

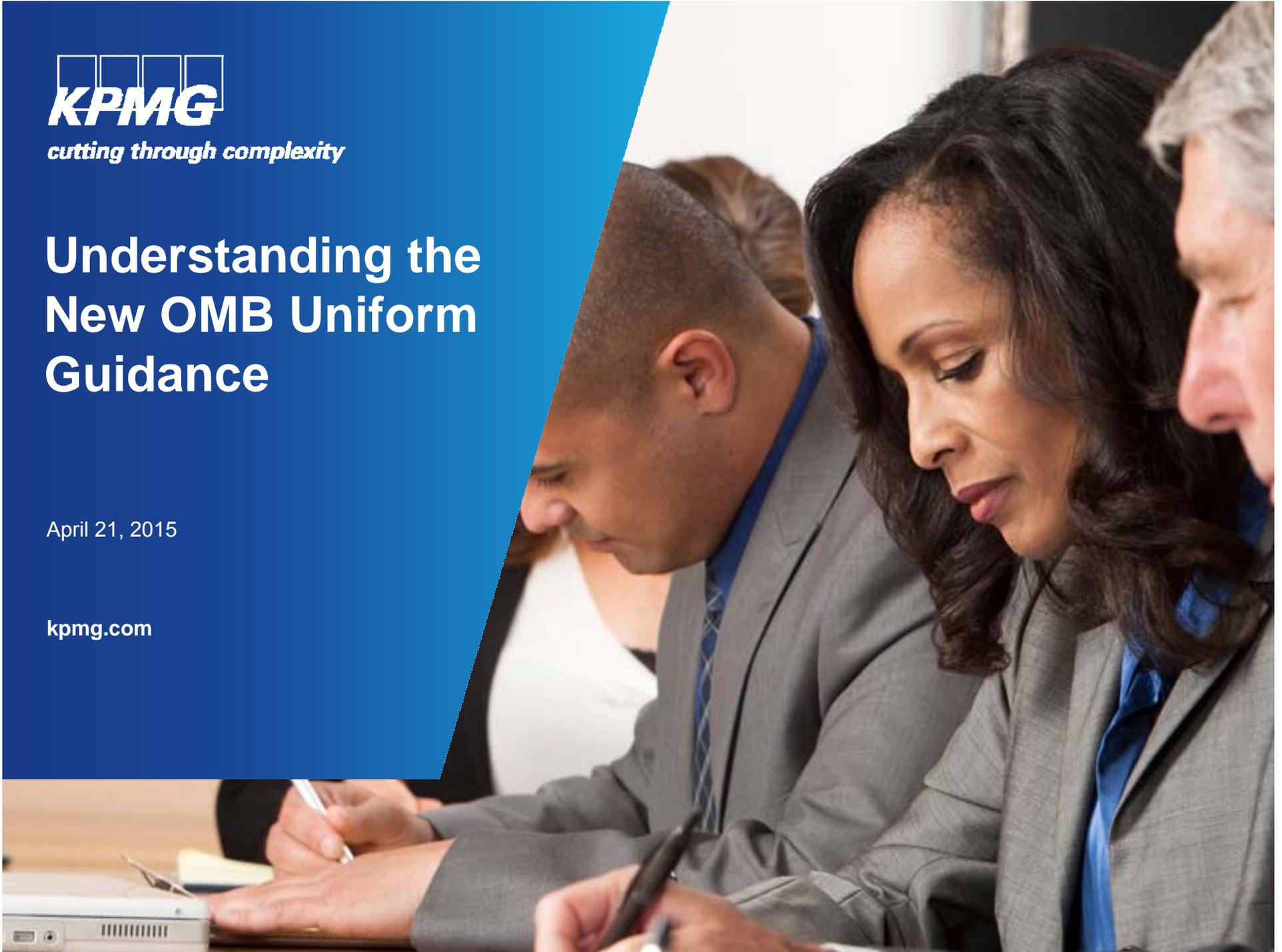


*cutting through complexity*

# Understanding the New OMB Uniform Guidance

April 21, 2015

[kpmg.com](http://kpmg.com)



**OMB – Uniform Administrative  
Requirements, Cost Principles  
and Audit Requirements for  
Federal Awards, Final Rule  
(Uniform Guidance)**

# Agenda

**Background**

**General Information and Effective Dates**

**Pre- and Post-Federal Award (Administrative) Requirements**

**Internal Control Requirements and Cost Principles**

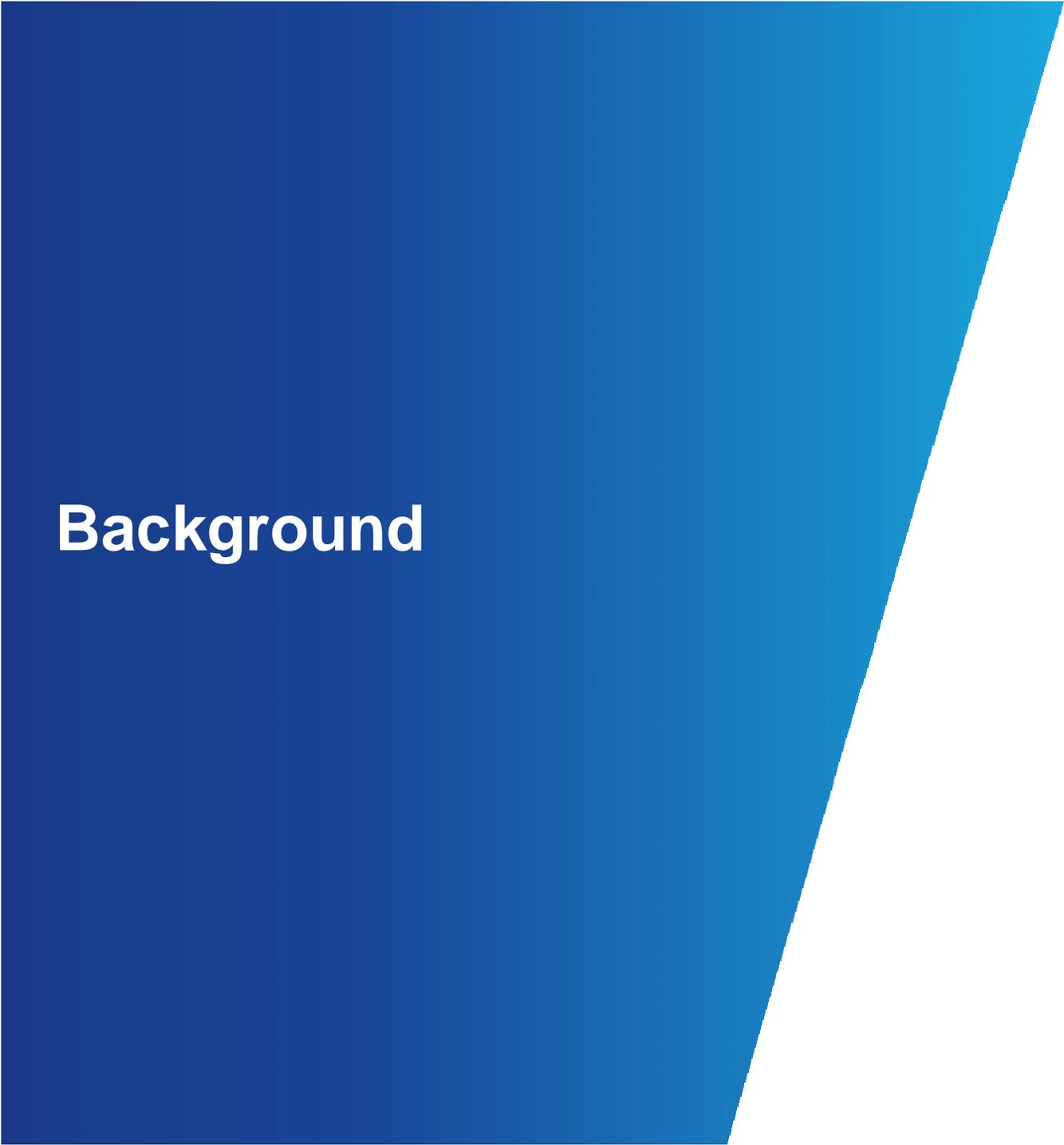
**Audit Requirements**

**Next Steps**

# Objectives

After attending this course, participants should be able to:

- Understand the structure of the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and effective dates
- Understand pre- and post-federal award (administrative) requirements
- Understand significant changes to cost principles
- Understand the changes to the COSO and GAO Green Book internal control guidance.
- Understand changes to audit requirements
- Understand what next steps may be necessary to implement the new requirements



**Background**

# Questions

**Have you read the Uniform Guidance issued by OMB?**

**Have you formed an implementation team?**

**Have you identified changes needed to your policies and procedures?**

**Have employees been trained?**

# Federal Register Notice

Interim final rule to implement ***Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Final Rule*** (Uniform Guidance) issued in December 19, 2014 Federal Register Notice

Document and the related crosswalks can be obtained at:  
[http://www.whitehouse.gov/omb/grants\\_docs#final](http://www.whitehouse.gov/omb/grants_docs#final)

Frequently asked questions can be obtained at :

<https://cfo.gov/wp-content/uploads/2014/11/2014-11-26-Frequently-Asked-Questions.pdf>

# OMB's stated goals in federal register notice

...more effectively focus Federal resources on improving performance and outcomes while ensuring the financial integrity of taxpayer dollars in partnership with non-Federal stakeholders.

