



# **Preparing for the Single Audit Under: Uniform Grant Guidance (UGG)**

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Maryland Governor's Grant Conference  
November 14, 2016



# Highlights Per OMB

- 8 Federal regulations into 1 grants management policy guide
- Eliminates duplicative and conflicting guidance
- Focuses on **performance** over compliance for accountability
- Encourages efficient use of technology
- Provides for consistent and transparent treatment of cost
- Limiting allowable cost for the best use of tax payer dollars
- Strengthen oversight
- Targeting audit effort on fraud, waste, and **abuse**



Implement policies and procedures by promulgating regulations to be **effective December 26, 2014**



Implement the new administrative requirements and cost principles **for all new Federal awards made on or after December 26, 2014**, and to incremental funding made after that date



Effective for audits of fiscal years **beginning on or after December 26, 2014**

- Not permitted to early implement any of the audit provisions

# Single Audits - Effective Dates are Key!



# Single Audit - Status of Final Agency Adoption as of 04/18/16

Agency	Federal Register Notice Date
State	<a href="#"><u>6/2/2015</u></a>
US Agency for International Development (USAID)	<a href="#"><u>9/17/2015</u></a>
Energy	<a href="#"><u>9/24/2015</u></a>
Commerce	<a href="#"><u>7/28/2015</u></a>
Environmental Protection Agency (EPA)	<a href="#"><u>10/9/2015</u></a>
National Aeronautics and Space Administration (NASA)	<a href="#"><u>9/11/2015</u></a>
Archives	<a href="#"><u>8/25/2015</u></a>
Homeland Security (FEMA)	<a href="#"><u>10/2/2015</u></a>
Institute of Museum and Library Services (IMLS)	<a href="#"><u>9/21/2015</u></a>
National Endowment for Humanities (NEH)	<a href="#"><u>9/16/2015</u></a>
Office of National Drug Control Policy (ONDCP)	<a href="#"><u>9/23/2015</u></a>

Agency	Federal Register Notice Date
Housing and Urban Development (HUD)	<a href="#"><u>12/7/2015</u></a>
National Science Foundation (NSF)	<a href="#"><u>11/27/2015</u></a>
Corporation for National and Community Service (CNCS)	<a href="#"><u>11/17/2015</u></a>
Social Security Administration	<a href="#"><u>11/10/2015</u></a>
Veteran's Affairs (VA)	<a href="#"><u>12/1/2015</u></a>
Education	<a href="#"><u>11/2/2015</u></a>
Department of Transportation	<a href="#"><u>12/17/2015</u></a>
Health and Human Services	<a href="#"><u>1/20/16</u></a>
Agriculture	<a href="#"><u>2/16/16</u></a>



# Best Practice Tip: Understand Who Follows What Rule!

- **Auditees**

- Old Awards = Old Cost Principles and Administrative Requirements (e.g., OMB Circulars A-87, A-110, A-122, etc.)
- New Awards and incremental funding = Subpart D and E of the Uniform Guidance
- Also, certain sections of Subpart F (e.g., §200.508, .509, .510, .511, .512)
- Sub-awards (sub-recipients)

- **Auditors**

- For performing the audit, Subpart F of the Uniform Guidance
- For purposes of testing compliance, auditors audit against the criteria that the auditee is required to follow (see column to the left)



# What Should You Do?

- Understand which of your grants fall under old circulars and which fall under Uniform Grant Guidance
- If the grant period spans both regulations, talk with Federal agency
- Consider showing expenditures by CFDA# split between old and new rules



# **Administrative Requirements**

**2 CFR 200.0 - 2 CFR 200.345**

*KNOWLEDGE*

*QUALITY*

*CLIENT SERVICE*



# Critical Understanding

- “Should” – indicates best practices or recommended approach
- “Must” – means required





# Purpose

- 2CFR 200 establishes uniform administrative requirements, cost principles, and audit requirements for all type of non-Federal entities.
- Federal agencies must **not** impose additional or inconsistent requirements, unless
  - Required in a law
  - OMB permits or approves the requirements



## Applicability (continued)

- The Federal awarding agency will determine applicability and state the applicable requirements in the terms and condition of the Federal award
- Likewise, the pass-through entity must state the applicable requirements for its sub-recipients in the terms and conditions of each sub-award.



