



**The Council On Financial Assistance Reform**  
**New Uniform Guidance**  
**2 CFR 200**

November 13, 2014

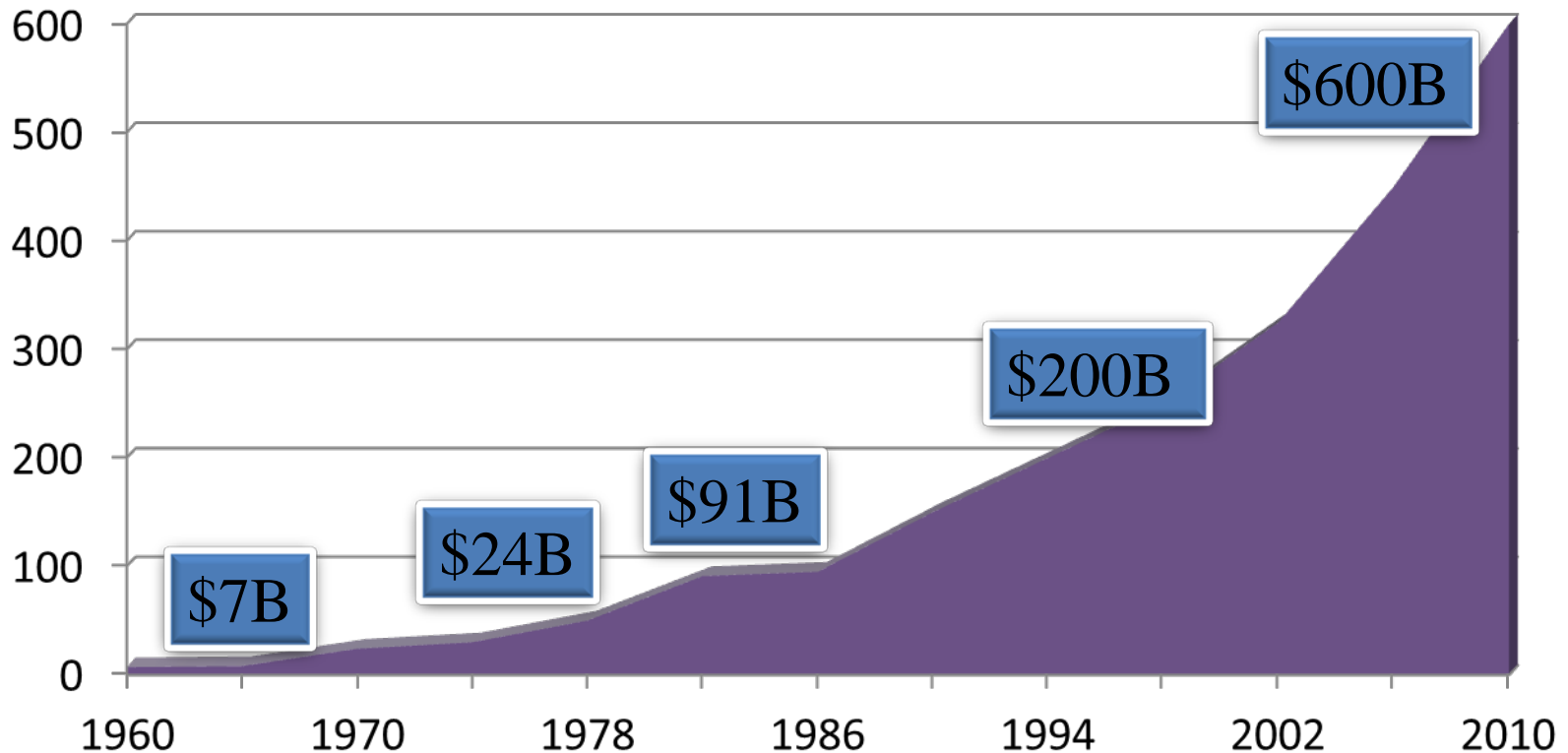
Maryland Governor's Grants Office

Training Conference

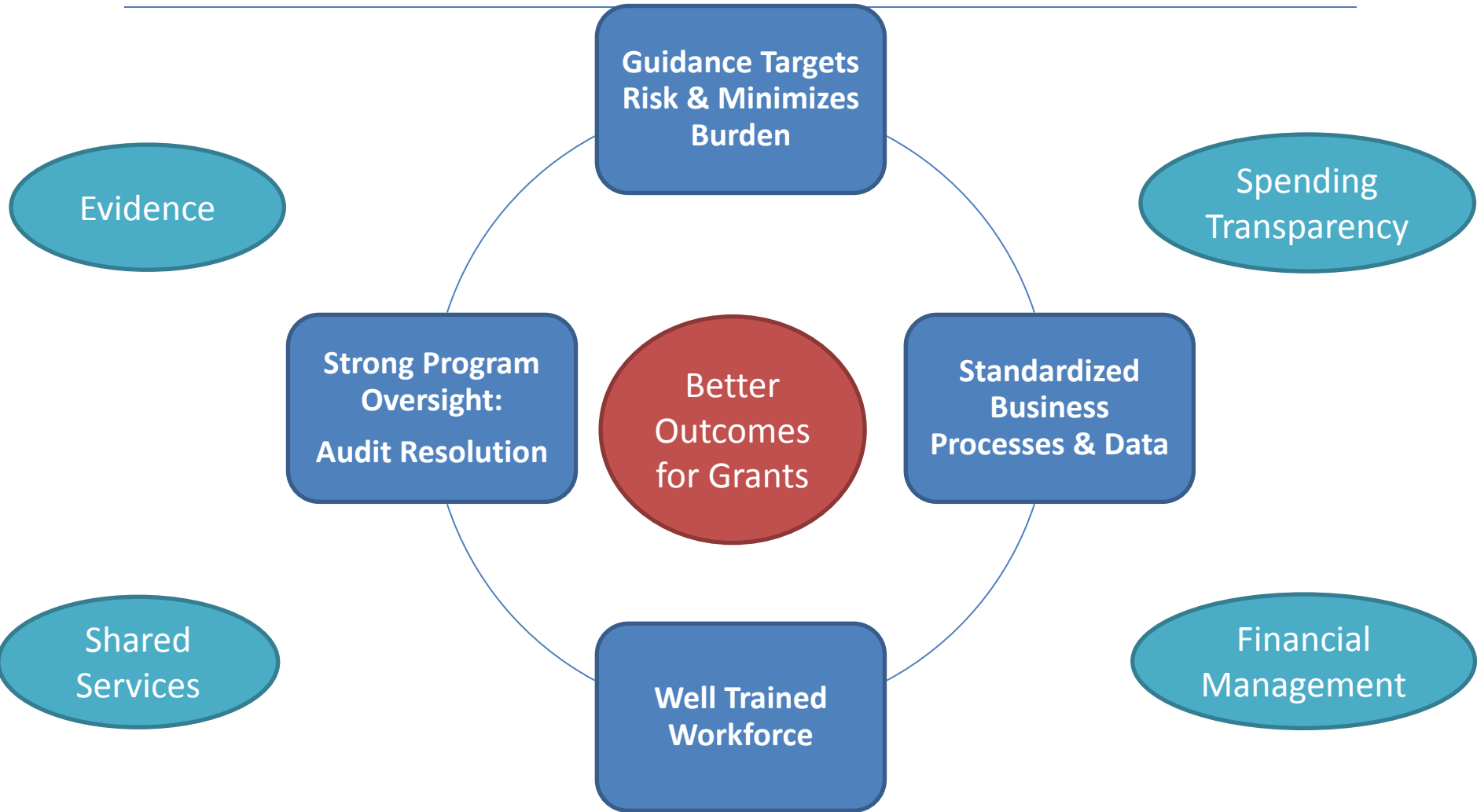
Presented by Victoria Collin and Terry Ramsey

# Increase in Federal Grants Activity

The Catalog of Federal Domestic Assistance lists over 2,000 Federal grant programs



# Council On Financial Assistance Reform Priorities



# Guidance Reform History

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**Nov. 2009:**  
Executive  
Order:  
Reduce  
Improper  
Payments

