



## ANNUAL MEETING

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**EXPLORE. EMPOWER. ENRICH.**

### UNIFORM GUIDANCE: WHAT HAPPENED AND WHERE ARE WE HEADED

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# UNIFORM GUIDANCE

- 12/26/2014 effective date
- Emphasis on Internal Controls and Policies
  - Requires written policies on items such as:
    - Cash management
    - Allowability of costs in accordance with cost principles
    - Procurement
    - Conflict of interest
    - Subrecipient monitoring
  - Provide reasonable assurance that transactions are properly recorded, accounted for, and executed in compliance.



## UNIFORM GUIDANCE

- Internal controls should be in compliance with the Green Book and COSO.
  - Use of should within Uniform Guidance indicates best practice and not a mandatory requirement.
- How do you know you are in compliance with the requirements?





## UNIFORM GUIDANCE

- Single Audit changes
  - Major program and questioned costs thresholds
  - Schedule of Expenditures of Federal Awards and footnotes
- Summary Schedule of Prior Audit Findings
  - Must be prepared by the Auditee
  - Must address both GAS and UG Findings and questioned costs
- Corrective Action Plan
  - Must be prepared by the Auditee on their letterhead and can no longer reference the views of responsible officials section of the finding.



# PROCUREMENT

- What are the new rules
  - 2 CFR Part 200, Sections 317 through 326
  - States
    - Must follow same policies and procedures it uses for procurements using non-federal funds per 200.317
    - Must comply with 200.322 – procurement of recovered materials (solid waste/EPA requirements)
    - Every PO or contract must include clauses required by 200.326 – contract provisions (Appendix II)
  - All other non-federal entities (including sub-recipients of states)
    - Must follow sections 200.318 through 200.326



# PROCUREMENT

- 200.318 General Procurement Standards
  - Use documented procurement procedures that follow local, state, and federal standards and maintain oversight of contractors
  - Written standards of conduct covering conflict of interest and contract administration
  - Encourage cost-sharing arrangements, use of surplus property, value engineering
  - Restrictions on time and materials contracts with required ceiling



# PROCUREMENT

- 200.319 Competition
  - Provide full and open competition
    - Unreasonable bonding, unnecessary experience, brand names
  - Contractors that develop RFPs are precluded from competing for such contracts
  - Restrictions on geographic preferences
  - Solicitations must include all technical and other requirements that must be fulfilled
  - Pre-qualified contractors must be current and ensure full and open competition



# PROCUREMENT

- 200.320 Methods of procurement to be followed
  - Micro-purchases
    - Aggregate purchase of goods or services does not exceed \$3,500 (\$2,000 if construction subject to Davis-Bacon)
    - Equitable distribution among qualified sources to the extent practical
  - Small purchases
    - Aggregate purchase of goods or services does not exceed \$150,000
    - Quotes from adequate number of qualified sources
  - Sealed bids
    - Award to lowest responsible bidder
    - Preferred for construction contracts



# PROCUREMENT

- 200.320 Methods of procurement to be followed
  - Competitive proposals
    - Used when conditions are not appropriate for usage of sealed bids, such as skilled or professional contracts
    - Written technical evaluations required
    - Awarded to most advantageous proposer
  - Noncompetitive proposals
    - Only once source available
    - Emergency nature
    - Expressly authorized by the grantor
    - Competition is deemed inadequate



# PROCUREMENT

- 200.324 Federal awarding agency or pass-through entity review
  - Procurement documents must be made available to grantors upon request
  
- 200.325 Bonding requirements
  - Use grantee's policy unless federal interest is not adequately protected
  - Other requirements may include bid guarantees, performance bonds, or payment bonds



# PROCUREMENT

- 200.326 Contact provisions (Appendix II)
  - Breach of contract terms, sanctions, penalties
  - Termination for cause/convenience
  - Equal Employment Opportunity
  - Davis-Bacon Act
  - Contract Work Hours and Safety Standards Act
  - Rights to inventions
  - Clean Air Act
  - Debarment and Suspension
  - Byrd Anti-Lobbying Amendment



# PROCUREMENT

- Governmental Entities
  - Requirements align fairly closely with Circular A-102
  - Review procurement policies to ensure that minimum requirements are addressed or met
- Not-for-profit Entities
  - Requirements were not as rigid under Circular A-110
  - More significant changes and review of policies will be required
- Terminology – “Contractor” replaces “Vendor”
- Effective
  - Fiscal years beginning after 12/26/2017 (grace period extension)



# PROCUREMENT

- Impact on Grantees
  - Develop written procurement policies in accordance with local, state and federal requirements.
  - Review current policies to ensure requirements are met
    - More restrictive policies are acceptable, such as small purchases threshold of \$50,000
  - Adequate documentation of procurement process
    - Contract files, checklists, evidence of workflow



# PROCUREMENT

## ○ Best Practices

- Ensure policies include a search for vendors on the System for Award Management (SAM)
  - This isn't a new requirement under the Uniform Guidance but it's now explicit.
- Consider centralizing purchasing operations
  - The more decentralized, the more challenging it is to ensure the rules of the Uniform Guidance are being consistently followed.
- Create checklists to guide purchases through proper processes



# SUBRECIPIENTS

## ○ Challenges

- Distinguishing between contractors and sub-recipients
  - Very important to make this determination during the contracting process as required contract languages differ
  - Substance is more important than form of agreement as terminology may not be used appropriately
  - Judgment involved – documentation of conclusion is key
  - Audit procedures differ based on this determination



