Uniform Guidance – An Overview of Changes
CACUBO Annual Meeting - October 6, 2015

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Agenda

- Rationale for the changes
- Structure of the Uniform Guidance (2 CFR Part 200)
- Review Subparts A-F
- 2 CFR Part 200 Compliance Supplement (June 2015)
- Questions
Goals of the Reform

- Streamline guidance for Federal awards to ease administrative burden

- **Strengthen oversight** over Federal funds to reduce risks of waste, fraud, and abuse.

- **Streamlining** existing OMB guidance will increase the efficiency and effectiveness of Federal awards to ensure best use of the more than $500 billion expended annually.
Objective - Reduce both administrative burden and risk of waste, fraud and abuse.

1. **Eliminating Duplicative and Conflicting Guidance**
2. **Focusing on Performance over Compliance for Accountability**
3. **Encouraging Efficient Use of Information Technology and Shared Services**
4. **Providing For Consistent and Transparent Treatment of Costs**
5. **Limiting Allowable Costs to Make Best Use of Federal Resources**
6. **Setting Standard Business Processes Using Data Definitions**
7. **Encouraging Non-Federal Entities to Have Family-Friendly Policies**
8. **Strengthening Oversight**
9. **Targeting Audit Requirements on Risk of Waste, Fraud, and Abuse**
The Basics

- OMB issued on December 26, 2013
- Streamlines the eight existing OMB Circulars into one document including Circular A-133 and the various Cost Principles.
- Consolidates the Cost Principles into a single document with limited variations by entity.
- Circulars included:
  - A-21, Cost Principles for Educational Institutions
  - A-87, Cost Principles for State, Local and Indian Tribal Governments
  - A-89, Federal Domestic Assistance Program Information
  - A-102, Awards and Cooperative Agreements with State and Local Governments
  - A-110, Uniform Administrative Requirements for Awards and Other Agreements with Institutions of Higher Education, Hospitals and other Non-Profit Organizations
  - A-122, Cost Principles for Non-Profit Organizations
  - A-133, Audits of States, Local Governments and Non-Profit Organizations
  - A-50, Audit Follow-Up, (as related to Single Audits)
Structure of Guidance

Eight Circulars Combined

Cost Principles
- Circular A-21
- Circular A-87
- Circular A-122

Administrative Requirements
- Circular A-102
- Circular A-110
- Circular A-89

Audit Requirements
- Circular A-133
- Circular A-50

2 CFR Part 200

Crosswalk documents located at www.whitehouse.gov/omb/grants_docs
Structure of the Uniform Grant Guidance

- **2 CFR Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards**
  - Subpart A - Acronyms and definitions
  - Subpart B - General provisions
  - Subpart C - Pre-Federal Award requirements and Contents of Federal Awards
  - Subpart D - Post Federal award Requirements
    - Financial and program management standards
    - Property standards
    - Procurement standards
    - Performance and financial monitoring and reporting
    - Sub recipient monitoring and management
    - Record retention and access
    - Remedies for noncompliance
    - Closeout
Structure of the Uniform Grant Guidance (continued)

- 2 CFR Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards
  - Subpart E - Cost Principles
    - General provisions
    - Basic considerations
    - Direct and indirect costs
    - Special considerations for states, local governments and Indian Tribes
    - Special considerations for institutions of higher education
    - General provisions for selected items of costs
      - Compensation – personal services
  - Subpart F - Audit Requirements
Structure of the Uniform Grant Guidance (continued)

- 2 CFR Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards
  - 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 IHEs
  - 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
  - Appendix VII - State and local government and Indian tribe indirect cost proposals
  - Appendix VIII - Nonprofit organizations exempt from cost principles
  - Appendix IX - Hospital cost principles
  - Appendix X - Data collection form
  - Appendix XI - Compliance supplement
Subpart A – Acronyms and Definitions

- Need to review as some of the definitions may have changed due to the consolidation of circulars

  - Example:
    - **Vendor** has been replaced with **Contractor**
      - Note – guidance on subrecipient versus contractor determination relocated to Subpart D

    - Added the term personally identifiable information (PII) and protected personally identifiable information (protected PII)
      - These two terms will affect the single audit reporting package

    - Program Income has now been defined (was not defined in A-133)
    - Equipment threshold did not change ($5,000)

- **Must and Should** –
  - **Must** = Required
  - **Should** = Recommended, but not required
Subpart B – General Provisions