**Feb 2012:**  
Advance  
Notice of  
Proposed  
Guidance  
(public  
comments)

**Dec 2013:**  
Final  
Uniform  
Guidance

**Feb 2011:**  
Presidential  
Memo:  
Reduce  
Administrative  
Burden

**Feb 2013:**  
Notice of  
Proposed  
Guidance  
(public  
comments)

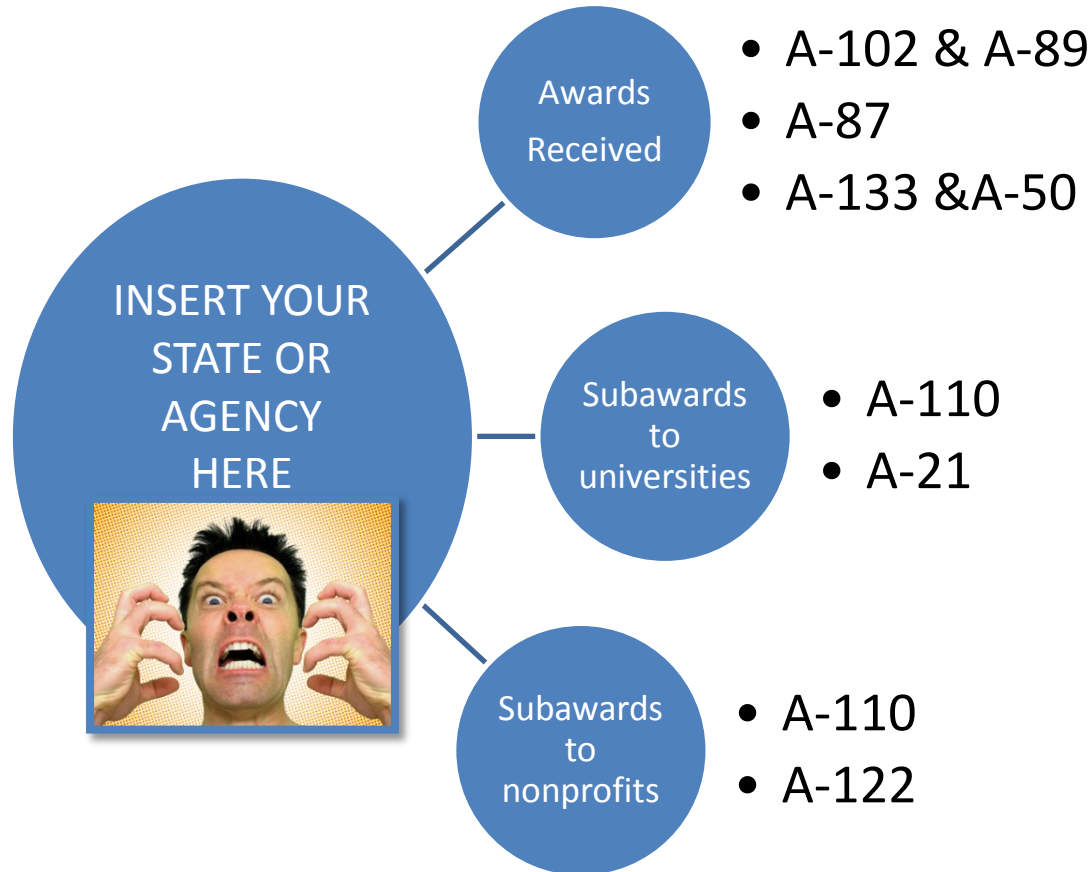


# Eliminating Duplicative and Conflicting Guidance

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**Then:**



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**Now: All OMB guidance streamlined in 2 CFR 200.**

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# OMB Uniform Guidance

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- OMB issued Uniform Grant Guidance on December 26, 2013 Federal Register notice.
- Council on Financial Assistance Reform (COFAR) working with OMB on rollout and related guidance:
  - Two training webcasts held to date (1/2014 and 10/2014)
  - Frequently Asked Question document (COFAR FAQs) issued 8/2014 and titled, [\*Frequently Asked Questions For The Office of Management and Budget's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards At 2 CFR 200\*](#) (incorporates previously FAQs)
- There is no way around it! A thorough reading of the guidance is required to understand the changes!



# Uniform Grant Guidance Effective Dates

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- Federal agencies must implement policies and procedures by promulgating regulations to be **effective December 26, 2014**.
- Non-federal entities will need to implement the new administrative requirements and cost principles **for all new Federal awards made after December 26, 2014 and funding increments after that date** where Federal agencies change award terms and conditions
  - FAQ .110-6 - Effective Dates and Grace Period for Procurement.
  - FAQ .110-7 – Effective Dates and Incremental Funding.
  - NFE may implement entity-wide system changes to comply with the UG without penalty.
- Audit requirements effective for fiscal **years beginning on or after December 26, 2014**:
  - No early implementation of audit provisions.