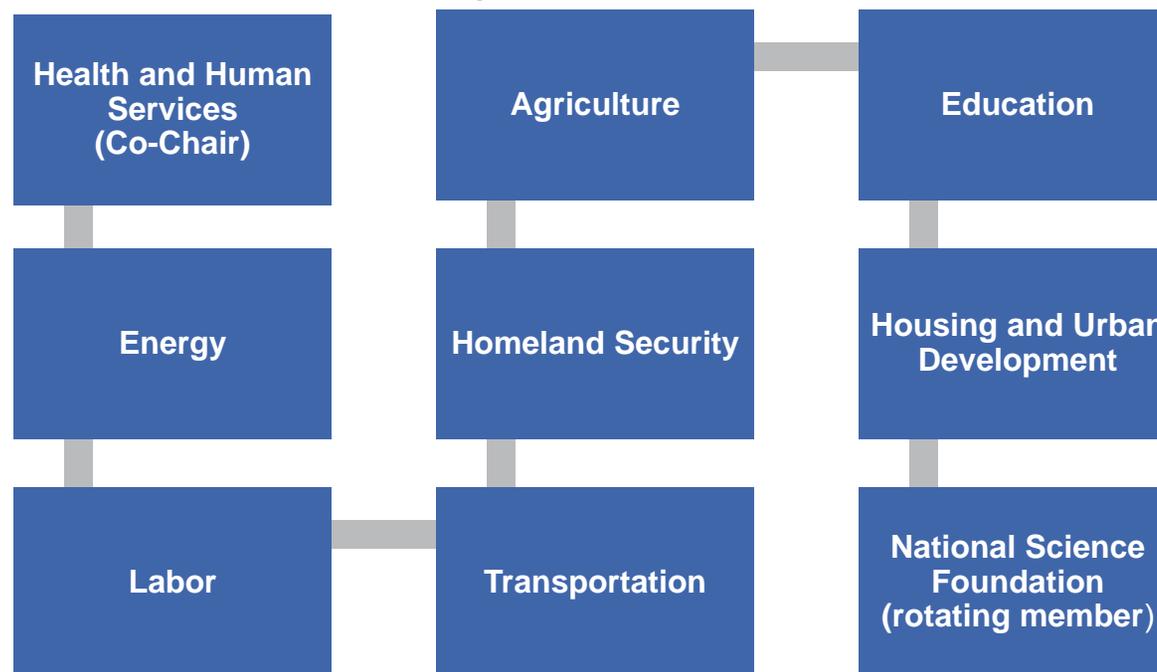
...strengthen oversight over Federal funds to reduce the risk of waste, fraud and abuse.

...deliver on the promise of a 21st-Century government that is more efficient, effective and transparent.

...streamline our guidance for Federal awards to ease administrative burden. . .

# COFAR and background

- OMB created **Council on Financial Assistance Reform (COFAR)** in 2011:
  - Charged with creating a more streamlined and accountable structure to coordinate financial assistance
  - Co-chaired by OMB OFFM and includes the eight largest grant-making agencies as well as one rotating member



# COFAR and Background (continued)

Late 2011

COFAR and other stakeholders have developed potential reforms to streamline and improve financial management and policy for Federal government funds

February 24, 2012

OMB issued Advance Notice of Proposed Guidance (ANPG) on potential reforms

February 2, 2013

OMB issued *Proposed OMB Uniform Guidance: Cost Principles, Audit, and Administrative Requirements for Federal Awards* (NPG)

OMB received more than 300 responses each to the ANPG and NPG

COFAR Web site: <https://cfo.gov/cofar/>

Submit questions about Uniform Guidance

A COFAR FAQ document is available.

# Structure of uniform guidance

Subpart	Old circulars
A: Acronyms and Definitions	All
B: General Provisions	All
C: Pre-Federal Award Requirements and Contents of Federal Awards	A-110 and A-89
D: Post-Federal Award Requirements	A-110 and A-102
E: Cost Principles	A-21, A-87, and A-122
F: Audit Requirements	A-133 and A-50
Appendices	

**See Crosswalk from Final Guidance to Existing Guidance:**  
[http://www.whitehouse.gov/omb/grants\\_docs%23final](http://www.whitehouse.gov/omb/grants_docs%23final)

**Uniform Guidance Crosswalk from Predominant Source in Existing Guidance (29 pages, 442 kb)**

**Uniform Guidance Crosswalk to Predominant Source in Existing Guidance (10 pages, 282kb)**

# How to read the uniform guidance

- Keep definitions handy
- Keep Subpart B on applicability handy
- Recognize “musts” and “shoulds”
- Consider referring to crosswalks
- Keep COFAR FAQ handy
  - Most recent issued in November 2014
- COFAR 2 hour webcast held on October 2<sup>nd</sup>, replay available at COFAR website at <http://cfo.gov/cofar>

**Sign up for COFAR alerts**

# Key Definitions

## § 200.5 Audit finding

*Audit finding* means deficiencies which the auditor is required by § 200.516 Audit findings, paragraph (a) to report in the schedule of findings and questioned costs.

## § 200.6 Auditee

*Auditee* means any non-Federal entity that expends Federal awards which must be audited under Subpart F—Audit Requirements of this Part.

## § 200.7 Auditor

*Auditor* means an auditor who is a public accountant or a Federal, state or local government audit organization, which meets the general standards specified in generally accepted government auditing standards (GAGAS). The term auditor does not include internal auditors of nonprofit organizations.

# Key Definitions

## § 200.9 Central service cost allocation plan

*Central service cost allocation plan* means the documentation identifying, accumulating, and allocating or developing billing rates based on the allowable costs of services provided by a state, local government, or Indian tribe on a centralized basis to its departments and agencies. The costs of these services may be allocated or billed to users.

## §200.16 Closeout.

*Closeout* means the process by which the Federal awarding agency or pass-through entity determines that all applicable administrative actions and all required work of the Federal award have been completed and takes actions as described in §200.343 Closeout.

## Key Definitions, continued

### § 200.21 Compliance supplement

*Compliance supplement* means Appendix XI to Part 200—Compliance Supplement (previously known as the Circular A-133 Compliance Supplement).

### § 200.22 Contract

*Contract* means a legal instrument by which a non-Federal entity purchases property or services needed to carry out the project or program under a Federal award. The term as used in this Part does not include a legal instrument, even if the non-Federal entity considers it a contract, when the substance of the transaction meets the definition of a Federal award or subaward (see § 200.92 Subaward).

## Key Definitions, continued

### § 200.24 Cooperative agreement

*Cooperative agreement* means a legal instrument of financial assistance between a Federal awarding agency or pass-through entity and a non-Federal entity that, consistent with [31 U.S.C. 6302-6305](#):

(a) Is used to enter into a relationship the principal purpose of which is to transfer anything of value from the Federal awarding agency or pass-through entity to the non-Federal entity to carry out a public purpose authorized by a law of the United States (see [31 U.S.C. 6101\(3\)](#)); and not to acquire property or services for the Federal government or pass-through entity's direct benefit or use;

(b) Is distinguished from a grant in that it provides for substantial involvement between the Federal awarding agency or pass-through entity and the non-Federal entity in carrying out the activity contemplated by the Federal award.

## Key Definitions, continued

### § 200.24 Cooperative agreement, continued

(c) The term does not include:

- (1) A cooperative research and development agreement as defined in [15 U.S.C. 3710](#)
- (2) An agreement that provides only:
  - (i) Direct United States Government cash assistance to an individual;
  - (ii) A subsidy;
  - (iii) A loan;
  - (iv) A loan guarantee; or
  - (v) Insurance.