# Conflict of Interest & Mandatory Disclosures

- Two new requirements –
  - Federal awarding agency must establish conflict of interest policies for Federal Awards.
    - Non-Federal entities must disclose in writing any potential conflict of interests to the Federal awarding agency or pass-through entity.
  - Non-Federal entities (and applicants) must disclose all violations of Federal criminal law involving fraud, bribery, or gratuity violations.



# Conflict of Interest & Mandatory Disclosures

- **Organizational Conflict of Interest (OCI)** arises when, because of other relationships or circumstances, a contractor may be unable, or potentially unable, to render impartial advice or assistance to the government, the contractor's objectivity in performing the work is, or might be, impaired, and/or the contractor would have an unfair competitive advantage.



# Other Administrative Requirements

## Conflicts of Interest

- **Personal Conflict of Interest (PCI)** – Personal Conflict of Interest is a situation in which a covered employee has a financial interest, personal activity, or relationship that could impair the employee’s ability to act impartially and in the best interest of the government.
- **Requirement:**
  - a. Agencies required to develop conflicts of interest policies for “Federal awards,” include sub-awards;
    - i. Not limited to procurement transactions
    - ii. Required to disclose conflicts to agency/non-federal entity



# Other Administrative Requirements

## Conflicts of Interest (continued)

- **COI - Best Practices**
  - a. Establish corporate culture of ethical compliance from the top down
  - b. Define COI policy
    - i. publish and communicate annually
  - c. Establish methods to identify and evaluate potential conflicts of interest as early as possible in the acquisition or sub-award process;
  - d. Establish a responsible party for monitoring potential conflicts of interest;
  - e. Screen covered employees for PCI;
    - i. Required Disclosure of Interest Statement – updated when personal or financial interest changes and no less than annually.



# Other Administrative Requirements

## Mandatory Disclosure (continued)

- **Mandatory disclosure (200.113)**
  - c. This disclosure requirement is narrower than the so-called “mandatory disclosure” rule under the Federal Acquisition Regulation (FAR).
  - d. 200.113 requires disclosure of violation of Federal *criminal* law – higher standard of proof and intent required
  - e. FAR rule, on the other hand, is triggered if the contractor has “credible evidence” of violation of Federal criminal law, violation of civil False Claims Act, or significant overpayment



# Other Administrative Requirements

## Mandatory Disclosure (continued)

- **Mandatory disclosure – Best practices**
  - a. Set standards and establish procedures to facilitate timely discovery of improper conduct;
  - b. Assign responsibility at a sufficiently high level to ensure business ethics and compliance programs are effectively carried out;
  - c. Conduct periodic reviews to ensure compliance with code of business ethics and conduct;
  - d. Establish an effective internal reporting mechanism (e.g. hotline) which allows for anonymity or confidentiality, by which employees may report suspected instances of improper conduct;
  - e. Define disciplinary action for improper conduct;
  - f. Establish a process to consider making appropriate and timely disclosure, in writing, to applicable agency OIG or pass-through entity.





# Other Administrative Requirements Required Certifications

- **Certification Requirements for Recipients (200.415) (for annual final fiscal reports and vouchers for payment)**
  - a. “By signing this report, I certify to the best of my knowledge and belief that the report is true, complete, and accurate, and the expenditures, disbursements and cash receipts are for the purposes and objectives set forth in the terms and conditions of the Federal award.”
  - b. “I am aware that any false, fictitious, or fraudulent information, or the omission of any material fact, may **subject me** to criminal, civil or administrative penalties for fraud, false statements, false claims or otherwise.”
  - c. Potential civil and criminal liabilities (including the Civil False Claims Act) could be applied to the individual **and** the organization.
  - d. Organization also subject to remedies for non-compliance under 200.338



# Other Administrative Requirements Required Certifications (continued)

- **Certification – Best Practices**
  - a. Establish policy/procedures on certification execution
  - b. Clearly define roles and responsibilities within the process
  - c. Create checklists with signatory authority/responsibilities
  - d. Develop a training program to educate team member(s)
  - e. Obtain similar certifications from sub-recipients and consider remedies



# Information Contained in a Federal Award

- Provides a standard set of 15 data elements which must be provided in all Federal awards
- Identifies coverage which must be included in the general terms and conditions
- Provides guidance on Federal Awarding Agency, Program, or Award Specific Terms and Conditions
- Requires Federal awarding agencies to include an indication of the timing and scope of expected performance as related to the outcomes intended to be achieved
  - In some instances, (e.g., discretionary research awards) this may be limited to submission of technical performance reports