# A Closer Look at Effective Dates

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- All 2014 year ends:
  - No impact from the UG for NFE and auditors.
- Quarters ending March 31; June 30; and Sept 30, 2015:
  - NFE use new Administrative Requirements and Cost Principles for all new awards and funding increments with changed terms and conditions.
  - OMB Circular A-133 audit requirements remain.
  - NFE likely have awards subject to the old requirements and awards subject to the new requirements.
- December 31, 2015, year-ends and beyond:
  - New Single Audit requirements apply.





# 2 CFR 200 -Basic Layout

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- 6 Subparts A through F
  - Subpart A, 200.XX – Acronyms & Definitions
  - Subpart B, 200.1XX – General
  - Subpart C, 200.2XX – Pre Award (Federal agencies)
  - Subpart D, 200.3XX – Post Award (Recipients)
  - Subpart E, 200.4XX – Cost Principles
  - Subpart F, 200.5XX – Audit
- 11 Appendices - I through XI



# Sec. 200.XX, Acronyms & Definitions

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- 200.0, Acronyms
- 200.1 through 200-99, Definitions
  - 99 separate sections and indexes
  - Applicable to all requirements (administrative, cost and audit) and all types of grantees
- Use of “should” and “must”
  - Should = best practices or recommended approach
  - Must = required



# Sec. 200. 1XX, General

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- 200.101, Applicability
  - **New** table for applicability by types of award
  - T&C flow down to subrecipients
- 200.110 Effective Date
  - Agency implementation effective 12/26/14
  - Apply to awards and award increments issued after 12/26/14
  - Apply to audits for FY beginning after 12/26/14
- 200.112, Conflict of interest - **NEW**
  - Federal agencies must establish COI policies
  - Grantees must disclose in writing any potential COI



# Sec. 200.2XX, Pre-Award- **Federal**

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- 200.201, Grant agreements
  - Fixed amount awards are allowed - **NEW**
- 200.203, Notice of funding opportunities - **NEW**
- 200.204, Merit review of proposals – **New**
  - Must have a merit review process
  - Process must be transparent in funding opportunities
- 200.205, Review of risk of applicants
  - Must have framework for evaluating risks
  - May consider financial stability, performance history, audit reports



## Sec. 200.3XX, Post- Award- Grantees

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- 200.301, Performance Management –
  - Use standard forms (e.g., RPPR for research awards)
  - Must relate financial data to performance
  - Feds are to provide clear performance goals, indicators and milestones
- 200.303, Internal Controls
  - **Should** follow GAO's Green Book and COSO standards
- 200.309, Period of performance
  - No-cost extension may be allowed – agency's option