- Discusses the purpose, applicability, exceptions, and effective date of the Uniform Grant Guidance

- Strengthen oversight:
  - Conflict of interest
    - The Federal awarding agency must establish conflict of interest policies for their Federal awards. The non-Federal 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
  - Mandatory disclosures
    - Non-Federal entities must disclose, in writing, all violations of Federal criminal law involving fraud, bribery, or gratuity violations potentially affecting the Federal award
## Subpart B – General Provisions

### Applicability of Super Circular

<table>
<thead>
<tr>
<th>The following portions of the Part 2 of CFR</th>
<th>Are applicable to the following types of Federal Awards</th>
<th>Are not applicable to the following types of Federal Awards</th>
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</thead>
<tbody>
<tr>
<td>Subpart A – Acronyms and definitions</td>
<td>All</td>
<td></td>
</tr>
<tr>
<td>Subpart B – General provisions</td>
<td>All</td>
<td></td>
</tr>
</tbody>
</table>
| Subpart C – Pre-federal Award requirements and Contents of Federal Awards | Grant agreements and cooperative agreements | Agreements for loans, loan guarantees, interest subsidies, and insurance  
Cost reimbursement contracts awarded under the Federal Acquisition Regulations and cost-reimbursement subcontracts under these contracts |
| Subpart D – Post Award requirements, subrecipient monitoring and management | All |                                                          |
| Subpart E – Cost principles                 | Grant agreements and cooperative agreements, except those providing food commodities  
Cost reimbursement contracts awarded under the Federal Acquisition Regulations and cost-reimbursement subcontracts under these contracts in accordance with FAR | Grant agreements and cooperative agreements providing food commodities  
Fixed amount awards  
Agreements for: loans, loan guarantees, interest subsidies, insurance  
Federal award to hospitals |
| Subpart F – Audit requirements              | All                                                    |                                                          |
Subpart B – General Provisions

- **Effective Date** –
  - **Federal agencies** - December 26, 2014
  - **Non-federal entities** - The new administrative requirements and cost principles are required to be implemented for all federal awards and incremental **funding made after December 26, 2014**
    - *nonfederal entity* is a state, local government, Indian tribe, institution of higher education, or nonprofit organization that carries out a federal award as a recipient or subrecipient.
  - **Audit Requirements** - FYs beginning on or after December 26, 2014 (1st applicable FY - December 31, 2015)
  - Early Implementation **not** allowed
Subpart B – General Provisions

- Effective Date Clarification –
    - No impact from the Uniform Grant guidance for non-federal entities and auditors
  
  - March 31, 2015, June 30, 2015, and September 30, 2015 year-ends
    - Non-federal entities will have to adopt new Administrative Requirements and Cost Principles relating to all new federal awards and additional funding to existing awards
    
    - Single audit requirements continue to use “old” regulation but auditor compliance testing will be affected by client adoption of “new” requirements (i.e., will likely have to test some awards subject to the old requirements and some the new requirements)
  
  - December 31, 2015, year-ends and beyond
    - New administrative requirements, Cost Principles, and new single audit requirements apply
Subpart C - Pre-Federal Award Requirements and Contents of Federal Awards

- Covers administrative requirements directed primarily at federal agencies regarding their responsibilities for information that is required to be provided to nonfederal entities for the purpose of applying for and receiving federal awards
  - Responsibilities include:
    - Public notice of funding opportunities
    - Federal awarding agency requirement to evaluate the risks posted by applicants prior to the nonfederal entity receiving a federal award
    - Listing of information that must be included in a federal award document

- Merit Review Process
  - For competitive grants or cooperative agreements, unless prohibited by Federal statute, the Federal awarding agencies must design and execute a merit review process for applications.
  - Process must be described (or incorporated by reference) in funding opportunity
Subpart C - Pre-Federal Award Requirements and Contents of Federal Awards

- **Pre-Award Risk Assessment**
  - May include:
    - Financial Stability
    - Quality of management systems
    - History of Performance
    - Reports and findings from Audits
    - Applicants Ability to Effectively Implement Program Requirements
  
  - Agency Framework – for how and when to conduct risk assessments
    - All applicants need a risk assessment process

- **Federal Awards**
  - Defined 15 data elements that must be included
  - Defined General Terms and Conditions that must be included
  - Performance Goals
    - Timing and scope of expected performance and outcomes to be achieved
Subpart D – Post Federal Award Requirements