## 15 Data Elements

- Recipient's name
- Recipient's DUNS #
- Unique Federal Award ID # (FAIN)
- Award date
- Period of performance
- Amount of Federal funds obligated by this action
- Amount of Federal funds obligated in total
- Total amount of the Federal award
- Budget approved by Federal awarding agency
- Total approved cost sharing or matching
- Award description
- Federal awarding agency
- CFDA # and name
- R&D, yes or no
- Indirect cost rate



## Internal Controls 200.303

- For Federal awards Non-Federal entities **must**:
  - Establish and maintain effective internal controls
  - Comply with Federal statutes, regulations, & terms and conditions
  - Evaluate and monitor compliance
  - Take prompt action on audit findings
  - Safeguard protected personally identifiable information (PII)
- GAO's Green Book and COSO are comprehensive internal control frameworks and should be considered.



# Ensure Internal Controls Cover all Compliance Areas

- A. Activities allowed or unallowed
- B. Allowable costs/cost principles
- C. Cash management
- D. Davis-Bacon Act – no longer in 2016 supplement**
- 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/relocation assistance – no longer in 2016 supplement**
- L. Reporting
- M. Sub-recipient monitoring
- N. Special test and provision



## New Period of Performance 200.309

- Non-federal entities may charge to Federal awards only allowable costs incurred during the period of performance and any costs incurred before the Federal awarding agency or pass-through entity made the Federal award that **were authorized** by the Federal awarding agency or pass through entity.
- Federal awarding agencies may authorize no-cost extensions of the period of performance.



# Procurement Standards 200.317-326

## Grace Period Election

- Option identified at 200.110 and delays applicability of UG sections 200.317 to 200.326
- Two full fiscal years after December 26, 2014
  - For example, grace period could be effective through June 30, 2017 for June year end entities
- Must document decision in internal procurement policy





## Procurement: Standards of Conduct

- The non-Federal entity must maintain written standards of conduct covering conflicts of interest and governing the performance of its employees engaged in the selection, award, and administration of contracts
- New provision that covers organizational conflict of interest
  - If the non-Federal entity has a parent, affiliate, or subsidiary organization (that is not a state, local government, or Indian tribe), the non-Federal entity must also maintain written standards of conduct covering organizational conflicts of interest



## Procurement: Standards of Conduct (Continued)

- The non-Federal entity's procedures must avoid acquisition of unnecessary or duplicative items
- Non-Federal entities are encouraged to enter into state and local intergovernmental agreements or inter-entity agreements where appropriate for procurement or use of common or shared goods and services
- The non-Federal entity is encouraged to use Federal excess and surplus property in lieu of purchasing new equipment and property when this is feasible and reduces project costs



# Methods of Procurement

- Methods of procurement to be followed
- Non-Federal entity must use one of the 5 methods:
  - Micro-purchases for acquisition of supplies or services if aggregate amount does not exceed \$3,500 [**New method**]
    - Micro-purchase may be awarded without soliciting competitive quotations if the non-Federal entity considers the price to be reasonable
  - Small purchase procedures - <\$150,000
  - Sealed bids (formal advertising)
    - Preferred method for procuring construction
    - UG outlined detailed requirements
    - Solicited from adequate # of known suppliers
    - Publicly advertised
    - Invitation to bids and opening the bid



# Methods of Procurement (Continued)

- Non-Federal entity must use one of the 5 methods:
  - Competitive proposals
    - Expanded competitive procedures from OMB Circular A-110
    - UG outlined detailed requirements
      - Requirement for RFP's ( publicized, identify all evaluation factors, etc.)
      - Adequate # of qualified sources
      - Written method for conducting technical evaluations and for selecting recipients
      - Qualifications-based procurement (Architectural/Engineering professional services)



# Methods of Procurement (Continued)

- Noncompetitive proposals – revised to clarify that solicitation of a proposal from only one source may be used only when one or more of the following apply:
  - The item is available only from a single source
  - The public emergency for the requirement will not permit a delay resulting from competitive solicitation
  - The Federal awarding agency (or pass-through entity) expressly authorizes this method in response to a written request from the non-Federal entity
  - After solicitation of a number of sources, competition is determined inadequate

OLD - Under A-110 – justification for lack of competition in procurement > small purchase threshold



