment for the Humanities (NEH)														
45.129	Y	Y	Y				Y	Y	Y			Y	Y	
66 – Environmental Protection Agency (EPA)														
66.458	Y	Y	Y	Y			Y	Y	Y	Y		Y	Y	Y
66.482														
66.468	Y	Y	Y	Y			Y	Y	Y	Y		Y	Y	Y
66.483														
81 – Department of Energy (DOE)														
81.041	Y	Y	Y	Y			Y	Y	Y			Y	Y	Y
81.042	Y	Y	Y	Y	Y		Y		Y	Y		Y	Y	Y
81.128	Y	Y	Y	Y	Y		Y	Y	Y			Y	Y	Y
84 – Department of Education (ED)														
84.002	Y	Y	Y			Y	Y	Y	Y			Y	Y	Y
84.010	Y	Y	Y		Y	Y	Y	Y	Y			Y	Y	Y
84.011	Y	Y	Y		Y		Y	Y				Y	Y	Y
84.027														
84.173	Y	Y	Y			Y	Y	Y	Y			Y	Y	Y
84.032-G	Y											Y		Y
84.032-L							Y		Y			Y		Y
84.041	Y	Y		Y			Y					Y		Y
84.042														
84.044														
84.047	Y	Y	Y		Y	Y	Y	Y	Y			Y		Y
84.066														
84.217														
84.048	Y	Y	Y		Y		Y	Y	Y			Y	Y	Y

The supplement is the closest thing to having a preview of the previous test questions on the night before the exam. Understanding every section in the compliance supplement is a real value to recipient and subrecipients.

Sec. 200.516 Audit Findings

- ▶ Increases the threshold for reporting known and likely questioned costs from \$10,000 to \$25,000
- ▶ Requires that questioned costs be identified by CFDA number and applicable award number
- ▶ Requires Identification of whether audit finding is a repeat from the immediately prior audit and if so the prior year audit finding number
- ▶ Provides that audit finding numbers be in the format prescribed by the data collection form (i.e., 2014-001, 2014-002, etc.)
- ▶ Should indicate whether sampling was a statistically valid sample

Selected Items of Costs Specifically Addressed (2 CFR §§200.420-475)

200.420 Considerations for selected items of cost	200.423 Alcoholic beverages
200.421 Advertising and public relations	200.424 Alumni/ae activities
200.422 Advisory councils	200.425 Audit services
200.426 Bad debts	200.451 Losses on other awards or contracts
200.427 Bonding costs	200.452 Maintenance and repair costs
200.428 Collections of improper payments	200.453 Materials and supplies costs, including costs of computing devices
200.429 Commencement and convocation costs	200.454 Memberships, subscriptions and professional activity costs
200.430 Compensation—personal services	200.455 Organization costs
200.431 Compensation—fringe benefits	200.456 Participant support costs
200.432 Conferences	200.457 Plant and security costs
200.433 Contingency provisions	200.458 Pre-award costs
200.434 Contributions and donations	200.459 Professional service costs
200.435 Defense and prosecution of criminal and civil proceedings, cl	200.460 Proposal costs
200.436 Depreciation	200.461 Publication and printing costs
200.437 Employee health and welfare costs	200.462 Rearrangement and reconversion costs
200.438 Entertainment costs	200.463 Recruiting costs
200.439 Equipment and other capital expenditures	200.464 Relocation costs of employees
200.440 Exchange rates	200.465 Rental costs of real property and equipment
200.441 Fines, penalties, damages and other settlements	200.466 Scholarships and student aid costs
200.442 Fund raising and investment management costs	200.467 Selling and marketing costs
200.443 Gains and losses on disposition of depreciable assets	200.468 Specialized service facilities
200.444 General costs of government	200.469 Student activity costs
200.445 Goods or services for personal use	200.470 Taxes (including Value Added Tax)
200.446 Idle facilities and idle capacity	200.471 Termination costs
200.447 Insurance and indemnification	200.472 Training and education costs
200.448 Intellectual property	200.473 Transportation costs
200.449 Interest	200.474 Travel costs
200.450 Lobbying	200.475 Trustees

SELECTED REVISED COSTS

200.431 Compensation – Fringe Benefits - Discussion
Affects every type of grantee

200.453 Materials And Supplies – Laptop computers , tablets and smart phones, are considered to be materials and supplies. They are allowable if acquired under a federal award and are essential even if not solely dedicated to the federal award.

