



GEORGIA DEPARTMENT OF AUDITS AND ACCOUNTS

Uniform Guidance: What you need to know

Fiscal Management Council

January 27, 2015

Uniform Guidance

Superseded OMB Circulars:

- A-21 – Cost Principles for Educational Institutions
- A-50 – Single Audit Act Follow-up
- A-87 – Cost Principles for State, Local, and Indian Tribal Governments
- A-89 – Catalog of Federal Domestic Assistance
- A-102 – Grants and Cooperative Agreements with State and Local Governments
- A-110 – Uniform Administrative Requirements for Grants and Other Agreements with Institutions of Higher Education, Hospitals, and Other Nonprofit Organizations
- A-122 – Cost Principles for Non-Profit Organizations
- A-133- Audits of States, Local Governments and Non-Profit Organizations

Uniform Guidance

- Eight different OMB guidance streamlined into one. Eliminating overlapping duplicative and conflicting guidance.

- A-21
 - A-50
 - A-87
 - A-89
 - A-102
 - A-110
 - A-122
 - A-133
- } **2 CFR Part 200**
UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES,
AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS
(Uniform Guidance)

Uniform Guidance

- Intended Outcomes
 - Stronger Oversight
 - Improved Business Processes
 - Well Trained Workforce
 - Targets Risk and Minimize Burden



Effective Dates section 200.110

- All awards or funding increments made on or after **December 26, 2014** must adhere to the Uniform Guidance.
- Single audit requirements are effective for fiscal years 2016 and beyond.
- For fiscal year 2015, Auditor compliance testing will likely have some awards subject to the old requirements and new requirements.



Items to note

- "In general non-Federal entities must comply with the terms and conditions of their Federal award, which will specify whether the Uniform Guidance applies." (FAQ .110-6)



2 CFR Part 200 (Uniform Guidance)

- **Subpart A** - contains acronyms and definitions used throughout the Guidance.
- **Subpart B** - general provisions including the purpose of the Guidance, its applicability, and effective date.
- **Subpart C** - administrative requirements directed primarily at federal agencies including pre-award activities and requirements for the contents of federal awards.
- **Subpart D** -property, procurement, internal control, and subrecipient monitoring.
- **Subpart E** - Cost Principles previously found in Circulars A-21, A-87, and A-122
- **Subpart F** - Audit Requirements
- **Appendices I through XI** - cost principles, Appendix X - data collection form, Appendix XI - compliance supplement



What you need to know – Subpart A

▪ Key Acronyms and Definitions

- Use of "SHOULD" and "MUST"
 - Should = best practice or recommended approach.
 - Must = required.
 - OMB has identified all SHOULDs and MUSTs in the "interim final rule" published on December 19, 2014.
- Contractor will be used instead of "vendor"
 - These terms have the same meaning
- Personally Identifiable Information (PII) and Protected Personally Identifiable Information (PPII)
 - Definitions can be found in sections 200.79 (PII) and 200.82 (PPII).
 - Auditors and auditees must ensure that no protected personally identifiable information is included in their respective parts of the reporting package.





What you need to know – Subpart D

▪ Internal Controls section 200.303

- Non-Federal entities **MUST** establish and maintain effective internal control over the Federal awards.
- **Source documents for Best Practices**
 - *Standards for Internal Control In the Federal Government (Green Book) – Recently updated, September 2014*
 - *Committee on Sponsoring Organizations (COSO) The COSO 1992 framework was superseded by the COSO 2013 framework on December 15, 2014.*
- Appendix XI to Part 200— Compliance Supplement
 - *Will consider both Green Book and COSO in the 2015 update*





What you need to know – Subpart D

- **Internal Controls** section 200.303
 - *Entities and their Auditors need to determine the most appropriate and cost effective internal control framework to provide reasonable assurance for compliance with Federal program requirements.*



What you need to know – Subpart D

- **Procurement** sections 200.317 through 200.326
 - **Procurement standards are modeled after A-102**
 - States will follow the same policies and procedures they use for procurements from non-federal funds
 - New for Universities and Non-Profits
 - **Five procurement methods**
 - Micro-purchases (< \$3,000)
 - Small purchases (> \$3,000 and < \$150,000)
 - Sealed bids (> \$150,000)
 - Competitive proposals (> \$150,000)
 - Noncompetitive purchases: special circumstances applicable to all purchase levels.



What you need to know – Subpart D

- **Procurement** sections 200.317 through 200.326
 - All procurement methods must comply with the following standards:
 - ✓ Documented polices and procedures
 - ✓ Purchases are necessary
 - ✓ Full and open competition
 - ✓ Conflict of Interest policy
 - ✓ Proper documentation



What you need to know – Subpart D

- **Procurement** - *FAQ .110-6 Effective Dates and Grace Period*
 - The Federal Government will provide non-Federal entities (NFEs) a grace period for one full fiscal year after the effective date of the Uniform Guidance:
 - ✓ NFEs must comply with terms and conditions of their Federal award.
 - ✓ NFEs must document whether in compliance with old or new standard and must meet the documented standard.
 - ✓ The Single Audit Supplement will instruct auditors to review procurement policies and procedures based on the documented standard.
 - ✓ NFEs must comply fully with the uniform guidance beginning in fiscal years 2017 and beyond.



