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2 CFR 200 UNIFORM GRANT GUIDANCE

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OBJECTIVES

- // Present an overview of the Super Circular
- // Contents of the Super Circular
- // Discuss Administrative Requirements
- // Discuss Cost Principles
- // Discuss Audit Requirements
- // Questions

OVERVIEW

- // December 26, 2013 – Office of Management and Budget (OMB) issues final rule to the Uniform Administrative Requirements, Cost Principles and Audit Requirements
- // Commonly referred to as Omni- or Super Circular
- // Combines eight previous OMB Circulars
- // Effective dates
 - // Immediately for federal agencies
 - // Non-federal agencies must comply by December 26, 2014
 - // Applies to audits of fiscal years beginning on or after December 26, 2014

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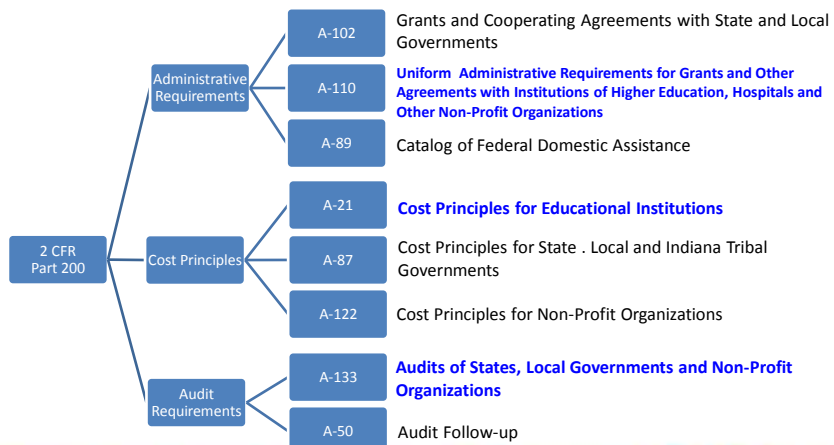
OVERVIEW (CONT.)

- // The Super Circular is meant to:
 - // Eliminate conflicting/duplicative guidance
 - // Focus on compliance
 - // Provide for consistent/transparent treatment of costs
 - // Limit costs to make the best use of federal funds
 - // Strengthen oversight
 - // Target audit requirements on the risks of fraud, abuse & waste
 - // Set standard business practices/process based on data definitions

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CODIFICATION OF EIGHT OMB CIRCULARS



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CONTENTS OF THE SUPER CIRCULAR

- // Subpart A – Acronyms & definitions (§200.0 – §200.99)
- // Subpart B – General Provisions (§200.100 - §200.113)
- // Subpart C – Pre-Federal Award Requirements and Contents of Federal Awards (§200.201 - §200.211)
- // Subpart D – Post Federal Award Requirements Standards for Financial and Program Management (§200.300 - §200.345)
- // Subpart E – Cost Principles (§200.400 - §200.475)
- // Subpart F – Audit Requirements (§200.500 - §200.521)

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ADMINISTRATIVE REQUIREMENTS

- // Most of the revised guidance for the Administrative Requirements is based on OMB Circular A-110
- // 15 data elements that must be provided with all federal awards (§200.210)
- // Added Conflict of Interest guidance (§200.112)
 - // Requires disclosure in writing of any potential conflict of interest
- // Mandatory Disclosures (§200.113)
 - // Requires disclosure in writing of all violations of Federal criminal law involving fraud, bribery, or gratuity violations potentially affecting the Federal award

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ADMINISTRATIVE REQUIREMENTS (CONT.)

- // Internal Controls (§200.303)
 - // Moved from OMB Circular A-133
 - // Use COSO framework & guidance from Comptroller General
 - // Requires the establishment & maintenance of effective internal controls
 - // Comply with Federal statutes, regulations & terms/conditions of awards
 - // Evaluate & monitor compliance
 - // Take prompt action when noncompliance is identified
 - // Safeguard protected personally identifiable information information

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ADMINISTRATIVE REQUIREMENTS (CONT.)