## Key Definitions, continued

### **§200.25 Cooperative audit resolution.**

*Cooperative audit resolution* means the use of audit follow-up techniques which promote prompt corrective action by improving communication, fostering collaboration, promoting trust, and developing an understanding between the Federal agency and the non-Federal entity. This approach is based upon:

- (a) A strong commitment by Federal agency and non-Federal entity leadership to program integrity;
- (b) Federal agencies strengthening partnerships and working cooperatively with non-Federal entities and their auditors; and non-Federal entities and their auditors working cooperatively with Federal agencies;
- (c) A focus on current conditions and corrective action going forward;
- (d) Federal agencies offering appropriate relief for past noncompliance when audits show prompt corrective action has occurred; and
- (e) Federal agency leadership sending a clear message that continued failure to correct conditions identified by audits which are likely to cause improper payments, fraud, waste, or abuse is unacceptable and will result in sanctions.

## Key Definitions, continued

### § 200.26 Corrective action

*Corrective action* means action taken by the auditee that:

- (a) Corrects identified deficiencies;
- (b) Produces recommended improvements; or
- (c) Demonstrates that audit findings are either invalid or do not warrant auditee action.

### § 200.27 Cost allocation plan

*Cost allocation plan* means central service cost allocation plan or public assistance cost allocation plan.

# Key Definitions, Continued

## § 200.40 Federal financial assistance

(a) For grants and cooperative agreements, *Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of:

- (1) Grants;
- (2) Cooperative agreements;
- (3) Non-cash contributions or donations of property (including donated surplus property);
- (4) Direct appropriations;
- (5) Food commodities; and

## Key Definitions, Continued

### § 200.40 Federal financial assistance, continued

(b) For Subpart F—Audit Requirements of this part, *Federal financial assistance* also includes assistance that non-Federal entities receive or administer in the form of:

- (1) Loans;
- (2) Loan Guarantees;
- (3) Interest subsidies; and
- (4) Insurance.

(c) *Federal financial assistance* does not include amounts received as reimbursement for services rendered to individuals as described in § 200.502 Basis for determining Federal awards *expended*, paragraph (h) and (i) of this Part.

# Key Definitions, Continued

## § 200.42 Federal program

*Federal program* means:

- (a) All Federal awards which are assigned a single number in the CFDA.
- (b) When no CFDA number is assigned, all Federal awards to non-Federal entities from the same agency made for the same purpose should be combined and considered one program.
- (c) Notwithstanding paragraphs (a) and (b) of this definition, a cluster of programs. The types of clusters of programs are:
  - (1) Research and development (R&D);
  - (2) Student financial aid (SFA); and
  - (3) “Other clusters,” as described in the definition of Cluster of Programs.

## Key Definitions, Continued

### § 200.51 Grant agreement

*Grant agreement* means a legal instrument of financial assistance between a Federal awarding agency or pass-through entity and a non-Federal entity that, consistent with [31 U.S.C. 6302](#), 6304:

(a) Is used to enter into a relationship the principal purpose of which is to transfer anything of value from the Federal awarding agency or pass-through entity to the non-Federal entity to carry out a public purpose authorized by a law of the United States (see [31 U.S.C. 6101\(3\)](#)); and not to acquire property or services for the Federal awarding agency or pass-through entity's direct benefit or use;

(b) Is distinguished from a cooperative agreement in that it does not provide for substantial involvement between the Federal awarding agency or pass-through entity and the non-Federal entity in carrying out the activity contemplated by the Federal award.

# Key Definitions, Continued

## § 200.51 Grant agreement, continued

(c) Does not include an agreement that provides only:

- (1) Direct United States Government cash assistance to an individual;
- (2) A subsidy;
- (3) A loan;
- (4) A loan guarantee; or
- (5) Insurance.

# Key Definitions, Continued

## § 200.53 Improper payment

(a) *Improper payment* means any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements; and

(b) *Improper payment* includes any payment to an ineligible party, any payment for an ineligible good or service, any duplicate payment, any payment for a good or service not received (except for such payments where authorized by law), any payment that does not account for credit for applicable discounts, and any payment where insufficient or lack of documentation prevents a reviewer from discerning whether a payment was proper.

## § 200.56 Indirect (facilities & administrative (F&A)) costs

*Indirect (F&A) costs* means those costs incurred for a common or joint purpose benefitting more than one cost objective, and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved. To facilitate equitable distribution of indirect expenses to the cost objectives served, it may be necessary to establish a number of pools of indirect (F&A) costs. Indirect (F&A) cost pools should be distributed to benefitted cost objectives on bases that will produce an equitable result in consideration of relative benefits derived.

## Key Definitions, Continued

### **§ 200.57 Indirect cost rate proposal**

*Indirect cost rate proposal* means the documentation prepared by a non-Federal entity to substantiate its request for the establishment of an indirect cost rate as described in Appendix III to Part 200—Indirect (F&A) Costs Identification and Assignment, and Rate Determination for Institutions of Higher Education (IHEs) through Appendix VII to Part 200—States and Local Government and Indian Tribe Indirect Cost Proposals of this Part.

### **§ 200.58 Information technology systems**

*Information technology systems* means computing devices, ancillary equipment, software, firmware, and similar procedures, services (including support services), and related resources. See also §§ 200.20 Computing devices and 200.33 Equipment.

## Key Definitions, Continued

### § 200.61 Internal controls

*Internal controls* means a process, implemented by a non-Federal entity, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- (a) Effectiveness and efficiency of operations;
- (b) Reliability of reporting for internal and external use; and
- (c) Compliance with applicable laws and regulations.

## Key Definitions, Continued

### **§ 200.62 Internal control over compliance requirements for Federal awards.**

*Internal control over compliance requirements for Federal awards* means a process implemented by a non-Federal entity designed to provide reasonable assurance regarding the achievement of the following objectives for Federal awards:

- (a) Transactions are properly recorded and accounted for, in order to:
  - (1) Permit the preparation of reliable financial statements and Federal reports;
  - (2) Maintain accountability over assets; and

## Key Definitions, Continued

### **§ 200.62 Internal control over compliance requirements for Federal awards. (continued)**

(3) Demonstrate compliance with Federal statutes, regulations, and the terms and conditions of the Federal award;

(b) Transactions are executed in compliance with:

(1) Federal statutes, regulations, and the terms and conditions of the Federal award that could have a direct and material effect on a Federal program; and

(2) Any other Federal statutes and regulations that are identified in the Compliance Supplement; and

(c) Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition.

# Key Definitions, Continued

## § 200.63 Loan

*Loan* means a Federal loan or loan guarantee received or administered by a non-Federal entity, except as used in the definition of § 200.80 Program income.

(a) The term “direct loan” means a disbursement of funds by the Federal government to a non-Federal borrower under a contract that requires the repayment of such funds with or without interest. The term includes the purchase of, or participation in, a loan made by another lender and financing arrangements that defer payment for more than 90 days, including the sale of a Federal government asset on credit terms. The term does not include the acquisition of a federally guaranteed loan in satisfaction of default claims or the price support loans of the Commodity Credit Corporation.

(b) The term “direct loan obligation” means a binding agreement by a Federal awarding agency to make a direct loan when specified conditions are fulfilled by the borrower.

## Key Definitions, Continued

### § 200.63 Loan (continued)

(c) The term “loan guarantee” means any Federal government guarantee, insurance, or other pledge with respect to the payment of all or a part of the principal or interest on any debt obligation of a non-Federal borrower to a non-Federal lender, but does not include the insurance of deposits, shares, or other withdrawable accounts in financial institutions.

(d) The term “loan guarantee commitment” means a binding agreement by a Federal awarding agency to make a loan guarantee when specified conditions are fulfilled by the borrower, the lender, or any other party to the guarantee agreement.

# Key Definitions, Continued

## § 200.65 Major program

*Major program* means a Federal program determined by the auditor to be a major program in accordance with § 200.518 Major program determination or a program identified as a major program by a Federal awarding agency or pass-through entity in accordance with § 200.503 Relation to other audit requirements, paragraph (e).

## § 200.66 Management decision

*Management decision* means the evaluation by the Federal awarding agency or pass-through entity of the audit findings and corrective action plan and the issuance of a written decision to the auditee as to what corrective action is necessary.

## § 200.69 Non-Federal entity

*Non-Federal entity* means a state, local government, Indian tribe, institution of higher education (IHE), or nonprofit organization that carries out a Federal award as a recipient or subrecipient.

# Key Definitions, Continued

## § 200.74 Pass-through entity

*Pass-through entity* means a non-Federal entity that provides a subaward to a subrecipient to carry out part of a Federal program.

## §200.77 Period of performance

*Period of performance* means the time during which the non-Federal entity may incur new obligations to carry out the work authorized under the Federal award. The Federal awarding agency or pass-through entity must include start and end dates of the period of performance in the Federal award (see §§200.210 Information contained in a Federal award paragraph (a)(5) and 200.331 Requirements for pass-through entities, paragraph (a)(1)(iv)).