200.438 Entertainment Costs – If there is a program purpose and preapproved they are now allowable

200.474 Training And Education – “The cost of training and education provided for employee development is allowable.”

200.425 Audit Services – Discussion used to be in A-133 now it is in Subpart E cost principles. Cost of audit performed to meet single audit requirements is allowable. If the audit is not performed in accordance with requirements limited scope engagements such as agreed upon procedures that might be used by a pass-through entity to monitor subrecipients is allowable.

CASH MANAGEMENT

All of the authorized payment request and disbursement methods available to awarding agencies and recipients have a single objective: to minimize the time between the transfer of funds from the U.S. Treasury and the issuance or redemption of checks, warrants or payments by other means by recipients. This objective has been furthered by the passage of the Cash Management Improvement Act of 1990 (CMIA), which established procedures for transfer of funds from the U.S. government to state entities (the largest and most heavily capitalized class of recipients), and the Debt Collection Improvement Act.

In return for making advance payments, there is also one other requirement imposed on an applicant organization — the payment of interest on funds advanced by the government (2 CFR §200.305(b)(8)). Advance payments are required to be placed into interest-bearing accounts unless the recipient:

- (1) receives less than \$120,000 in federal awards per year;
- (2) would not be expected to earn interest in excess of \$500 per year based upon the best reasonably available interest-bearing account; or
- (3) uses a depository that requires an average or minimum balance so high it would not be feasible within the expected federal or nonfederal cash resources.

Interest earned on federal advances is to be remitted annually to the U.S. Department of Health and Human Services, Payment Management System, Rockville, MD 20852. Recipients may retain up to \$500 annually of the interest earned as an administrative expense. (Prior to the issuance of the uniform guidance, this amount was \$250 per year.)

PAYMENT MECHANISMS

OMB's uniform guidance discusses payment at 2 CFR §200.305. There are three basic methods for payments under grants and cooperative agreements. These are:

- (1) An advance through U.S. Treasury Department check or electronic funds transfer
- (2) Working capital advance
- (3) Reimbursement

The use of payment methods is frequently confused with the cost reimbursement nature of a grant or cooperative agreement. There is a common misconception among newcomers to federal grants administration that the cost reimbursement feature is related to payment. In fact, cost reimbursement has nothing to do with when the cash arrives. Instead, it refers to the method by which the costs of an award (whether a grant, cooperative agreement or contract) will be finalized.

THE ORGANIZATION NEEDS TO HAVE POLICIES

- Federal government long ago declined not to make policies for organizations but to rely on your policies
- Identical practices between federal activity plus other activity must be maintained

For Example:

Time + Effort Reporting - What is your policy?

IRS Tangible Property Regs.



Policies are part of this program

Procurement – What is your policy?

THESE POLICIES MAY BE HELPFUL

What policies should a nonfederal entity have addressing financial administration? In developing such policies, administrators should first consult Subparts D and E of the uniform guidance, which prescribes certain written policies that address many areas of financial research administration.

There is no absolute list, but the following are the policies that many consider particularly important:

Cost Policy Statement. In formulating this policy, refer to the applicable cost principles of Subpart E of the uniform guidance and the discussion of the cost accounting standards. Include a written definition of allowable costs — they must be reasonable, allocable and consistently treated. You may wish to create a listing of what costs are normally direct, what are normally indirect, what are unallowable.

Effort Certification. Like direct costs, certified effort is a perennial audit target and will continue to be because it represents documentation of the biggest cost category for most nonfederal entities. Your policy should contain references to 2 CFR §200.430 of the uniform guidance, who signs the certifications, what is considered timely certification and the consequences for non-certification. If you have standards for minimum and maximum effort on grant programs, they should be part of your effort certification policy.