// Payments (§200.305)

- // Non-Federal agencies are required to “minimize the time elapsing between the transfer of funds... and disbursement by non-Federal entity...”
- // Guidance is largely consistent with OMB Circular A-110
- // Still required to repay interest earned on advances of Federal funds
 - // Remit such interest annually to Department of Health & Human Services; or
 - // Interest of up to \$500/year may be used by the non-Federal entity for administrative expenses

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ADMINISTRATIVE REQUIREMENTS (CONT.)

// Procurement Guidelines (§200.317 - §200.326)

- // Based on OMB Circular A-102
- // All non-Federal entities must have & follow documented procurement procedures (§200.318(a))
- // Requires oversight of contractor’s performance in accordance with terms, conditions & specs (§200.318(b))
- // Requires written standards of conduct covering conflicts of interest
 - // “The officers, employees, and agents of the non-Federal entity must neither solicit nor accept gratuities, favors, or anything of monetary value from contractors or parties to subcontracts”
- // It is permitted to set standards for insignificant items

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ADMINISTRATIVE REQUIREMENTS (CONT.)

// Procurement Guidelines (§200.317 - §200.326) (CONT.)

// Five methods of procurement (§200.320)

- // Micro-purchases – Acquisition of supplies or services <\$3,000 or \$2,000 for acquisitions subject to Davis-Bacon Act
 - // Don't require competitive bid process
- // Small purchase procedures – Simple & informal acquisitions < Simplified Acquisition Threshold (\$150,000 as of date of issuance)
- // Sealed bids (formal advertising) – Publicly solicited & firm fixed price contract is awarded
- // Competitive proposals (RFP) – Used when sealed bids are not appropriate

ADMINISTRATIVE REQUIREMENTS (CONT.)

// Procurement Guidelines (§200.317 - §200.326) (CONT.)

// Five methods of procurement (§200.320)

- // Noncompetitive proposals – Solicitation from a sole source is only permissible if one of the following circumstances is present:
 - // Item is only available from a sole source
 - // Public emergency for the requirement will not allow for a delay that comes from a competitive solicitation
 - // Federal awarding agency or pass-through authorize in writing
 - // After solicitation, competition is determined to be inadequate

ADMINISTRATIVE REQUIREMENTS (CONT.)

// Performance and Financial Monitoring & Reporting

// Financial Reporting – Report of Federal Cash Transactions & Financial Status Report has been eliminated (§200.327)

// Replaced with Federal Financial Report – This is subject to change

// Frequency of submission remains unchanged in most situations – generally not more than quarterly or annually

// Monitoring & reporting program performance (§200.328)

// Frequency of submission remains unchanged in most situations – generally not more than quarterly or annually

// Required to relate financial data to performance accomplishments

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ADMINISTRATIVE REQUIREMENTS (CONT.)

// Subrecipient Monitoring & Management (§200.330 - §200.332)

// The pass-through entity must:

// Include specific information, including indirect cost rate

// Perform a risk assessment to determine appropriate monitoring procedures

// Monitor subrecipients

// Verify subrecipients have audits when necessary

// Consider actions to address subrecipient noncompliance

// Requires the communication of certain information (§200.331(a))

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COST PRINCIPLES

- // Fundamental premises (\$200.400)
 - // Efficient & effective administration of Federal award
 - // Responsibility for administering funds in accordance with agreement(s)
 - // Sound organization & management techniques
 - // Consistent application of cost principles & adequate documentation
 - // No profit may be earned or kept without express authorization
 - // Consider this premise in light of the guidance on Program Income (\$200.307)

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COST PRINCIPLES (CONT.)

- // Administrative Costs as Direct Costs (\$200.413)
 - // Salaries of administrative & clerical staff are normally indirect costs, unless:
 - // Such salaries are integral to the project
 - // Individuals can be specifically identified
 - // Such salaries are explicitly included in the budget or otherwise approved
 - // Such costs are not otherwise recovered
 - // Some unallowable costs may still be contemplated in Indirect Cost Rate base
 - // Costs will still be contemplated in denominator of Indirect Cost Rate

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COST PRINCIPLES (CONT.)