# Key Definitions, Continued

## § 200.84 Questioned cost

*Questioned cost* means a cost that is questioned by the auditor because of an audit finding:

- (a) Which resulted from a violation or possible violation of a statute, regulation, or the terms and conditions of a Federal award, including for funds used to match Federal funds;
- (b) Where the costs, at the time of the audit, are not supported by adequate documentation; or
- (c) Where the costs incurred appear unreasonable and do not reflect the actions a prudent person would take in the circumstances.

## §200.86 Recipient.

*Recipient* means a non-Federal entity that receives a Federal award directly from a Federal awarding agency to carry out an activity under a Federal program. The term recipient does not include subrecipients. See also §200.69 Non-Federal entity.

## Key Definitions, Continued

### **§200.88 Simplified acquisition threshold.**

*Simplified acquisition threshold* means the dollar amount below which a non-Federal entity may purchase property or services using small purchase methods. Non-Federal entities adopt small purchase procedures in order to expedite the purchase of items costing less than the simplified acquisition threshold. The simplified acquisition threshold is set by the Federal Acquisition Regulation at 48 CFR Subpart 2.1 (Definitions) and in accordance with 41 U.S.C. 1908. As of the publication of this part, the simplified acquisition threshold is **\$150,000**, but this threshold is periodically adjusted for inflation. (Also see definition of §200.67 Micro-purchase.)

## Key Definitions, Continued

### **§200.90 State.**

*State* means any state of the United States, the District of Columbia, the Commonwealth of Puerto Rico, U.S. Virgin Islands, Guam, American Samoa, the Commonwealth of the Northern Mariana Islands, and any agency or instrumentality thereof exclusive of local governments.

[78 FR 78608, Dec. 26, 2013, as amended at 79 FR 75880, Dec. 19, 2014]

# Key Definitions, Continued

## § 200.92 Subaward

*Subaward* means an award provided by a pass-through entity to a subrecipient for the subrecipient to carry out part of a Federal award received by the pass-through entity. It does not include payments to a contractor or payments to an individual that is a beneficiary of a Federal program. A subaward may be provided through any form of legal agreement, including an agreement that the pass-through entity considers a contract.

## § 200.93 Subrecipient

*Subrecipient* means a non-Federal entity that receives a subaward from a pass-through entity to carry out part of a Federal program; but does not include an individual that is a beneficiary of such program. A subrecipient may also be a recipient of other Federal awards directly from a Federal awarding agency.

**General information and  
effective dates  
(subpart B of uniform  
guidance)**

# Applicability of uniform guidance

- Applies to Federal agencies making Federal awards and non-Federal entities receiving Federal awards
- Subpart B Section 200.101
  - Includes chart by Subpart on applicability to different types of awards (i.e., loans, grants)
  - Indicates terms and conditions of Federal awards (including the Uniform Guidance) flow down to subrecipients unless section of the Uniform Guidance or award specifically indicates otherwise
  - Indicates Federal agencies may apply Subparts A to E to for-profit entities and foreign organizations
  - Lists other exemptions for specific programs

**Exceptions are not listed in each section. Need to check Subpart B 200.101**

## Effective date: December 26, 2014



- Federal agencies **must** implement policies and procedures by promulgating regulations to be **effective December 26, 2014** (See slide 42).
- Upon implementation, the guidance will be in effect for all Federal awards received or funding increments provided **after the effective date**.
  - Non-Federal entities wishing to implement entity-wide system changes to comply with the guidance after effective date will not be penalized for doing so
  - November 2014 FAQ announced a one year grace period for procurement changes (see next slide)

Effective date: December 26, 2014 (continued)

Dec. 26, 2014

## COFAR FAQ Procurement Guidance:

- In general, non-Federal entities must comply with the terms and conditions of their Federal award, which will specify whether the Uniform Guidance applies. However, in light of the new procurement standards, for procurement policies and procedures, for the non-Federal entity's first full fiscal year that begins on or after December 26, 2014, the non-Federal entity must document whether it is in compliance with the old or new standard, and must meet the documented standard.
- For example, the first full fiscal year for a non-Federal entity like the State of Delaware with a June 30th year end would be the year ending June 30, 2016. The Single Audit Compliance Supplement will instruct auditors to review procurement policies and procedures based on the documented standard. For future fiscal years, all non-Federal entities will be required to comply fully with the Uniform Guidance.

## Effective date: December 26, 2014 (continued)



- Standards in Subpart F (Audit Requirements) effective for fiscal years **beginning on or after December 26, 2014**
- June 30 example
  - June 30, 2015
    - ❖ Some grants under new cost principles and administrative requirements
  - June 30, 2016
    - ❖ More grants under new cost principles and administrative requirements
    - ❖ New single audit rules effective

# Highlights of the Interim Final Rule



Dec. 19, 2014

- On December 19, 2014, OMB and all 28 federal awarding agencies jointly issued an interim final rule to implement the Uniform Guidance.
- Highlights of the interim final rule include the following:
  - Formal adoption of OMB’s Uniform Guidance by the 28 federal awarding agencies in their respective chapters of Title 2 of the Code of Federal Regulations.
  - Agency exceptions or additions to the Uniform Guidance – according to the summary by COFAR, such exceptions do not represent new policy. OMB only accepted exceptions where agencies were able to demonstrate that they were authorized by statute or part of long standing policy.

## Highlights of the Interim Final Rule (continued)

Dec. 19, 2014

- Conforming changes to other regulations – many agencies revised program specific regulations to update language and references to be consistent with the Uniform Guidance.
- Technical corrections made to the Uniform Guidance – according to the summary by COFAR, many of these corrections were a result of comments received from stakeholders and do not represent a change in policy but were included when it became known that particular language in the Uniform Guidance did not match the intent of the policy.

**Pre- and post-federal award  
(administrative) requirements  
(subparts C and D of uniform  
guidance)**

# Federal agency administrative requirements



- Use standard format to announce funding opportunities, including:
  - Programmatic description
  - Eligibility information
  - Description of processes and criteria used to evaluate applications
- Generally make all funding opportunities available for application for at least 60 days
- Consider risk (financial stability, management systems, history of performance, reports and findings from audits, and ability to effectively implement compliance requirements) posed by each applicant prior to making award
  - Risk assessment may impact terms and conditions

## Administrative requirements for recipients

- Uniform Guidance consolidates administrative requirements of OMB Circulars A-102 and A-110 into a uniform set of administrative requirements for all Federal award recipients
  - Basis appears to be A-110 except for procurement which aligns with A-102 which is the requirement that the District is currently following

# Procurement



- States follow the same policies and procedures they use for procurements from non-federal funds (i.e., state procurement statutes)
- Five prescriptive procurement methods:
  - Micro-purchase – supplies or services where aggregate amount does not exceed \$3K, or \$2K in case subject to Davis-Bacon Act
  - Small purchase procedures – subject to Simplified Acquisition Threshold (currently \$150K)
  - Sealed bids
  - Competitive proposals
  - Noncompetitive proposals

**OMB Circular A-110 is arguably more simple and allows more flexibility in selecting procurement method.**

## Procurement (continued)

\$ 200.323

- Must perform cost or price analysis in connection with every procurement action in excess of Simplified Acquisition Threshold, including contract modifications
  - As starting point, must make independent estimate before receiving bids or proposals
- Must negotiate profit as a separate element of price for each contract where no price competition and in all cases where cost analysis is performed
- Competition provisions of section 200.319 prohibit use of statutorily imposed state or local geographic preferences in procurement