- Covers a wide range of topics that contain information for both federal agencies and nonfederal entities:
  - Financial management
  - Internal controls
  - Bonds
  - Payment
  - Cost sharing and matching
  - Program income
  - Revision of budget and program plans
  - Property standards
  - Procurement standards
  - Performance and financial monitoring and reporting
  - Subrecipient monitoring and management
  - Record retention and access
  - Remedies for noncompliance
  - Closeout
Subpart D – Post Federal Award Requirements

- Some topics that relate to nonfederal entities are internal controls, procurement standards and subrecipient monitoring and management

- Internal controls
  - **Must** establish and maintain effective internal control over the Federal award
    - **Should** be compliant with Green book or COSO
  
  - Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards
  
  - Evaluate and monitor the non-Federal entity's compliance with statute, regulations and the terms and conditions of Federal awards.
  
  - Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.
  
  - Use reasonable measure to safeguard protected personally identifiable information (PII) and information designated as sensitive.
    - New explicit responsibility for safeguarding
Subpart D – Post Federal Award Requirements

- Procurement

  - In general, the new procurement standards adopt the majority of the language used from Circular A-102. Therefore, non-federal entities that are currently subject to Circular A-110 will likely be affected more significantly.

  - Non-federal Entities **must** follow documented procurement procedures

  - Non-Federal entities must maintain **oversight** to ensure that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders.
Subpart D – Post Federal Award Requirements

Subrecipient Monitoring and Management

Subrecipient Monitoring
Subrecipient Audits
Subaward Agreements
Subrecipient Reporting
Subpart D – Post Federal Award Requirements

- Subrecipient Monitoring and Management
  - A non-Federal entity may concurrently receive Federal awards as a:
    - Recipient
    - Subrecipient
    - Contractor
  - Pass-through entity (PTE) must make case-by-case determination whether each agreement it makes for the disbursement of Federal program funds casts the party receiving the funds in the role of a Subrecipient, or Contractor
  - Substance of the agreement is more important than the form
Subpart D – Post Federal Award Requirements

- Subrecipient and Contractor Determination
  - Guidance Currently in OMB Circular A-133 (Subpart B Section 210) and uses the term “Vendor”
  - Guidance Moved to 2013 Omni Circular (Subpart D Section 200.330)
    - 2013 Omni Circular Terminology – “Contractor” replaces “Vendor”

<table>
<thead>
<tr>
<th>Subrecipient</th>
<th>Contractor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Creates a Federal assistance relationship</td>
<td>Purpose is to obtain goods and services for the non-Federal entity’s own use and creates a procurement relationship</td>
</tr>
<tr>
<td>Determines who is eligible to receive what Federal assistance</td>
<td>Provides the goods and services within normal business operations</td>
</tr>
<tr>
<td>Has its performance measured in relation to whether objectives of a Federal program were met</td>
<td>Provides similar goods or services to many different purchasers</td>
</tr>
<tr>
<td>Has responsibility for programmatic decision making</td>
<td>Normally operates in a competitive environment</td>
</tr>
<tr>
<td>Is responsible for adherence to applicable Federal program requirements specified in the Federal award; and</td>
<td>Provides goods or services that are ancillary to the operation of the Federal program; and</td>
</tr>
<tr>
<td>In accordance with its agreement, uses the Federal funds to carry out a program for a public purpose specified in authorizing stature, as opposed to providing goods or services for the benefit of PTE</td>
<td>Is not subject to compliance requirements of the Federal program as a result of the agreement, though similar requirements may apply for other reasons</td>
</tr>
</tbody>
</table>
Subpart D – Post Federal Award Requirements

Requirements for PTEs

- Must clearly identify the agreement as a subaward at the time of the subaward

- Must provide the following Federal award identification information and if not available provide the best available information:
  - Subrecipient’s name and DUNS number
  - Federal award identification number and date
  - Subaward period of performance, start and end
  - Amount of Federal funds obligated and total amount of Federal funds obligated to the subrecipient
  - Total amount of Federal award
  - Federal award project description
  - Name of Federal awarding agency, and other PTEs and contact information
  - CFDA number and name for each payment at the time of disbursement
  - Identify whether the award is R&D
  - Indirect cost rate for the Federal award
Subpart D – Post Federal Award Requirements

- Requirements for PTEs
  - Identify all applicable Federal requirements
  - Identify all additional requirements imposed by the PTE
  - Communicate the Indirect cost rate
    - Approved federally recognized ICR
    - Rate negotiated between the PTE and subrecipient
    - A de minimis ICR
  - Permit the PTE and auditors to have access to the subrecipient’s records and financial statements
  - Identify appropriate terms and conditions concerning closeout of the subaward.