What you need to know – Subpart D

- **Subrecipient Monitoring and Management** *sections 200.330 thru 200.332*
 - Subrecipient vs Contractor – Guidance can be found in section 200.330
 - Pass-through entities have the responsibility to evaluate the risk of each subrecipient and develop appropriate subrecipient monitoring processes.



What you need to know – Subpart E

- **Cost Principles**
 - 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 for additional funding to existing awards made after December 26, 2014.



What you need to know – Subpart E

▪ **Cost Principles – What is new?**

- Uniform Guidance clarifies that indirect costs are now allowable.
- Federal agencies are now required to accept and apply the approved indirect cost rate as established by the cognizant agency for the non-federal entity (200.414(c)(1)).
- Two exceptions to not using the approved negotiated rate:
 - ✓ When the rate is required by federal statute or regulation
 - ✓ When awarding agency head has documented justification for applying another rate.



What you need to know – Subpart E

▪ **Cost Principles – What is new?**

- OMB has authorized a new *de minimis* rate equivalent to 10 percent of the modified total direct costs (200.414(f)). This rate does not apply if:
 - The entity has received a negotiated indirect cost rate.
 - The entity is a state public assistance agency in accordance with Appendix VI to Part 200 (e.g. TANF, Medicaid)
- The *de minimis* rate:
 - Can be used indefinitely or until an indirect cost rate is negotiated
 - Does not require review of actual costs
 - Must be applied consistently for all federal awards
 - Restricted from use if an entity's direct federal funding is greater than \$35 million (appendix VII.D.1.b)



What you need to know – Subpart E

▪ **Cost Principles – What is new?**

- Pass-through entities must ensure that every subaward includes a subrecipient's federally approved indirect cost rate (200.331(a)(4)).
- If no rate exists the pass-through entities must:
 - Negotiate an indirect rate with the Subrecipient ; or
 - Use the new de minimis rate



What you need to know – Subpart E

▪ **Cost Principles – What is new?**

- Nonfederal entities can apply for a one-time extension of their negotiated indirect cost rate for up to four years (200.414(g)).
 - Rate reviews are not allowed during the extension period
 - At the end of the extension period entities must reapply to negotiate a rate



What you need to know – Subpart E

▪ **Cost Principles – What is new?**

- Salaries of administrative and clerical staff should be considered indirect costs unless they can be considered direct costs (200.413).
- Salaries for administrative and clerical staff must meet four conditions to be classified as direct costs:
 - Must be an integral to the activity;
 - Individuals should be specifically identified with the activity;
 - Should be explicitly included in the budget; and
 - Costs should not be recovered as indirect costs.



What you need to know – Subpart F

▪ **Audit Requirements – What is new?**

- Nonfederal entities that expend \$750,000 or more in federal awards during the entity's fiscal year must have a single or program specific audit performed (200.501).
- Nonfederal entities that expend less than \$750,000 in federal awards during the entity's fiscal year are not required to perform a single or program specific audit (200.501).
 - Some exceptions apply as noted in section 200.503
 - Records must be available for review or audit



What you need to know – Subpart F

- **Audit Requirements – What is new?**
 - Audit requirements under part 200 are applicable to both recipients and subrecipients.
 - Pass-through entities are responsible for setting requirements as necessary to ensure compliance by for-profit subrecipients.
 - Agreements must describe applicable compliance requirements; and
 - Compliance responsibility of the for-profit subrecipient.



What you should do now

- Obtain an Understanding of the New Requirements
 - Office of Management and Budget - UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS. http://www.whitehouse.gov/omb/grants_docs
 - Council on Financial Assistance Reform (COFAR) - Frequently Asked Questions (FAQs) <https://cfo.gov/cofar/>
- Understand Effective Dates - **December 26, 2014**



What you should do now

- Develop a Plan to become Compliant
 - Determine Policy and Procedure Changes
 - Establish or Update Internal Controls
 - Establish Action Items and Item Owners
 - Establish a Training Program
 - Establish Deadlines
- Set Tone at the Top



What's next

- "Interim Final Rule" was published on December 19, 2014.
- "Interim Final" is final but open for public comment until February 17, 2015.
 - Comments can be submitted to <http://www.regulations.gov/>



Questions?



Jessica Parent, Director
 Division of Professional Standards and Practices
parent@audits.ga.gov
 404-463-0173

Roger Boyd, Director
 Information Technology Services
boyd@audits.ga.gov
 404-657-5116