# Sub-recipient Monitoring and Management

## 200.330-332

- Section 200.330 explains the roles of sub-recipients and contractors so that the non-Federal entity can determine the relationship and the applicable requirements
- A non-Federal entity provides a sub-award to a sub-recipient for the purpose of **carrying out a portion of a Federal award** and creates a Federal assistance relationship between the non-Federal entity and the sub recipient
- A non-Federal entity provides a contract to a contractor for the purpose of **obtaining goods and services** for the non-Federal entity's own use and creates a procurement relationship between the non-Federal entity and the contractor
- What the document is called does not matter; the relationship is the basis for determining which requirements are applicable



# Sub-recipients Monitoring and Oversight Requirements for Pass-through Entities

- Requirements for pass-through entities
- The pass-through entity must:
  - Put specific information in the sub-award, including indirect cost rate
  - Do a risk assessment to determine appropriate sub-recipient monitoring AND must monitor sub-recipients
  - Consider if specific sub-award conditions are needed
  - Verify sub-recipients have audits in accordance with Single Audit
  - Make any necessary adjustment to the pass-through entity's records based on reviews and audits of sub-recipients
  - Consider actions to address sub-recipient noncompliance



## Information Contained in a Sub-award

- Following information must be identified to sub-recipient at time of award and put in the sub-award (and when changes are made to the sub-award) (200.331(a)):
  - Federal award identification, e.g., DUNS number
  - Indirect cost rate for the Federal Award (including if the de minimis rate is charge per 200.414 Indirect (F&A) costs)
  - Requirements imposed by the pass-through entity
  - Requirement to provide access to records for audit





# Evaluating Sub-recipient Risk to Determine Appropriate Monitoring

- The pass-through entity must evaluate each sub-recipient's **risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the sub-award** for the purpose of determining appropriate sub-recipient monitoring, which may include consideration of factors such as (200.331(b)):
  - Prior experience with same or similar sub-awards
  - Results of previous audits
  - Whether new or substantially changed personnel or systems
  - Extent and results of Federal awarding agency monitoring



## Required Sub-recipients Monitoring Procedures

- When monitoring of sub-recipients, the pass-through entity must (200.331(d)):
  - Review reports required by the pass-through entity
  - Follow-up to ensure sub-recipient takes appropriate action on all deficiencies pertaining to the sub-award from the pass-through entity identified through audits, on-site reviews, and other means
  - Issue a management decision for audit findings pertaining to sub-awards made by the pass-through entity



# Additional Sub-recipient Monitoring Tools

- Following tools may be useful, depending upon the risk assessment
  - Providing sub-recipient training and technical assistance
  - Performing on-site reviews
  - Arranging for agreed-upon-procedures engagements
- No listed tool is required nor is the list of tools all inclusive
- Determination on which tools is a matter of judgment for the pass-through entity based upon its assessment of risk



## Cost Principles

**2 CFR 200.400 - 2 CFR 200.475**

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# Reforms and Supersedes

- Circulars –
  - A-21, Cost Principles for Educational Institutions
  - A-87, Cost Principles for State, Local and Indian Tribal Governments
  - A-122, Cost Principles for Non-Profit Organizations
- Effective for awards awarded after December 26, 2014.
- Existing awards continue to follow current guidance.



## Allow ability of Selected Costs Under 2 CFR 200.420

Selected Costs May Be Allowable (A), Unallowable (UA), Allowable With Restrictions (AWR), or Unallowable With Exceptions (UWE)

1. Advertising and Public Relations Cost. (UWE) 200.421
2. Advisory Councils. (A) 200.422
3. Alcoholic Beverages. (UA) 200.423
4. Alumni/ae Activities (UA) 200.424
5. Audit Services. (A) 200.425
6. Bad Debts. (UA) 200.426
7. Bonding Costs. (A) 200.427
8. Collections of Improper Payments. (A) 200.428 (New Principle)
9. Commencement & Convocation Costs. (UA) 200.429
10. Compensation - Personal Services. (AWR) 200.430
11. Compensation – Fringe Benefits. (AWR) 200.431
12. Conferences. (AWR) 200.432
13. Contingency Provisions. (AWR) 200.433



# Allowability of Selected Costs Under 2 CFR 200.420

## Selected Costs May Be Allowable (A), Unallowable (UA), Allowable With Restrictions (AWR), or Unallowable With Exceptions (UWE)