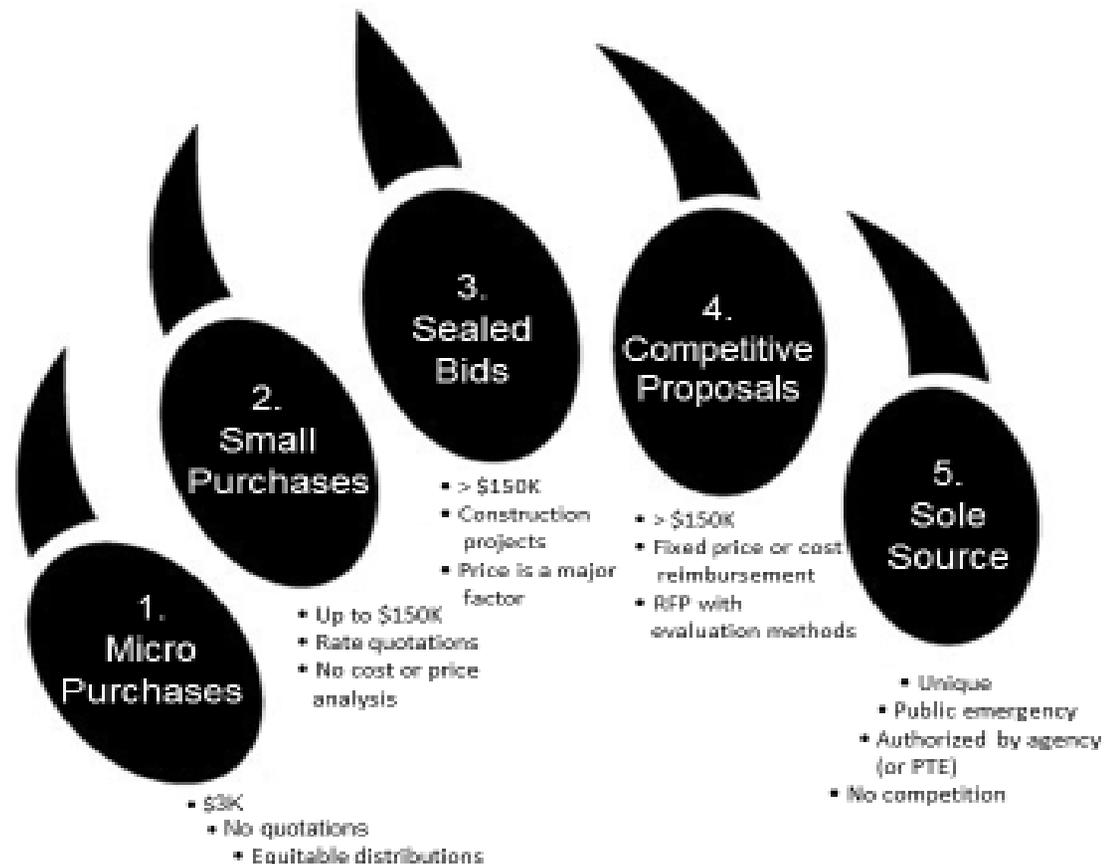
**Procurement requirement could have significant implications for procurement card programs.**

# Procurement (Continued)

From

FAQ:

## Procurement "Claw" (Section 200.320)



# Subrecipient monitoring and management



Uniform Guidance clarified Federal expectations and consolidates pass-through responsibilities and subrecipient monitoring guidance from A-87, A-133 and the Compliance Supplement into one location

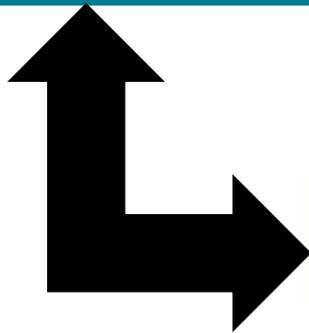
- Subpart A (Definitions) modifies key terms (contract, grant agreement, subaward, subrecipient)
  - Re-review these definitions to help ensure that they are properly applied
- Subpart C §200.201 discusses the use of grant agreements, including fixed amount grants
- Subpart D §200.330 - .332 discusses subrecipient monitoring and management
- Subpart F §200.501 is explicit in stating that subrecipients and contractors may simultaneously be a recipient, a subrecipient and a contractor and that only Federal awards expended as a recipient or subrecipient are subject to audit under this part of the Uniform Guidance

# Subrecipient monitoring and management (continued)

\$200.22  
\$200.23

## Definitions

*Contract - a legal instrument by which a non-Federal entity purchases property or services needed to carry out the project or program under a Federal award. The term as used in this part does not include a legal instrument, even if the non-Federal entity considers it a contract, when the substance of the transaction meets the definition of a Federal award or subaward*



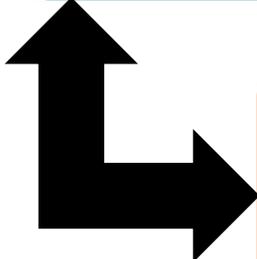
*Contractor - an entity that receives a contract as defined in §200.22 Contract*

# Subrecipient monitoring and management (continued)

\$200.92  
\$200.93

## Definitions, continued

*Subaward* - an award provided by a pass-through entity to a subrecipient for the subrecipient to carry out part of a Federal award received by the pass-through entity. It does not include payments to a contractor or payments to an individual that is a beneficiary of a Federal program. A subaward may be provided through any form of legal agreement, including an agreement that the pass-through entity considers a contract



*Subrecipient* - a non-Federal entity that receives a subaward from a pass-through entity to carry out part of a Federal program; but does not include an individual that is a beneficiary of such program. A subrecipient may also be a recipient of other Federal awards directly from a Federal awarding agency

# Subrecipient monitoring and management (continued)

\$200.330

## Subrecipient and Contractor Determinations

- §200.330 highlights the fact that an entity may receive funds as a recipient, a subrecipient and a contractor
  - a pass-through entity must make case-by-case determinations 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 a contractor
  - guidance is provided on making these determinations (very similar to what was previously in A-133)
- FAQs:
  - 200.23-1 Vendor vs Contractor and Generally Accepted Accounting Principles (GAAP)
  - 200.23-2 Vendor vs Contractor Clarification

## Subrecipient monitoring and management (continued)

§ 200.331

- **Must** evaluate each subrecipient's risk of noncompliance for purposes of determining appropriate monitoring procedures to be performed. Evaluation may include:

Prior experience with same / similar subawards

Results of previous audits

Whether subrecipient has new personnel or systems

Extent and results of Federal awarding agency monitoring

\*\* A one size approach to monitoring may not work \*\*

- **Must** consider the need for imposing specific subaward conditions (see section 200.207)
- **Must** monitor subrecipients to ensure subaward is used for authorized purpose, is in compliance with Federal regulations and terms of the grant agreement, and that *performance goals are achieved* (details on monitoring activities are on next slide)
- **Must** verify the subrecipient is audited in accordance with Subpart F as applicable
- **Must** consider results of subrecipient audit on your entity
- **Must** consider taking enforcement action against non-compliant subrecipients (see section 200.338)

## Pass-through entities

\$ 200.331

Uniform Guidance creates a list of **MUSTS** for all pass-through entities

- **Must** clearly identify each subaward (and related modifications) as a subaward and include standard data elements, including:
  - Federal award identification (Federal agency, CFDA No, etc)
  - Subrecipient information (name, DUNS, etc)
  - Amount of award
  - Identification of whether the award is R&D
  - Requirements imposed by pass-through entity
  - Provision for indirect costs – either negotiated or a de minimus rate of 10%
  - Access to records
  - Closeout terms

## Pass-through entities (continued)

- Monitoring activities **must** include:
  - Reviewing financial and programmatic reports
  - Following up and ensuring timely and appropriate action by subrecipient on all deficiencies detected through audits, on-site reviews or other means
  - Issuing management decisions for audit findings relating to Federal awards to subrecipient (see section 200.521 for additional guidance)
- Based on subrecipient risk assessment performed by the pass-through entity, the following monitoring tools **may** be used to ensure proper accountability and compliance:
  - Providing training to subrecipients
  - Performing on-site reviews
  - Arranging for agreed-upon procedures engagements

# Subrecipient monitoring and management – FAQs

- 200.110-11 Effective Dates and Subawards
  - Q - How does the Uniform Guidance apply to Federal awards made prior to December 26 when some subawards are made prior to December 26 and others are made after December 26?
  - A - The effective date of the Uniform Guidance for subawards is the same as the effective date of the Federal award from which the subaward is made. The requirements for a subaward, no matter when made, flow from the requirements of the original Federal award from the Federal awarding agency.
- 200.331-6 Pass-through Entities and Indirect Cost Rate Negotiation
  - Q - This section states that pass-through entities are expected to honor a subrecipient's negotiated F&A rate agreement, or use a 10% MTDC de minimis rate, or negotiate an F&A rate with the subrecipient. Is it acceptable to require a subrecipient to accept a rate lower than 10% MTDC via negotiation, or in lieu of their negotiated F&A rate? If a subrecipient requests to establish a rate via negotiation, does the pass-through entity have to establish the rate via negotiation?
  - A - If the subrecipient already has a negotiated F&A rate with the Federal government, the negotiated rate must be used. It also is not permissible for pass-through entities to force or entice a proposed subrecipient without a negotiated rate to accept less than the de minimis rate. The cost principles are designed to provide that the Federal awards pay their fair share of the costs recognized under these principals. (See section 200.100(c).) Pass-through entities may, but are not required, to negotiate a rate with a proposed subrecipient who asks to do so.

## Subrecipient monitoring – Group Discussion

- How does the pass-through entity ensure all information required to be communicated to a subrecipient has been communicated?
- How does the pass-through entity ensure that costs incurred by a subrecipient are for allowable items?
- What procedures does the pass-through entity perform to validate information reported by subrecipients?
- How does the pass-through entity document monitoring (programmatic and financial) conducted over a subrecipient?
- Is a tracking system in place to ensure all subrecipients have submitted required reports?
- Have procedures been established to sanction subrecipients who fail to comply with reporting requirements?