# Sec. 200.3XX, Post- Award- Grantees

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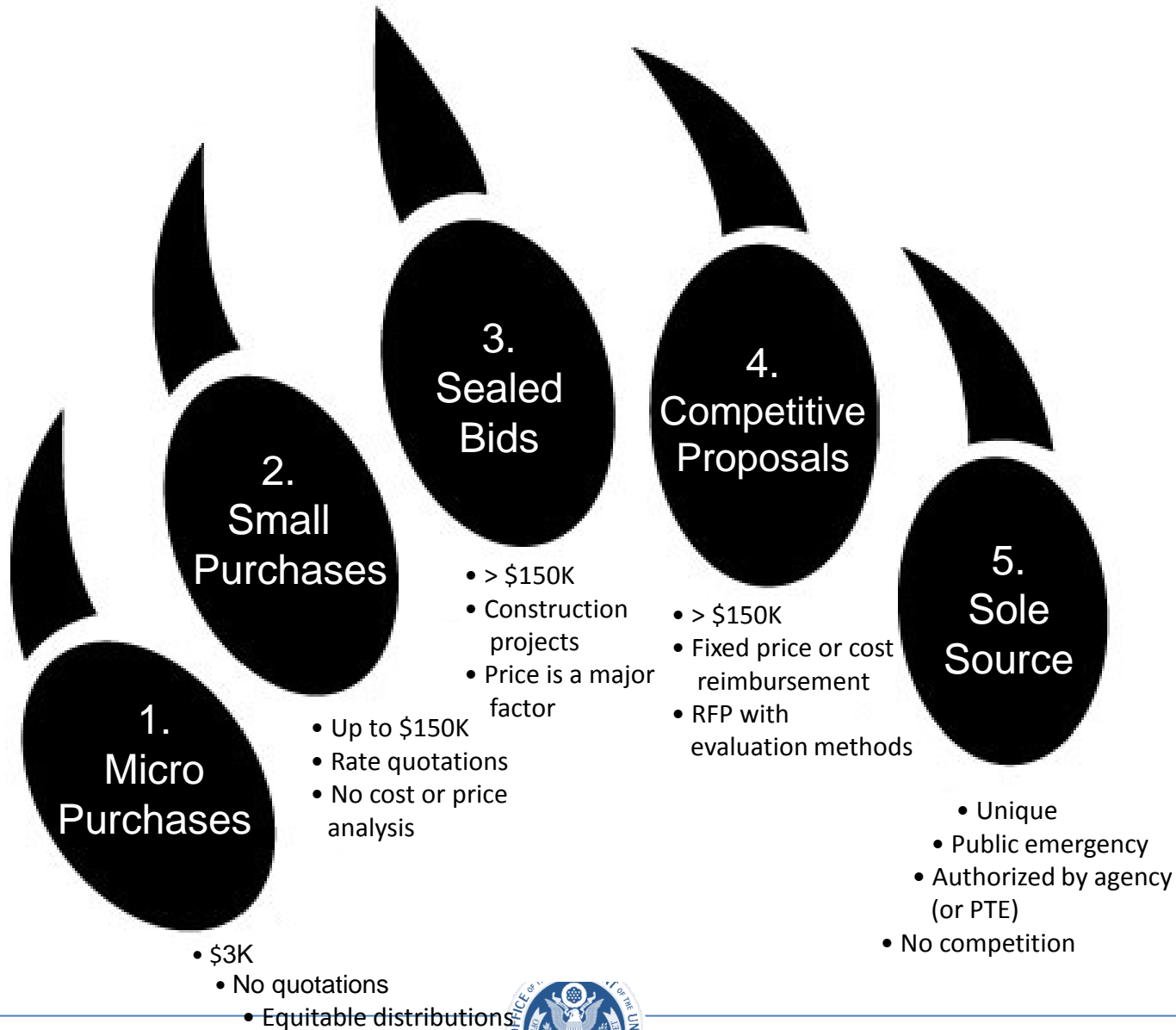
- 200.313, Equipment
  - Property standards (States versus other grantees)
- 200.314, Supplies
  - Computing devices (<\$5K) are included as “supplies”
    - **NEW**
- 200.320, Procurement Standards – **NEW for universities and Non Profits**
  - Modeled after A-102: State uses own policies, Others uses procurement standards in sections 200.317 -326
  - **The Procurement “Bear Claw”**



# Procurement “Claw” (Sections 200.317-326)



# Procurement “Claw” (Section 200.320)





# Sec. 200.3XX, Post-Award- Grantees

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- 200.331, Requirements for pass-through entities –  
**NEW**
  - Includes audit responsibilities (formerly in A-133)
  - Pass-through entities responsibilities:
    - Provide subaward information
    - Provide indirect cost rate
    - Perform risk assessment for subrecipient monitoring
    - Verify compliance to audit requirements
    - Report in accordance to FFATA



# Sec. 200.4XX, Cost principles

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- 200.407, Prior Written Approval – 22 items of cost
- 200.413, Direct costs
  - Paragraph (c) - Administrative SW can be direct costs - NEW
- 200.414, Indirect (F&A) Costs
  - Must accept approved negotiated rates, except
    - Allowed by Federal statute or regulation
    - Approved by agency head or delegate, OMB notified of deviations
  - 10% of MTDC de minimis IDC
    - First timers and new grantees only
    - Can be used indefinitely
  - One time four-year extension of current approved rate (final and pre-determined rates only)



# Sec. 200.4XX, Cost principles

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- 200.430, Compensation – personal services – **New Language**
  - Removed A-21 examples
  - Internal controls are KEY
    - 200.430(i) – 9 standards for documenting personnel
    - E.g., supported by system of IC, budget estimates may be used
  - Substitute systems are allowed (430 (i) (5))
  - Blended and braided funds allowed, with Fed approval (430 (i) (7))
  - Use of institutional base salary for IHE