// Indirect (F&A) Cost (§200.414)

- // Negotiated indirect cost rates must be accepted by all Federal awarding agencies with limited exceptions
- // If no indirect cost rate is negotiated, use de minimis rate of 10%
 - // If de minimis rate is used, it must be used for ALL federal awards until a negotiated rate is approved
- // Existing indirect cost rates can be extended for up to four years on a one-time basis



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COST PRINCIPLES (CONT.)

// Required Certifications (§200.415)

- // Annual & final fiscal reports or payment requests must be certified
 - // Signed by an official that can legally bind the organization

// Cost Accounting Standards (§200.419)

- // Applicable if aggregate federal awards \geq \$50 million
- // Requires disclosure of cost accounting practices by filing a Disclosure Statement



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COST PRINCIPLES (CONT.)

- // Considerations for Selected Items of Cost (§200.420 - §200.429)
 - // Audit services – “A reasonable proportionate share of the costs of audits required by, and performed in accordance with the Single Audit Act Amendments of 1996... are allowable”
 - // Conferences – Requires discretion & judgment to ensure costs are appropriate
 - // Materials & supplies – Such costs may be charged as direct
 - // Computing devices – May be charged as direct for devices that are “essential and allocable, but not solely dedicated to the performance of a federal award”
 - // Computing devices treated as supplies if cost is < capitalization level or \$5,000

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AUDIT REQUIREMENTS

- // Outcomes of the changes to the audit requirements
 - // Tailor the oversight & Single Audit requirements
 - // Strengthen oversight & focus audits on risks of waste, fraud & abuse
 - // Improve transparency & accountability to the public
 - // Encourages Federal agencies to work with cooperatively to resolve audit findings & internal control weaknesses

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AUDIT REQUIREMENTS (CONT.)

// Focus on Risk

- // Increases the dollar threshold for audit requirement
- // Strengthens risk-based approach used to determine major programs
- // Reduces the number of compliance requirements
- // Improves reporting of findings



AUDIT REQUIREMENTS (CONT.)

// Audit threshold – Increased from \$500,000 to \$750,000

- // Increase intended focus audit resolution efforts on findings that impact taxpayer dollars most
- // Other changes in guidance (i.e. pre-award risk assessment, subrecipient monitoring, etc.)
- // Of the dollars currently subject to the Single Audit guidelines, 99.7% will still be subject to oversight under the increased threshold
- // Reduces the audit burden for an estimated 5,000 organizations






AUDIT REQUIREMENTS (CONT.)

// Auditee responsibilities (§200.508)

- // Procure the audit
- // Prepare appropriate financial statements, including the schedule of expenditures of federal awards (SEFA)
 - // Required to disclose whether the 10% de minimis cost rate or not
- // Follow up & take corrective action on audit findings
- // Provide the auditor access to personnel, accounts, books, records, supporting documentation & other information as needed



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AUDIT REQUIREMENTS (CONT.)

// Report Submission (§200.512)

- // Audit must be completed & data collection form/reporting package submitted within the earlier of 30 days after receipt of auditor's reports or nine months after year end.
- // Auditee required to keep a copy of the data collection form & related reporting package for three years from date of submission

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AUDIT REQUIREMENTS (CONT.)

- // Proposed compliance requirements **MAY** include the following:
 - // Allowable activities & costs
 - // Cash management
 - // Eligibility
 - // Reporting
 - // Subrecipient monitoring
 - // Special tests & provisions
- // If these become the final the compliance requirements, it would be a reduction from 14 compliance requirements to six

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AUDIT REQUIREMENTS (CONT.)