## Retention Requirements for Records

\$ 200.333

- Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award **must be retained for a period of three years** from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient.
- Federal awarding agencies and pass-through entities must not impose any other record retention requirements upon non-Federal entities.
- Certain exceptions require records to be retained for a longer period of time.

# Methods of Collection, Transmission and Storage of Information

\$ 200.335

- In accordance with the May 2013 Executive Order, the Federal awarding agency and the non-Federal entity **should**, whenever practicable, collect, transmit, and store Federal award-related information in open and machine readable formats rather than in closed formats or on paper.
- The Federal awarding agency or pass-through entity must always provide or accept paper versions of Federal award-related information to and from the non-Federal entity upon request.
- If paper copies are submitted, the Federal awarding agency or pass-through entity must not require more than an original and two copies.
- When original records are electronic and cannot be altered, there is no need to create and retain paper copies. When original records are paper, electronic versions may be substituted through the use of duplication or other forms of electronic media provided that they are subject to periodic quality control reviews, provide reasonable safeguards against alteration, and remain readable.

## Access to Records of Non-Federal Entities

\$ 200.336

- **Records of non-Federal entities.** The Federal awarding agency, Inspectors General, the Comptroller General of the United States, and the pass-through entity, or any of their authorized representatives, must have the right of access to any documents, papers, or other records of the non-Federal entity which are pertinent to the Federal award, in order to make audits, examinations, excerpts, and transcripts. The right also includes timely and reasonable access to the non-Federal entity's personnel for the purpose of interview and discussion related to such documents.

## Remedies for Non-compliance

§ 200.338

If a non-Federal entity fails to comply with Federal statutes, regulations or the terms and conditions of a Federal award, the Federal awarding agency or pass-through entity may impose additional conditions, as described in §200.207 Specific conditions.

If the Federal awarding agency or pass-through entity determines that noncompliance cannot be remedied by imposing additional conditions, the Federal awarding agency or pass-through entity may take one or more of the following actions, as appropriate in the circumstances:

- Temporarily withhold cash payments pending correction of the deficiency by the non-Federal entity or more severe enforcement action by the Federal awarding agency or pass-through entity.
- Disallow (that is, deny both use of funds and any applicable matching credit for) all or part of the cost of the activity or action not in compliance.

## Remedies for Non-compliance (continued)

\$ 200.338

- Wholly or partly suspend or terminate the Federal award.
- Initiate suspension or debarment proceedings as authorized under 2 CFR part 180 and Federal awarding agency regulations (or in the case of a pass-through entity, recommend such a proceeding be initiated by a Federal awarding agency).
- Withhold further Federal awards for the project or program.
- Take other remedies that may be legally available.

# Written policies

## “Written Policy” reference in Uniform Guidance (25 times)

Financial management – section 200.302

Payment – section 200.305

Procurement – sections 200.318, 200.319, and 200.320

Compensation – sections 200.430 and 200.431

Relocation costs – section 200.464

Travel costs – section 200.474

**Cost principles  
(subpart E of uniform  
guidance)**

# Cost principles

Consolidated cost principles	Health and Human Services at 45 CFR Part 74 Appendix E – Hospitals not incorporated in the Uniform Guidance
<ul style="list-style-type: none"><li>■ OMB Circular A-21 – Educational Institutions</li><li>■ OMB Circular A-87 – Governments</li><li>■ OMB Circular A-122 – Nonprofit Organizations</li></ul>	<ul style="list-style-type: none"><li>■ OMB will conduct further review of the cost principles for hospitals and make a future determination about the extent to which they should be added to this guidance</li></ul>

**Section 200.407 lists items requiring pre approval.**

# Selected Items of Cost

\$ 200.420

Selected Item of Cost	Policy Changes and Updates
Advertising	Allows for costs of advertising program outreach and other specific costs necessary to meet the requirements of the federal award.
Audit services	Clarified to include reference to a non-Federal entity's fiscal year in noting that when Federal awards total less than \$750,000 the non-Federal entity is exempted from having a single audit.
Compensation – personal services	Strengthens the requirements for non-Federal entities to maintain high standards for internal controls over salaries and wages while allowing for additional flexibility in how non-Federal entities implement processes to meet those standards.
Collections of improper payments	Allows recipients to be reimbursed for expenses associated with the effort to collect improper payment recoveries or related activities; these costs may be considered either indirect or direct costs.
Conferences	Provides that, for hosts of conferences, the costs of identifying (but not providing) locally available child-care resources are allowable.

# Selected Items of Cost

\$ 200.420

Selected Item of Cost	Policy Changes and Updates
Depreciation	Eliminates restrictions on use of indirect costs recovered for depreciation or use allowances.
Entertainment	Clarifies that any exceptions require a programmatic purpose as well as written prior approval from the Federal awarding agency.
Materials and supplies	Clarifies that \$5,000 is the threshold for an allowable maximum residual inventory of unused supplies. Moved the definition of supplies to the definition section.
Travel costs	Provides, under specific and limited circumstances, a family-friendly policy that should allow for individuals with dependent care responsibilities to better balance their responsibilities to both their families and the Federal award.

# Compensation – Personal services

\$ 200.430

## Significant differences in time and effort documentation requirements under the three existing cost circulars (A-21, A-87, and A-122)

- A-21 is based on estimates that produce a reasonable approximation of the activity
- A-87 and A-122 are based on periodic (at least monthly) time and effort reporting of employees

## Uniform guidance loosely based on concepts from all three circulars

- Increases emphasis on internal controls
- Provides less prescriptive guidance on documentation

**Many commenters of NPG requested additional flexibility, while others requested stricter uniformity in the provision of specific certification language to better prevent and facilitate prosecution of fraud.**

# Compensation – Personal services (continued)

**Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work. They must:**

Be incorporated into official records of non-Federal entity

Be supported by a system of internal control which provides reasonable assurance that charges are accurate, allowable, and properly documented

Comply with established accounting policies of non-Federal entity

Encompass both federally assisted and all other activities

Support distribution of employee's salary or wages among activities or cost objectives

Reasonably reflect the total activity for which employee is compensated

**The standards for documentation contain several references to entity's written policy.**

## Compensation – Personal services (continued)

- Budget estimates alone do not qualify as support, but may be used for interim charges provided that:
  - System for establishing the estimate produces reasonable approximations of the activity actually performed
  - Significant changes in corresponding work activity are identified and entered into records on a timely basis
    - ❖ Short term (such as one or two months) fluctuations between workload categories need not be considered as long as distribution reasonable over long term
  - Entity's system of internal controls include process to review after-the-fact interim charges based on budget
- For higher education institutions, a precise assessment of factors that contribute to cost for salaries and wages is not always feasible, or expected

## Compensation – Personal services (continued)

- Charges for salaries and wages of nonexempt (hourly) employees must also be supported by records indicating total hours worked each day maintained in accordance with Department of Labor regulations
- Salaries and wages of employees used in meeting cost sharing or matching requirements must be supported in same way as if claimed for reimbursement
- For non-Federal entity that does not meet these standards, the Federal government may require personnel activity reports
- For states, local governments, and Indian tribes, substitute processes or systems for allocating salaries may be used if approved by cognizant agency for indirect costs

**Most time and effort reporting systems for NFP and SLG entities are based on time actually incurred (allocated to Federal awards each period based on actual hours incurred for each activity). In near term, it is likely these entities will not revise IT systems because of cost.**

# Direct charges for computers

\$ 200.439

- Computing devices are now subject to the less burdensome administrative requirements of supplies (as opposed to equipment) if the acquisition cost is less than the lesser of the capitalization level established by the non-Federal entity for financial statement purposes or \$5,000
- Uniform Guidance specifically allows direct charging non-capitalized “computing devices” that are “essential and allocable, but not solely dedicated, to the performance of a Federal Award”

**This presumably would include laptops, smartphones, etc. Capitalized computer equipment (called “information technology equipment”) is still classified as general purpose equipment and would normally be unallowable as a direct cost.**

# Indirect (F&A) costs

\$ 200.414

- Negotiated rates may be extended for up to four years if no major changes in F&A costs, with cognizant agency approval
- Federal agencies are required to use negotiated F&A rates for all awards, unless limited by law or regulation, or where a limitation is approved by the agency head based on documented justification
  - Agencies must notify OMB of any limitations approved by agency head
- De minimus rate of 10% MTDC may be used by entities that have never had negotiated indirect cost rate
  - Excludes entities described in Appendix VII Part 200 (d)(1)(B) (SLG and Indian tribes)