# Sec. 200.4XX, Cost principles

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- 200.431, Compensation – Fringe Benefits
  - Family friendly leave - **NEW**
- 200.432, Conferences
  - Costs are appropriate, necessary and minimized to the Federal award
  - Allow costs for finding local dependent care
- 200.446, Idle Facilities and Capacity
  - Necessary due to fluctuations in workload, e.g., shared services arrangements



# Sec. 200.4XX, Cost principles

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- 200.449, Interest
  - Section (b)(2), allow financing costs associated with patents and computer software – effective January 1, 2016
- 200.453, Materials and Supplies
  - Section (c) – may be charged as direct costs
  - Include computing devices (defined in 200.20)



# Sec. 200.5XX, Audit Requirements

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The final guidance **right-sizes the footprint** of oversight and Single Audit requirements to strengthen oversight and focus audits where there is greatest risk of waste, fraud, and abuse of taxpayer dollars.

It improves **transparency and accountability** by making single audit reports available to the public online, and encourages Federal agencies to take a **more cooperative approach** to audit resolution in order to more conclusively resolve underlying weaknesses in internal controls.



# Sec. 200.5XX, Audit Requirements

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- Revisions Focus Audit On Risk
  - Increases audit threshold.
  - Strengthens risk-based approach to determine Major Programs.
  - Provides for greater transparency of audit results.
  - Strengthens agency use of the single audit process.
  - Provides for public outreach to focus Compliance Supplement on requirements of highest risk.



# Sec. 200.5XX, Audit Requirements

## Basic Structure of Single Audit Process Unchanged

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- Audit threshold (200.501).
- Subrecipient vs. Contractor (200.501(f) & 200.330).
- Biennial (200.504) & Program-specific (200.507) audits.
- Non-Federal entity selects auditor (200.509).
- Auditee prepares financial statements & SEFA(200.510).
- Audit follow-up & corrective action(200.511 & 200.521).
- 9 month due date (set in law) (200.512(a)).
- Reporting to Federal Audit Clearinghouse (200.512).
- Major programs determined based on risk (200.518).
- Compliance Supplement overall format (Appendix XI).





# Audit Threshold

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- 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.



# Major Program Determination

## Type A/B Threshold – Step 1

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- 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.



# Type A/B Threshold – Table (200.518(b)(1))

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Type A/B Threshold	Total Federal Awards Expended (FAE)
\$750,000	Equal or exceed \$750,000 but LT or EQ to \$25 M
Total FAE times .03	Exceed \$25M but LT or EQ to \$100M
\$3,000,000	Exceed \$100M but LT or EQ to \$1B
Total FAE times .003	Exceed \$1B but LT or EQ to \$10B
\$30M	Exceed \$10B but LT or EQ to \$20B
Total FAE times .0015	Exceed \$20B

M means Million Dollars and B means Billion Dollars.

LT means Less Than.

EQ means Equal To.



# High-Risk Type A Program (200.518(c)) (Step 2)

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## 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.
  - Other – Auditor judgment
    - Oversight exercised by Federal agencies or pass-through entities, audit follow-up, or changes in personnel or systems which significantly increased risk.

## Uniform Guidance:

- SAME.
- In most recent period had a **HIGH- RISK AUDIT FINDING**:
  - **Modified opinion.**
  - **Material weakness in internal control.**
  - **Known or likely questioned costs exceeding 5% of total program expenditures.**
  - Other – Auditor judgment.
    - ✦ Removed inherent risk
    - ✦ Otherwise basically same.

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



# High-Risk Type B Program (200.518(d)) (Step 3)

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## 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.

## New criteria:

- Perform risk assessments on Type B programs until high-risk Type B programs have been identified **UP TO** at least **25%** of number of low-risk Type A programs



# Percentage of Coverage Rule (200.518(f)) (Step 4)

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- Guidance reduces the minimum coverage as follows:

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



# Low-Risk Auditee (200.520)

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## Current (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.
  - Questioned costs that exceed 5%.
- Timely filing with FAC.
- Auditor reporting going concern not preclude low-risk.
- Waivers.