14. Contributions and Donations (UA) 200.434
15. Defense and prosecution of criminal and civil proceedings, claims, appeals, and patent infringement. (UWE) 200.435
16. Depreciation. (AWR) 200.436
17. Employee health, and welfare costs. (A) 200.437
18. Entertainment costs. (UWE) 200.438
19. Equipment and other capital expenditures. (AWR) 200.439
20. Exchange Rates (AWR) 200.440 New Cost Principle
21. Fines and penalties. (UA) 200.441
22. Fund raising and Investment Management Costs (UWE) 200.442
23. Gains & Losses on Disposition of Depreciable Assets (AWR) 200.443
24. General Costs of Government (UA) 200.444 State & Local Gov't
25. Goods or Services for Personnel Use (UA) 200.445
26. Idle Facilities and Idle Capacity (AWR) 200.446
27. Insurance and Indemnification (AWR) 200.447



## Allow ability of Selected Costs Under 2 CFR 200.420

Selected Costs May Be Allowable (A), Unallowable (UA), Allowable With Restrictions (AWR), or Unallowable With Exceptions (UWE)

28. Intellectual Property. 200.448 (AWR)
29. Interest. 200.449 (UWE)
30. Lobbying. 200.450 (UWE)
31. Losses on Other Awards or Contracts. 200.451 (UA)
32. Maintenance and Repair Costs. 200.452 (A)
33. Materials, Supplies Including Computing Devices. 200.453 (A)
34. Memberships, Subscriptions, & Professional Activity Costs. 200.454 (AWR)
35. Organizational Costs. 200.455 (UA)
36. Participant Support Costs. 200.456 (AWR)
37. Plant and Security Costs. 200.457 (A)
38. Pre-Award Costs. 200.458 (AWR)
39. Professional Service Costs 200.459 (AWR)





## Allowability of Selected Costs Under 2 CFR 200.420

Selected Costs May Be Allowable (A), Unallowable (UA), Allowable With Restrictions (AWR), or Unallowable With Exceptions (UWE)

40. Proposal Cost 200.460 (AWR) New Cost Principle
41. Publication and Printing Costs. 200.461 (AWR)
42. Rearrangement and Reconversion Costs.200.462 (AWR)
43. Recruiting costs. 200.463 (AWR)
44. Relocation costs. 200.464 (AWR)
45. Rental Costs of Real Property and Equipment 200.465 (AWR)
46. Scholarships and Student Aid Costs 200.466 (AWR)
47. Selling and Marketing Expenses 200.467 (UWE)
48. Specialized Service Facilities 200.468 (AWR)
49. Student Activity Costs 200.469 (UA)
50. Taxes Included VAT 200.470 (UWE)
51. Termination Costs 200.471 (AWR)
52. Training and Education Costs 200.472 (A)



## Allowability of Selected Costs Under 2 CFR 200.420

Selected Costs May Be Allowable (A), Unallowable (UA), Allowable With Restrictions (AWR), or Unallowable With Exceptions (UWE)

- 53. Transportation Costs. 200.473 (A)
- 54. Travel Costs 200.474 (AWR)
- 55. Trustees 200.475 (A)



# **Audit Requirements**

## **2 CFR 200.500 - 2 CFR 200.521**

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# Schedule of Expenditures of Federal Awards (SEFA)

\$200.510 &  
.512

- **Face of SEFA must now include all federal awards expended including:**

Noncash Assistance

Loan programs (beginning balance of outstanding loans plus loans disbursed during period plus interest subsidy, cash, or administrative cost allowance)

Loan guarantee programs

Amounts passed through to subrecipients for each program



# What Should You Do?

- Prepare Schedule of Federal Expenditures in accordance with Uniform Guidance
- Understand the Federal statutes and regulations related to your programs – Keep current
- Perform risk assessments and implement adequate internal controls
- Evaluate and monitor Federal compliance
- Develop a continuing training program
- Promptly follow up and take corrective action on audit findings
- Communicate with Federal Agency – Designated Audit Liaison and Senior Accountable Official
- Take reasonable measures to protect personally identifiable information
- Provide auditors access to personnel and records in order to perform the single audit



# How Do I Prepare?

- Know your program requirements
- Have documents available
- Understand your procedures
- Understand the specific single audit compliance requirements – Part 4 compliance supplement
- Know the status of prior audit findings and recommendations



# QUESTIONS?





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