- Evaluate each subrecipient’s risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring
Subpart D – Post Federal Award Requirements

- Requirements for PTEs
  - Consider imposing specific subaward conditions
  - Monitor activities of the subrecipient. Monitoring must include:
    - Review financial and programmatic reports
    - Follow-up and ensure that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award identified through audits, on-site reviews and other means
    - Issue management decision for audit findings pertaining to the Federal award provided to the subrecipient from the PTE
  - PTEs based on their assessment may:
    - Provide training and technical assistance on program-related matters
    - Perform on-site reviews of program operations
    - Arrange for agreed-upon procedures engagements
Subpart D – Post Federal Award Requirements

- Requirements for PTEs
  - Verify that every subrecipient is audited as required by Subpart F of the Uniform Grant Guidance
  - Consider the results of the subrecipient’s audits, on-site reviews, or other monitoring indicate conditions that necessitate adjustments to the PTE’s records
  - Consider taking enforcement action against noncompliance
  - With prior written approval from the Federal awarding agency, a PTE may provide subawards based on fixed amounts up to the Simplified Acquisition Threshold (currently $150,000- is adjusted for inflation).
Subpart E – Cost Principles (Allowable Activities and Costs)

- Consolidate Cost Principles into single document with:
  - OMB Circular A-21 – Educational Institutions
  - OMB Circular A-87 – Governments
  - OMB Circular A-122 – Nonprofit Organizations

- It is important to note that an auditee is subject to the cost principles and administrative requirements in the new Uniform Grant Guidance for federal awards and incremental funding made after December 26, 2014. Therefore, any federal awards and incremental funding received after December 26, 2014, will be subject to different cost principles and administrative requirements than those received prior to that date.
Subpart E – Cost Principles (Allowable Activities and Costs)

- **GOAL** – To eliminate duplicative language while clarifying where there are important substantive policy variances across entities.

- **GOAL** – To provide updated language to reflect common current business practices, such as electronic submissions of information.

<table>
<thead>
<tr>
<th>Type of Cost</th>
<th>Main Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advertising and public relations costs</td>
<td>A-87</td>
</tr>
<tr>
<td>Advisory councils</td>
<td>A-87</td>
</tr>
<tr>
<td>Alcoholic beverages</td>
<td>A-87</td>
</tr>
<tr>
<td>Alumni activities</td>
<td>A-21</td>
</tr>
<tr>
<td>Audit services</td>
<td>A-87</td>
</tr>
<tr>
<td>Bad debts</td>
<td>A-87</td>
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<tr>
<td>Bonding costs</td>
<td>A-87</td>
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</table>
Subpart E – Cost Principles (Allowable Activities and Costs)

<table>
<thead>
<tr>
<th>Type of Cost</th>
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<tbody>
<tr>
<td>Collections of Improper Payments</td>
<td>New</td>
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<tr>
<td>Commencement and convocation costs</td>
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</tr>
<tr>
<td>Compensation – personal services</td>
<td>All</td>
</tr>
<tr>
<td>Compensation – fringe benefits</td>
<td>A-122</td>
</tr>
<tr>
<td>Contingency provisions</td>
<td>A-21</td>
</tr>
<tr>
<td>Contributions and donations</td>
<td>A-21, A-122</td>
</tr>
<tr>
<td>Defense and prosecution of criminal and civil proceedings, claims, appeals</td>
<td>A-21, A-87</td>
</tr>
<tr>
<td>and patent infringements</td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>A-21</td>
</tr>
<tr>
<td>Employee morale, health, and welfare costs</td>
<td>A-21</td>
</tr>
<tr>
<td>Entertainment costs</td>
<td>A-21</td>
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Subpart E – Cost Principles (Allowable Activities and Costs)