**Appendices to Uniform Guidance are an integral part in understanding indirect cost.**

# Internal Control Requirements

# Internal control requirements

\$ 200.303

- Non-Federal entities **must** establish and maintain effective internal control that provides reasonable assurance that entity is managing Federal award in compliance with Federal statutes, regulations, and terms and conditions of Federal award.
- Internal controls **should** be in compliance with:
  - COSO (Internal Control Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission), **or**
  - Green Book (Standards for Internal Control in the Federal Government, issued by the Comptroller General of the United States)



# Internal control requirements

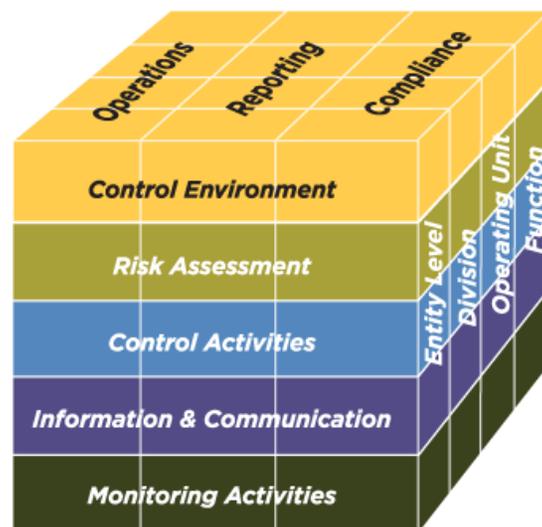
\$ 200.303

- COSO 2013 Overview
  - Updated integrated internal control framework issued in May 2013 supersedes 1992 framework
    - ❖ Updated for changes in business and operating environments
    - ❖ Emphasis on governance
    - ❖ Implicit fundamental concepts underlying five components codified as 17 principles (see next slide)
    - ❖ Each of the five components and 17 principles must be present and components must operate together in an integrated manner
- GAO Green Book Overview
  - Issued by GAO on September 10, 2014
  - Sets the standards for internal control in the Federal Government
  - Similar to COSO, the Green Book has five components and 17 principles
- **A Frequently Asked Questions document was published by OMB in February which clarifies:**
  - **The word should is used to indicate best practices or recommend approaches that non-Federal entities should be aware of but not necessarily have to comply with**

# COSO 2013 Framework – Summary of Changes

## What is *not* changing...

- Core definition of internal control
- Three categories of objectives and five components of internal control
- Each of the five components of internal control are required for effective internal control
- Important role of judgment in designing, implementing and conducting internal control, and in assessing its effectiveness



## What is changing...

- Updated for changes in business and operating environments
- Expanded operations and reporting objectives
- Implicit fundamental concepts underlying five components codified as 17 principles
- Updated for increased relevance and dependence on IT
- Addresses fraud risk assessment and response

# COSO components and principles

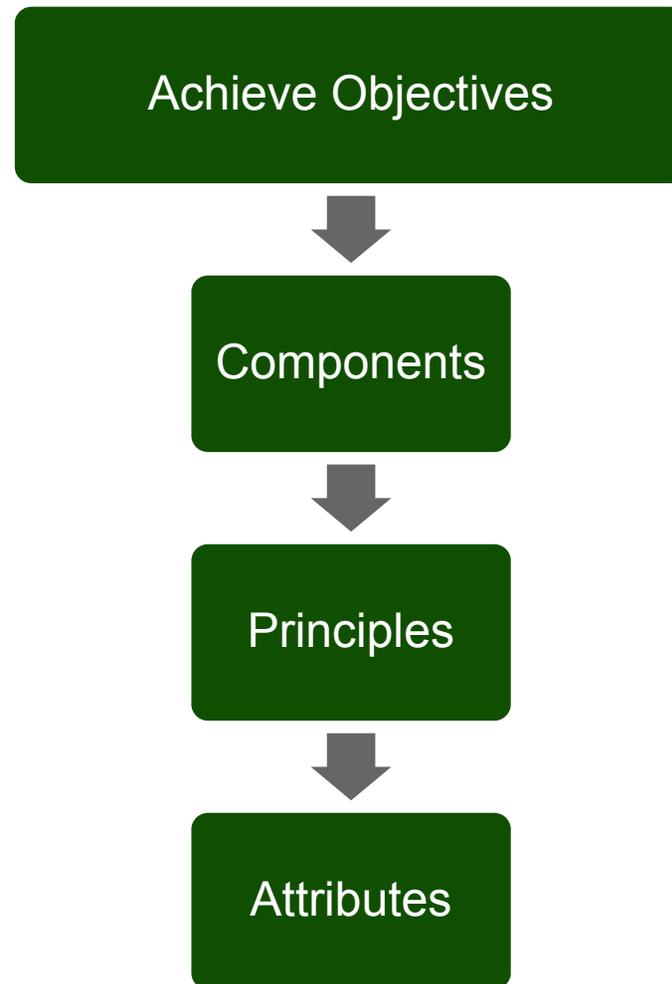
For effective internal control:

- Each of the five components and 17 principles must be present and functioning
- The five components must operate together in an integrated manner

<b>Control Environment</b>	<ol style="list-style-type: none"><li>1. Demonstrates commitment to integrity and ethical values</li><li>2. Exercises oversight responsibility</li><li>3. Establishes structure, authority and responsibility</li><li>4. Demonstrates commitment to competence</li><li>5. Enforces accountability</li></ol>
<b>Risk Assessment</b>	<ol style="list-style-type: none"><li>6. Specifies suitable objectives</li><li>7. Identifies and analyzes risk</li><li>8. Assesses fraud risk</li><li>9. Identifies and analyzes significant change</li></ol>
<b>Control Activities</b>	<ol style="list-style-type: none"><li>10. Selects and develops control activities</li><li>11. Selects and develops general controls over technology</li><li>12. Deploys through policies and procedures</li></ol>
<b>Information and Communication</b>	<ol style="list-style-type: none"><li>13. Uses relevant information</li><li>14. Communicates internally</li><li>15. Communicates externally</li></ol>
<b>Monitoring Activities</b>	<ol style="list-style-type: none"><li>16. Conducts ongoing and/or separate evaluations</li><li>17. Evaluates and communicates deficiencies</li></ol>

# GAO Green Book

## Overview: Components, Principles, and Attributes



# GAO Green Book

## Overview: Components, Principles, and Attributes

**Component**

**Control Environment**

**Principle**

The oversight body and management should demonstrate a commitment to integrity and ethical values

**Attributes**

Set the Tone at the Top

Establish standards of conduct

Evaluate adherence to standards of conduct

# GAO Green Book: Principles and Attributes

- In general, all components and principles are required for an effective internal control system

## Principles and Attributes

- Entity should implement relevant principles
- **IN RARE INSTANCES:** If a principle is not relevant, document the rationale of how, in the absence of that principle, the associated component could be designed, implemented, and operated effectively
- Attributes are considerations that can contribute to the design, implementation, and operating effectiveness of principles

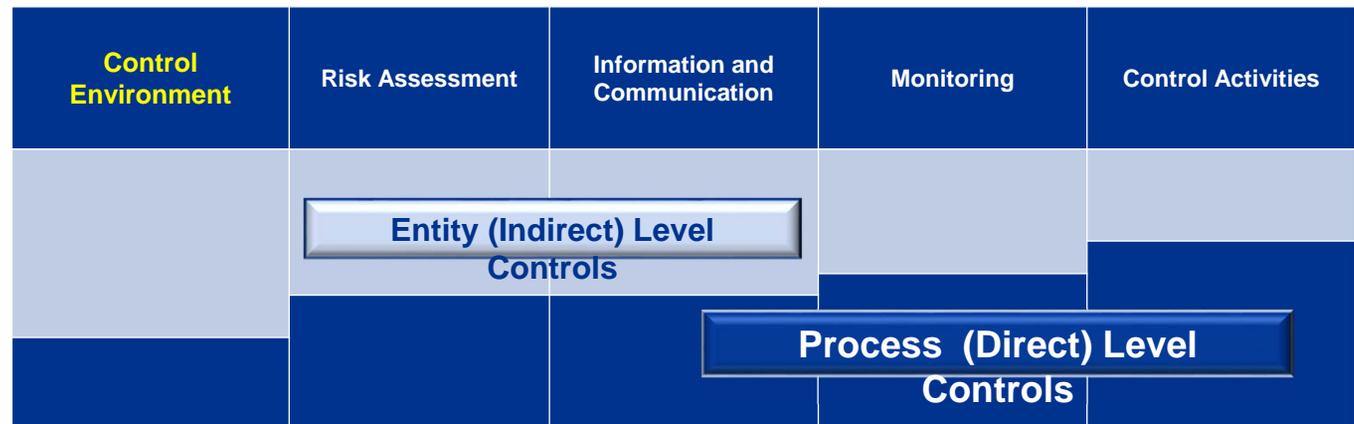
## GAO Green Book: Principles and Attributes (cont)

- OV2.05: The 17 principles support the effective design, implementation, and operation of the associated components and represent requirements necessary to establish an effective internal control system.
- OV2.07 excerpt: The Green Book contains additional information in the form of attributes. . . Attributes provide further explanation of the principle and documentation requirements and may explain more precisely what a requirement means and what it is intended to cover, or include examples of procedures that may be appropriate for an entity.