## New (2 prior years)

- SAME.
- Unmodified opinions on statements in accordance with GAAP **or basis of accounting required by state law.**
- SAME.
- SAME.
- SAME
- SAME.
- **No Audit reporting of going concern.**
- **No waivers.**



# Single Audit Report Submission

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## **200.512 Report Submission**

requires publication of Single Audit Reports online with safeguards for protected personally identifiable information and an exception for Indian tribes in order to reduce the administrative burden on non-Federal entities associated with transmitting these reports to all interested parties.





# Single Audit Reports on the Web

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- All auditees must submit the reporting package and the DCF electronically to the FAC.
- FAC submission process will be changed to require text-based PDF and unlocked, unencrypted.
- FAC responsible to make the reports publically available on a website:
  - Exception for Indian tribes.
- Auditors and auditees must ensure reports not include Protected Personally Identifiable Information (PPII);
  - Auditee must sign certification statement (to be revised on DCF) that reporting package does not include PPII



# FAC Repository of Record for Reporting Packages (200.36 & 200.512(b))

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- Federal agencies, pass-through entities, and others obtain copies by accessing FAC website.
- Subrecipient only required to submit report to FAC and no longer required to submit to pass-through entity.
- Pass-through entity no longer required to retain copy of subrecipient report as available on the Web.





# 2015 Compliance Supplement Transition to Uniform Guidance

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- Implementation guidance.
- Part 3 – 14 Types of Compliance Requirements:
  - Awards under current circulars.
  - Awards under Uniform Guidance.
- Part 6 – Internal Controls (2016 Supplement).
- Appendix III – Federal agency contacts.
- Appendix VI – Program specific audit guides.
- Appendix VII – Other OMB Advisories:
  - Loan and loan guarantee provisions now in UG.
  - ARRA may be removed.





# 2015 Compliance Supplement – Part 3

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- Workgroups performing detailed review of Part 3:
  - Goal to focus on the areas of greatest risk & relieve burden.
  - Updates to Part 3 for the Uniform Guidance:
    - Subpart D—Post Federal Award Requirements.
    - Subpart E—Cost Principles.
- Types of Compliance Requirements:
  - Basic overall format and structure unchanged.
  - No new types of compliance requirements.



# 14 Types by Workgroup

<b>A – Activities Allowed or Unallowed</b>	<b>1</b>		
<b>B – Allowable Costs/Cost Principles</b>	<b>1</b>		
<b>C – Cash Management</b>		<b>2</b>	
<b>D – Davis-Bacon Act</b>			<b>3</b>
<b>E - Eligibility</b>			<b>3</b>
<b>F – Equipment and Real Property Management</b>		<b>2</b>	
<b>G – Matching, Level of Effort, Earmarking</b>			<b>3</b>
<b>H – Period of Performance</b>		<b>2</b>	
<b>I – Procurement and Suspension and Debarment</b>		<b>2</b>	
<b>J – Program Income</b>		<b>2</b>	
<b><del>K – Real Property Acquisition &amp; Relocation</del></b>			
<b>L - Reporting</b>		<b>2</b>	
<b>M – Subrecipient Monitoring</b>		<b>2</b>	
<b>N – Special Tests and Provisions</b>			<b>3</b>



# 200.101 Applicability Table

	<u>Applicable</u>	<u>Not Applicable</u>
<b>Administrative Requirements</b>	Grant agreements	Loans, loan guarantees
	Cooperative agreements	Interest subsidy
		Insurance
		Cost-reimbursement contracts under the FAR
<b>Subrecipient Monitoring</b>	ALL	
<b>Cost Principles</b>	Grant agreements	Food commodities
	Cooperative agreements	Fixed amount awards
	Cost-reimbursement contracts under the FAR	Loans, loan guarantees Interest subsidy
		Insurance



# Allowable Costs/Cost Principles

## Selected Items of Cost

<b>Selected Items of Cost Exhibit 1</b>						
<i>Selected Cost Item</i>	<i>Uniform Guidance General Reference</i>	<i>Items of Cost Requiring Prior Approval</i>	<i>States, Local governments, &amp; Indian Tribes</i>	<i>Institutions of Higher Education (IHE)</i>	<i>Non-Profit Organizations</i>	<i>Items of Cost NOT Treated the Same Across Non-Federal Entities</i>
Advertising and public relations costs	§200.421		Allowable with restrictions	Allowable with restrictions	Allowable with restrictions	
Advisory councils	§200.422		Allowable with restrictions	Allowable with restrictions	Allowable with restrictions	
Alcoholic beverages	§200.423		Unallowable	Unallowable	Unallowable	
Alumni/ae activities	§200.424		Not specifically addressed	Unallowable	Not specifically addressed	X
Audit services	§200.425		Allowable with restrictions	Allowable with restrictions	Allowable with restrictions	