<table>
<thead>
<tr>
<th>Type of Cost</th>
<th>Main Source</th>
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</thead>
<tbody>
<tr>
<td>Equipment and other capital expenditures</td>
<td>A-21, A-87</td>
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<tr>
<td><strong>Exchange Rates</strong></td>
<td>New</td>
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<tr>
<td>Fines, penalties, damages and other settlements</td>
<td>A-21</td>
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<tr>
<td>Fund raising and investment management costs</td>
<td>A-87</td>
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<tr>
<td>Gains and losses on disposition of depreciable assets</td>
<td>A-87</td>
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<tr>
<td>General government expenses</td>
<td>A-87</td>
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<tr>
<td>Goods or services for personal use</td>
<td>A-21</td>
</tr>
<tr>
<td>Idle facilities and idle capacity</td>
<td>A-87</td>
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<tr>
<td>Insurance and indemnification</td>
<td>A-21, A-87</td>
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<tr>
<td><strong>Intellectual Property</strong></td>
<td>New</td>
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### Subpart E – Cost Principles (Allowable Activities and Costs)

<table>
<thead>
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<th>Type of Cost</th>
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<tr>
<td>Interest</td>
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<tr>
<td>Lobbying</td>
<td>A-21, A-87</td>
</tr>
<tr>
<td>Losses on other Federal awards or contracts</td>
<td>A-21</td>
</tr>
<tr>
<td>Maintenance and repair costs</td>
<td>A-122</td>
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<tr>
<td>Material and supplies costs, including costs of computing devices</td>
<td>A-122</td>
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<tr>
<td>Meetings and conferences (External)</td>
<td>A-122</td>
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<tr>
<td>Memberships, subscriptions, and professional activity costs</td>
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<tr>
<td>Organization costs</td>
<td>A-122</td>
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<tr>
<td>Participant support costs</td>
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## Subpart E – Cost Principles (Allowable Activities and Costs)

<table>
<thead>
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<th>Type of Cost</th>
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<tbody>
<tr>
<td>Plant and security costs</td>
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<td>Pre-award (or Preagreement) costs</td>
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<tr>
<td>Professional service costs</td>
<td>A-122</td>
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<tr>
<td>Proposal costs</td>
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<td>Publication and printing costs</td>
<td>A-87</td>
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<tr>
<td>Rearrangement and reconversion costs</td>
<td>A-87</td>
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<tr>
<td>Recruiting costs</td>
<td>A-21</td>
</tr>
<tr>
<td>Relocation costs of employees</td>
<td>A-122</td>
</tr>
<tr>
<td>Rental costs of real property and equipment</td>
<td>All</td>
</tr>
<tr>
<td>Scholarships and student aid costs</td>
<td>A-21</td>
</tr>
<tr>
<td>Selling and marketing costs</td>
<td>A-122</td>
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Subpart E – Cost Principles (Allowable Activities and Costs)

<table>
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<tr>
<td>Specialized service facilities</td>
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<td>Termination costs</td>
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<td>Training and education costs</td>
<td>A-122, A-87</td>
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<td>Transportation costs</td>
<td>A-21</td>
</tr>
<tr>
<td>Travel costs</td>
<td>A-21</td>
</tr>
<tr>
<td>Trustees</td>
<td>A-21</td>
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</tbody>
</table>
Subpart E – Cost Principles (Allowable Activities and Costs)

- Major Changes in Indirect Cost Rate
  - Allows for a one-time extension of negotiated rates up to four years if no major changes in F&A (Facilities and Administrative) costs with cognizant agency approval.
    - If the extension is granted the entity would not be allowed to request a rate review until the extension period ends.
  - A minimum flat rate of 10% of modified total direct costs has been added to ensure that entities without the capacity for a full negotiation receive a minimum reimbursement which may be used indefinitely.
    - The subrecipient section specifically requires pass through entities to honor the Federally negotiated indirect cost rates, negotiate a rate in accordance with Federal guidelines or provide the minimum flat rate.
  - The salaries of administrative and clerical staff should normally be treated as indirect (F&A) costs
  - The negotiated rates shall be accepted by all Federal agencies
Subpart E – Cost Principles (Allowable Activities and Costs)