Cost Sharing. 2 CFR §200.306 is the source that should be addressed in your cost sharing policy. You will want to define cost sharing (mandatory, voluntary, other), what your organization's position is with respect to cost sharing (most policies indicate that the nonfederal entity seeks to minimize cost sharing), and who is authorized to commit cost sharing on behalf of the organization. Your policy should also address how cost sharing is documented both locally (for example, departmentally) and in the nonfederal entity's central records. Finally, you may want to indicate which costs can be used for cost sharing.

THESE POLICIES MAY BE HELPFUL

Cost Transfers. Because this is another area that seems to attract intense audit scrutiny, your cost transfer policy should be quite explicit as to what documentation is needed to justify cost transfers and when transfers are considered timely. You will also want to consider how extensive the policy should be and what it should apply to. Should it address cost transfers to federal programs? Between federal programs? For salaries only? Cost transfers occurring near or after the end of a grant/contract? Lastly, include any special approval processes for late cost transfers, if they exist.

Record Retention. Policies on record retention should adhere to the requirements of 2 CFR §§200.333-337. The standard for financial and accounting records for grants is three years from date of submission of the final financial report unless an audit or litigation is under way. The policy should also address document destruction once the retention period has passed.

Service (Recharge) Centers. A service center policy should provide guidance on rate development, approval, administration and annual review. It should discuss what costs can be charged by service centers and should differentiate between smaller service centers and large specialized service facilities. The policy also should address how equipment depreciation is handled (part of the rate?) and the specifics of available equipment purchased from federal funds. Working capital should be addressed, including end of the year surpluses/deficits, charges for outside users and subsidized users.

Program Income. Any policy should define the term, discuss the different options for handling program income and address reporting responsibilities. It is most important to define how you will treat such income in your financial system and how you will report it to the funding agency.

Subawards. Your subaward policy should define procedures for negotiating and administering subawards. You may want to address the specifics of Federal Funding Accountability and Transparency Act (FFATA) reporting. You will want a section on subrecipient monitoring and to reference the single audit requirements of Subpart F of the uniform guidance. You will want to discuss the level of monitoring required based on type of organization, size of the subaward, risk, etc. Responsibilities for review of invoices and technical progress also should be addressed.

Closeout. The closeout policy should define procedures to ensure the timely closeout and financial reporting of grant programs. It should detail the activities occurring in the final days of a grant or contract and the expectations regarding cost overruns, trailing charges and unallowable charges. It's also a good idea to address closeout of subawards including final payment.

CONFLICT OF INTEREST POLICY AND DISCLOSURE

§200.112 CONFLICT OF INTEREST

The federal awarding agency must establish conflict of interest policies for federal awards. The nonfederal 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.

CONFLICT OF INTEREST POLICY AND DISCLOSURE

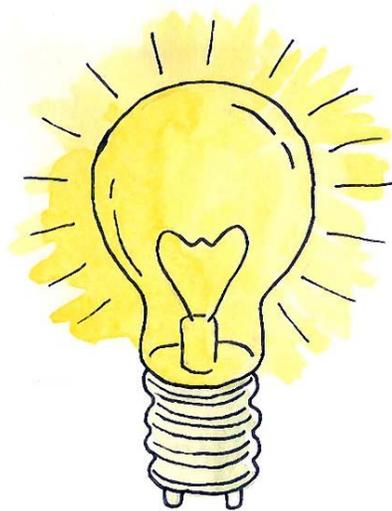
§200.113 MANDATORY DISCLOSURES

The non federal entity or applicant for a federal award must disclose, in a timely manner, in writing to the federal awarding agency or pass-through entity all violations of federal criminal law involving fraud, bribery, or gratuity violations potentially affecting the federal award. Non federal entities that have received a federal award including the term and condition outlined in Appendix XII – Award Term and Condition for Recipient Integrity and Performance Matters are required to report certain civil, criminal, or administrative proceedings to SAM. Failure to make required disclosures can result in any of the remedies described in §200.338 Remedies for Noncompliance, including suspension or debarment. (See *also* 2 CFR part 180 and 31 U.S. C. 3321).

(80 FR 43308, July 22,2015)

RECORD RETENTION

- **Retention of records - 3 years**
- **Machine readable forms are okay – 5 years in GAAS – AU-C Section 230.17**



Thank You!

atkinson

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