# Strengthening Guidance on Audit Follow-Up for Federal Awarding Agencies

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- Agencies designate a Single Audit Accountable Official from agency senior policy officials
  - Key Management Single Audit Liaison (working level)
    - Agency management point of contact
    - Support Single Audit Accountable Official
- Requiring agencies to implement audit-risk metrics
- Encouraging agencies to:
  - Engage in cooperative audit resolution.
  - Proactive to resolving audit findings





# Sec. 200.510(b) SEFA Additions

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- All Federal awards expended on SEFA (including loan balances).
- Total amount provided to subrecipients from each federal program (200.510(b)(4)):
  - Previous only “to the extent practical”
- 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)).



# Audit Findings (200.516)

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- Increases the threshold for reporting known and likely questioned costs from \$10,000 to \$25,000 (200.516(a)(3) & (4)).
- Requires Identification of whether audit finding is a repeat from the immediately prior audit and if so the prior year audit finding number (200.516(b)(8)).
- Provides that audit finding numbers be in the format prescribed by the data collection form (200.516(c)).



# Additional Audit Revisions

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- Clarified that if report due date is on a Saturday, Sunday, or Federal legal holiday, report submission is due the next business day (200.512(a)).
- Provides for a government-wide audit quality project once every 6 years beginning in 2018 (200.513(a)(3)(ii)).
- Made technical edits to align with current auditing standards.



# Additional Audit Requirements –Future Changes

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- Included language to allow for future combining of the audit reporting and the data collection form if permitted under auditing standards and the approved FAC data collection (200.515(e)).



# Guidance Reform Future

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**December 2013:**  
Uniform  
Guidance  
Published

**June 2014:**  
Agencies Submit  
Draft Rules to  
OMB, Continued  
Outreach on  
Implementation

**December 2014:**  
Final Guidance  
Effective, Baseline  
Metrics Collected,  
Case Studies of  
Best Practices  
Published

**January-April 2014:** Training  
Webcasts, Publish  
2014 Single Audit  
Compliance  
Supplement


**Fall 2014:** Metrics,  
Additional FAQs and  
Webcast



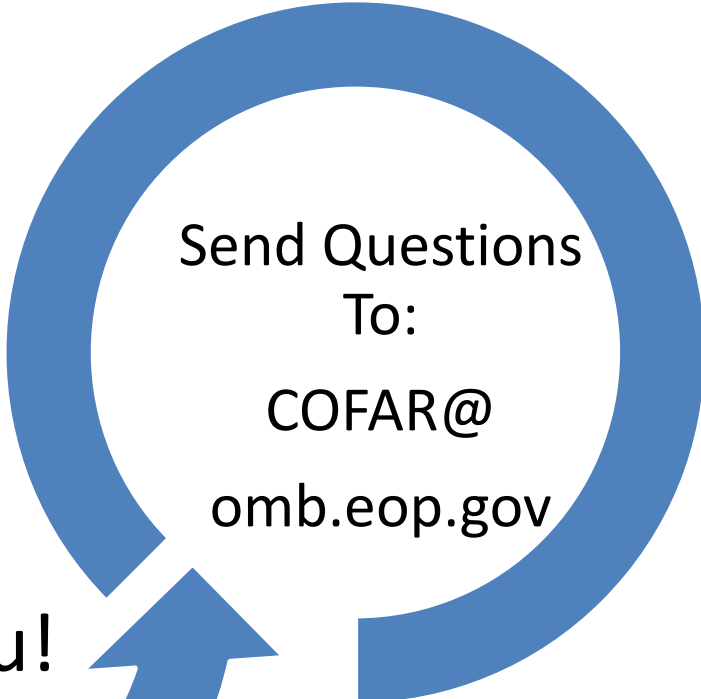
# Engage With COFAR

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For More  
Information Visit:  
[CFO.gov/COFAR](https://cfo.gov/COFAR)



Send Questions  
To:  
[COFAR@  
omb.eop.gov](mailto:COFAR@omb.eop.gov)



Thank you!



# Your Questions

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