- **Major Changes in Indirect Cost Rate (continued)**

  - **Special considerations for Nonprofit Organizations**
    - The Federal agency with the largest dollar value of awards with an organization will be designated as the cognizant agency for the negotiation and approval of the indirect cost rates.
    - The assignment will not be changed unless there is a shift in the dollar volume of the Federal awards to the organization for at least three years.
    - Where a nonprofit organization has only one major function, or where all its major functions benefit from its indirect costs to approximately the same degree, the allocation of indirect costs and the computation of an indirect cost rate may be accomplished through simplified allocation procedures.
    - For an organization that receives more than $10 million in Federal funding of direct costs in a fiscal year, a breakout of the indirect cost component into two broad categories, Facilities and Administration, is required. The rate in each case shall be stated as the percentage which the amount of the particular indirect cost category (i.e., Facilities or Administration) is of the distribution base identified with that category.
    - Identification of indirect costs. Cost groupings shall be established so as to permit the allocation of each grouping on the basis of benefits provided to the major functions.
      - Depreciation and use allowance
      - Interest
      - Operation and maintenance expenses
      - General administration and general expense
Subpart E – Cost Principles (Allowable Activities and Costs)

- Compensation – personal services changes

  - Purpose was to reduce the administrative burden of documenting time and effort
  - Previously different reporting under A-21, A-87 and A-122
    - A-87 and A-122 is based on time actually incurred through periodic (at least monthly) time and effort reporting.
    - A-21 is based on a system for establishing an estimate and determining that it is a reasonable basis for the activity.
  - The three examples of acceptable systems (Activity Reports, Plan Confirmation and Multiple Confirmation Records) have been eliminated
  - New guidance more in line with A-21, as follows:
    - Compensation includes all remuneration paid currently or accrued, for services of employees rendered during the period of performance under the Federal award, including but not limited to wages and salaries and fringe benefits
    - Reasonable for services rendered – subject to ceiling (10 U.S.C. 2324(e)(1)(P), and 41 U.S.C. 1127 and 4304(a)(16)
    - Conforms to the established written policy of the non-Federal entity
    - Is determined and supported according to “Standards for Documentation of Personnel Expenses”
    - Special provisions for institutions of higher education
Subpart E – Cost Principles (Allowable Activities and Costs)

Documentation of personnel expenses:

Must be based on records that accurately reflect the work performed. These records must:

- Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated
- Be incorporated into the official records of the non-Federal entity
- Reasonably reflect the total activity for which the employee is compensated, not exceeding 100% of compensated activities
- Encompass both federally assisted and all other activities compensated by the non-Federal entity on an integrated basis, but may include the use of subsidiary records and defined in the non-Federal entity’s written policy
- Comply with the established accounting policies and practices of the non-Federal entity, and
- Support the distribution of the employee’s salary or wages among specific activities or cost objectives if the employee works
  - On more than one Federal award
  - A federal award and non-Federal award
  - An indirect cost activity and a direct cost activity
  - Two or more indirect activities which are allocated using different allocation bases
  - An unallowable activity and a direct or indirect cost activity
Subpart F – Changes in Audit Requirements

Objectives of a Single Audit

- Audit of the entity’s financial statements and reporting on the schedule of expenditures of federal awards
  - Whether the financial statements of the auditee are presented fairly in all material respects in conformity with GAAP
  - Whether the SEFA is presented fairly in all material respects in relation to the auditee’s financial statements taken as a whole (SAS 119).
- Compliance audit of federal awards
  - Obtain an understanding of the internal control over compliance of each major program
  - Determine whether the auditee has complied with laws, regulations, and the provisions of contracts or grant agreements that may have a direct and material effect on each of the major programs
Subpart F - Audit Requirements

A-133’s 14 Compliance Requirements

- Activities allowed or unallowed
- Allowable costs/Cost principles
- Cash management
- Davis-Bacon Act (removed from compliance supplement – June 2015)
- Eligibility
- Equipment and real property management
- Matching, level of effort, earmarking
- Period of availability of federal funds
- Procurement, suspension and debarment
Subpart F - Audit Requirements

- Program income
- Real property acquisition and relocation assistance (removed from compliance supplement – June 2015)
- Reporting
- Sub-recipient monitoring
- Special tests and provisions

- If award is received through a pass-through agency, the pass-through agency’s requirements also apply
Subpart F - Audit Requirements

Schedule of Expenditures of Federal Awards (SEFA)

- Basis for major program determination process, and thus, the key to determining the required level of testing for an A-133 audit
- Preparation is the responsibility of management
- Auditor must also understand and test internal controls over SEFA preparation
  - Understanding must be sufficient for the auditor to assess the risks of material misstatement of the SEFA
  - Controls must cover financial AND non-financial data
- Items to look for regarding SEFA accuracy:
  - CFDA numbers
  - Identification of pass-through information
  - Amounts passed through to subrecipients
  - Clusters
  - Vendor relationships are excluded
Subpart F – Changes in Audit Requirements