# SUBRECIPIENTS

## ○ Challenges

- Contractor/procurement characteristics
  - Purpose is to obtain goods and services for use
  - Goods and services provided are within normal business operations
  - Provides the same goods and services to other purchasers
  - Operates in a competitive environment
  - Goods and services are ancillary to the operation of the federal program
  - Contractor is not subject to federal compliance requirements



# SUBRECIPIENTS

## ○ Challenges

- Sub-recipient/sub-grant characteristics
  - Purpose is to carry out a portion/objective of a federal grant
  - May determine eligibility of recipients receiving assistance
  - Performance measured in relation to achievement of program objectives
  - Programmatic decision-making responsibilities
  - Responsible for complying with certain federal compliance requirements
  - Helps carry out a program as opposed to providing goods and services to the grantee



# SUBRECIPIENTS

## ○ Challenges

- Sub-recipient monitoring changes
  - Clear identification of the federal award details required
  - Must document risk assessment process used to assign risk to sub-recipients and conclusions reached
    - Inherent in this is the need for a written policy that provides guidance on the required activities based on the risk conclusions
  - Emphasis on following up on findings included in audit reports and taking action to ensure repeat findings are addressed/corrected
    - Consider monitoring efforts required when sub-recipient is not subject to audit
  - Must report payments to sub-recipients separate on the SEFA



## AUDIT EXPECTATIONS: PROCUREMENT

- Are controls in place and effective?
  - The auditee's written procurement policies follow the appropriate state and federal regulations.
  - A checklist is filed with each contract that requires completion of certain contracting steps that comply with the federal requirements and the entity's procurement policies. This includes a verification that the contractor or sub-awardee is not suspended or debarred. A procurement supervisor signs off on this checklist.
  - Contracts include boilerplate language addressing federal requirements



# AUDIT EXPECTATIONS: PROCUREMENT

- Is the institution complying with federal requirements?
  - Guidance in OMB Compliance Supplement Part 3
    - Available online
  - Close review of written procurement policy
    - Including confirmation of written conflict of interest policy
    - Review of geographic preferences
  - Review of contract procurement documentation
    - Appropriate usage of procurement method
    - Full and open competition
    - Price analysis
    - Suspension/debarment verification



## AUDIT EXPECTATIONS: SUBRECIPIENT MONITORING

- Are controls in place and effective?
  - Procurement applicable, controls already discussed.
  - The auditee has written a sub-recipient monitoring policy that provides guidance for grant administrators (and auditors) that provides a consistency and defines expectations.
  - Written documentation exists that supports risk assessments completed by the auditee, related conclusions, and monitoring activities completed.
  - Contract boilerplate includes appropriate federal language, grant details, and related documentation of the contracting history.



## AUDIT EXPECTATIONS: SUBRECIPIENT MONITORING

- Is the institution complying with federal requirements?
  - Guidance in OMB Compliance Supplement Part 3
    - Available online
  - Procurement compliance applicable (previously discussed)
  - Comparison of monitoring policy with actual activities
    - Documented risk assessment, monitoring activities, review of audit reports, and timely resolution of issues
  - Contracts include required award language



## COMPLIANCE SUPPLEMENT

- Issued yearly by OMB
- 2017 Compliance Supplement was released in August
  - Effective for fiscal years beginning after June 30, 2016, (i.e., years ended June 30, 2017 or later)
- Provides directives for auditors in planning and performing their single audits.





## COMPLIANCE SUPPLEMENT

- No significant changes were noted in the procedures for the Student Financial Cluster or the Research and Development Cluster
- Looking ahead there will be significant changes in relation to cyber security for the Student Financial Assistance Cluster
  - Number of different Acts and Agreements but we will focus briefly on the Gramm-Leach-Bliley Act (GLBA)



# GRAMM-LEACH-BLILEY ACT (GLBA)

- Gramm-Leach-Bliley Act (GLBA)
  - Requires “financial institutions” to ensure security and confidentiality of customer personal information
  - Higher education institutions are considered financial institutions under the Act
  - All Institutions of Higher Education are required to be compliance with GLBA
  - This requirement was recently added to the Program Participation Agreement and is reflected in the Federal Student Aid Handbook
  - Audit Requirements are expected to be added to the Compliance Supplement for FSA programs in 2018



## GRAMM-LEACH-BLILEY ACT (GLBA)

- Safeguards rule: Develop an information security program
  - Designate a Security Program Coordinator responsible for coordinating the program
  - Conduct a risk assessment to identify reasonably foreseeable security and privacy risks
  - Establish a System Security Plan that describes how safeguards are employed to control the identified risks; regularly test and monitor the effectiveness of these safeguards
- Employee management and training program
- Information systems
  - Know where sensitive customer information is stored and store it securely



## TOP 10 ED AUDIT AND PROGRAM REVIEW FINDINGS

- Repeat Finding – Failure to Take Corrective Action
- NSLDS Roster Reporting – Inaccurate/Untimely Reporting
- Return to Title IV (R2T4) Calculation Errors
- Return to Title IV (R2T4) Funds Made Late
- Verifications Violations



## TOP 10 ED AUDIT AND PROGRAM REVIEW FINDINGS

- Pell Grants – Overpayment/Underpayment
- Qualified Auditor's Opinion Cited in Audit
- Entrance/Exit Counseling Deficiencies
- Student Credit Balance Deficiencies
- Improper Origination of Direct Loans



Questions?