- // Major program determination (\$200.518)
 - // Still risk-based approach
 - // Step 1: Programs are grouped based on dollars expended
 - // Type A programs are those > threshold
 - // Type B programs are those < threshold
 - // Type A & B threshold based on scale (see table on next slide)
 - // Minimum threshold raised from \$300,000 to \$750,000

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AUDIT REQUIREMENTS (CONT.)

// Type A & B threshold table

Total Federal awards expended (FAE)	Type A/B threshold
FAE = \$750,000, but \leq \$25 million	\$750,000
FAE > \$25 million, but \leq \$100 million	Total FAE times 3%
FAE > \$100 million, but \leq \$1 billion	\$3 million
FAE > \$1 billion, but \leq \$10 billion	Total FAE times 0.3%
FAE > \$10 billion, but \leq \$20 billion	\$30 million
FAE > \$20 billion	Total FAE times 0.15%

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AUDIT REQUIREMENTS (CONT.)

// Step 2: Identify low-risk Type A programs

// Low-risk audit programs must be audited in one of the two prior audit periods, &, in the most recent audit period, must NOT have had:

// Material weaknesses in internal control for major programs

// Modified opinion on the program

// Known or likely questioned costs that exceed 5% of total federal award expenditures.

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AUDIT REQUIREMENTS (CONT.)

// Step 2: Identify low-risk Type A programs (CONT.)

- // The inclusion of large loans & loan guarantee programs (i.e. FDL & Perkins Loans) should NOT result in the exclusion of other programs as Type A
- // Large loan programs (a program whose expenditures are \geq four times the largest non-loan program) are considered Type A programs
 - // Large loan programs, however, are EXCLUDED from total federal expenditures when determining the Type A threshold
 - // Loan programs are considered in this guidance only if the value of the federal loan program expenditures comprises \geq 50% of the total federal awards expended in that program

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AUDIT REQUIREMENTS (CONT.)

// Step 3: Identify high-risk Type B programs

- // Perform risk assessments on Type B programs until high-risk Type B programs are at least equal to 25% of the low-risk Type A programs from Step 2
- // This Risk assessment contemplates following matters (amongst others) (§200.519):
 - // The Auditee's current & prior audit experience with the particular Type B program
 - // Internal control over compliance has likely material weakness
 - // Program administered under multiple internal controls structures
 - // Prior audit findings
 - // Federal programs not audited as major program recently

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AUDIT REQUIREMENTS (CONT.)

// Step 4: Audit all of the following major programs

// All high-risk Type A programs

// All Type B programs determined to be high-risk

// Select additional programs necessary to comply with the percentage of coverage rules

// Percentage of coverage rules

	Low-risk Auditee	Not Low-risk Auditee
New guidance	20%	40%
Current guidance	25%	50%

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AUDIT REQUIREMENTS (CONT.)

// Low-Risk Auditee Determination (§200.520)

Current (Two-year Lookback)	New (Still Uses Two-year Lookback)
Annual Single Audits	No change
Unmodified opinion on financial statements in accordance with GAAP	Unmodified opinion on financial statements in accordance with GAAP or basis of accounting required by state law
Unmodified "in relation" opinion on SEFA	No change
No GAGAS material weaknesses	No change
Type A programs did not have <ul style="list-style-type: none"> • Material weakness • Material noncompliance • Questioned costs > 5% 	No change
Timely filing of the Data Collection Form with Federal Audit Clearinghouse	No change
Not present in current guidelines	No auditor report modification for going concern


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AUDIT REQUIREMENTS

- // Summary schedule of prior audit findings (§200.511)
 - // Must report current year status or prior year/uncorrected GAGAS findings
- // Audit findings (§200.516)
 - // The threshold of questioned costs was raised from \$10,000 to \$25,000
 - // Required to report a finding in situations where known or likely questioned costs are \geq \$25,000




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RESOURCES

- // Federal Register, Vol. 78, No. 248 – December 26, 2013
- // Council on Financial Assistance Reform (COFAR)
- // National Association of College and University Business Officers
- // AICPA Governmental Audit Quality Center



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