- Single audit process
  - Audit threshold (200.501)
  - Subrecipient vs. Contractor (200.501(f) & 200.330)
  - Program-specific (200.507) and biennial audits (200.504)
  - 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)
Subpart F - Audit Requirements

- Concentrate audit resolution and oversight resources on higher dollar, higher risk awards
  - Increase $500,000 threshold to $750,000
Subpart F - Audit Requirements

Total Dollars

- $500K - $750K
- Over $750K
Subpart F - Audit Requirements

- Changes to Major Program Determination Process

  - Step #1 – Dollar Threshold - Type A minimum threshold revised from $300,000 to $750,000
  
  - Step #2 – Risk Assessment - Focuses on material weaknesses in internal control and modified opinions (remove term “any” audit finding)
  
  - Step #3 – Type B Risk Assessment – not required to identify more high risk Type programs than at least 25% low risk Type A program threshold (removes smaller Type B from assessment)
  
  - Step #4 – Percentage of Coverage – reduced from 50% to 40% for not low risk auditees and from 25% to 20% for low risk auditees
Subpart F - Audit Requirements

- Reforms to audit requirements

  - Changes in low-risk auditee designation
    - Requirements are for the prior 2 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
    - Type A programs did NOT have any of the following in the past two years:
      - Internal control deficiency identified as material weakness
      - Modified opinion on major programs
      - Questioned costs that exceed 5%
    - Timely filing of the Data Collection Form
    - No auditor reporting of going concern
    - No waivers
Subpart F - Audit Requirements

- Reforms to audit requirements (continued)
  - Questioned costs threshold raised to $25,000 (known or likely)
  - Data Collection Form requires a “YEAR-XXX” format
    - References in the Summary of Findings and Questioned Costs need to be consistent with the DCF requirement
  - Auditee certification that no protected personally identified information included in reporting package
Subpart F - Audit Requirements

- Reforms to audit requirements (continued)
  - Online publication of reports (Clearinghouse)
    - Intended to be the sole point of submission and access moving forward
  - Federal due date is the earlier of nine months after fiscal year end or 30 days after receipt of the auditor’s reports
    - “Next business day” due date provision
  - The Corrective action plan must be a separate document from the schedule of findings and questioned costs
Subpart F - Audit Requirements

### Finding Elements

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Subpart F - Audit Requirements

- Corrective action plans:
  - The corrective action plan must be a separate document from the schedule of findings and questioned cost
  - Submitted to FAC along with data collection form
  - Federal agency or pass-through entity must provide management decision within 6 months of acceptance of audit report by the FAC
Subpart F - Audit Requirements

- Reforms to SEFA and audit requirements
  - The SEFA must include all federal awards expended (some types, such as noncash assistance, can be shown in the notes now instead of the SEFA)
  - SEFA requires payments to subrecipients (language on extent practical is removed)
  - The SEFA must include total federal awards expended for loan or loan guarantee programs (in addition to identifying the balances outstanding at the end of the audit period in the notes to the SEFA)
  - The notes to the SEFA are required to include if the entity elected to use the 10% deminimus cost rate
2 CRF Part 200 Compliance Supplement

- June 2015

- Removed “Davis-Bacon Act” and “Real property acquisition and relocation assistance” from the compliance matrix
  - Now considered as part of Special Tests and Provisions

- “Period of Availability of Federal Funds” compliance attribute now called “Period of Performance”

- Part 3 (“Compliance Requirements”) is now divided into:
  - Part 3.1 - for federal awards made prior to 12/26/2014
  - Part 3.2 - for federal awards made on/after 12/26/2014

- Part 6 (“Internal Controls”) will be updated in 2016 based on COSO changes to internal control requirements
Questions?
Crowe’s Uniform Guidance Webinar Series

- Six-part webinar series that began in late 2014:
  - Overview of Changes
  - Grant Risk Assessments and Sub-recipient Monitoring
  - Cost Principles and Time & Effort Reporting
  - Federal Grant Fraud Risks and Reporting
  - Audit Preparation and Audit Process

* Archived recordings of past webinars available at [www.crowehorwath.com/ps](http://www.crowehorwath.com/ps)
* Visit [www.crowehorwath.com/events](http://www.crowehorwath.com/events) to register for other events.
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