TABLE OF CONTENTS

- Brief history of Uniform Guidance
- Procurement changes under Uniform Guidance
- Subrecipient changes under Uniform Guidance
- Review of Compliance Supplements as they relate to the Student Financial Assistance and Research and Development Clusters
- Top 10 ED Audit and Program Review Findings
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 in not adequately protected
  - Other requirements may include bid grantees, 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?