# GAO Green Book: Management Evaluation

- An effective internal control system requires that each of the five components are
  - Effectively designed, implemented, and operating
  - Operating together in an integrated manner
- A component is not effective if related principles are not effective

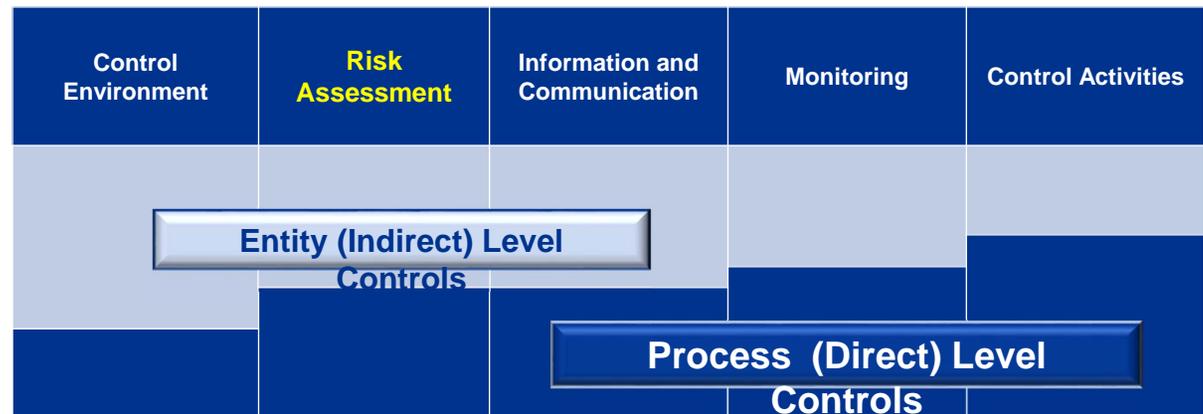
# GAO Green Book: Control Environment



## Control Environment

1. Demonstrate Commitment to Integrity and Ethical Values
2. Exercise Oversight Responsibility
3. Establish Structure, Responsibility, and Authority
4. Demonstrate Commitment to Competence
5. Enforce Accountability

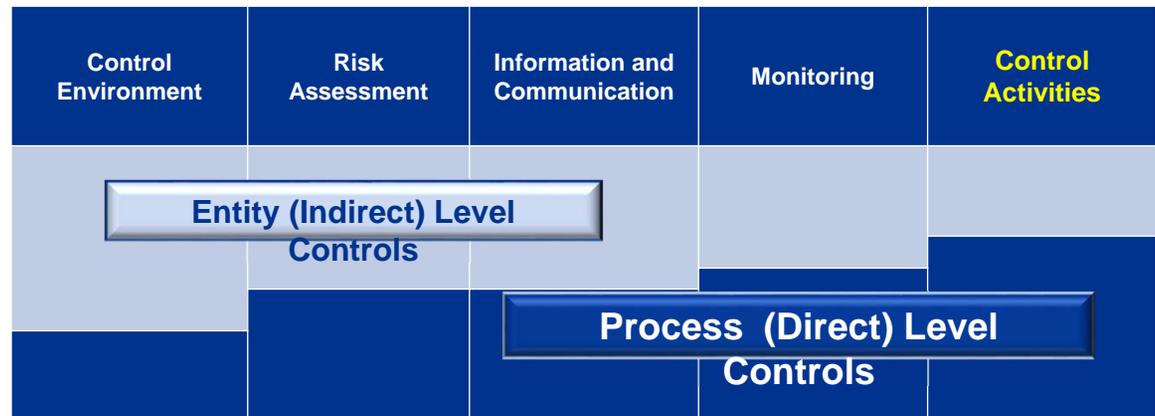
# GAO Green Book: Risk Assessment



## Risk Assessment

6. Define Objectives and Risk Tolerances
7. Identify, Analyze, and Respond to Risk
8. Assess Fraud Risk
9. Analyze and Respond to Change

# GAO Green Book: Control Activities



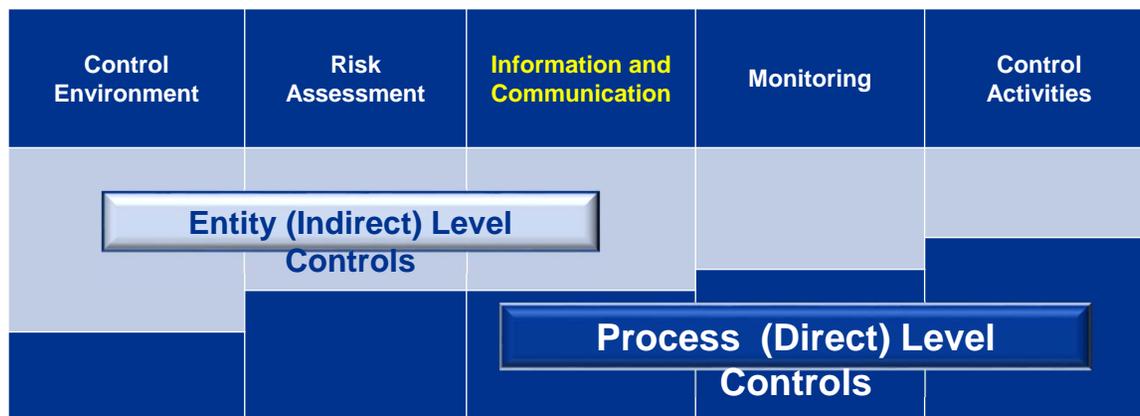
## Control Activities

10. Design Control Activities

11. Design Activities for the Information System

12. Implement Control Activities

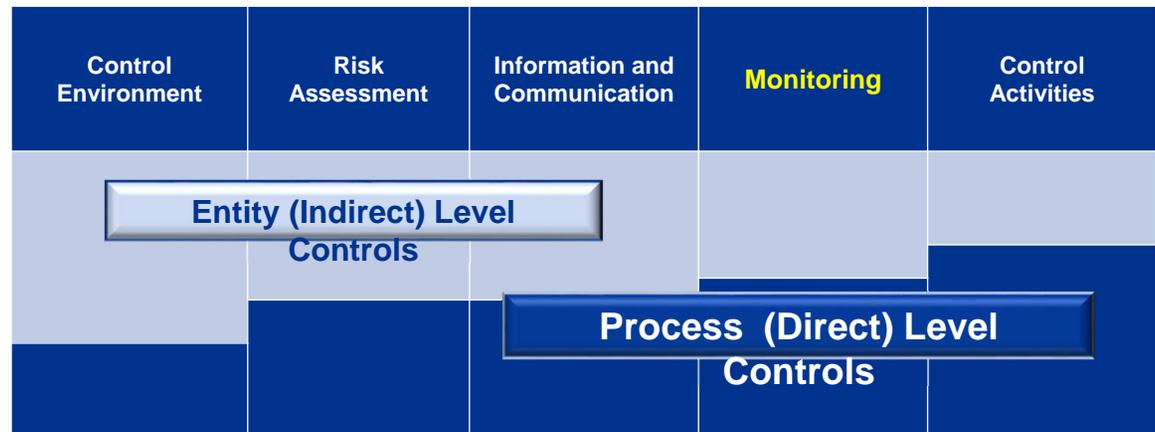
# GAO Green Book: Information & Communication



## Information & Communication

- 13. Use Quality Information
- 14. Communicate Internally
- 15. Communicate Externally

# GAO Green Book: Monitoring



## Monitoring

- 16. Perform Monitoring Activities
- 17. Remediate Deficiencies

# GAO Green Book: Controls Across Components

**Controls embedded in other components may effect this principle**

## **Control Environment**

Human Resources review employee's confirmations to assess whether standards of conduct are understood and adhered to by staff across the entity

## **Information & Communication**

Management obtains and reviews data and information underlying potential deviations captured in whistleblower hotline to assess quality of information

## **Monitoring**

Internal Audit separately evaluates Control Environment, considering employee behaviors and whistleblower hotline results and reports thereon

**Principle**

**1. The organization demonstrates a commitment to integrity and ethical values**

**Component**

**Control Environment**

# Documentation

## An auditor or an audit by IPA is NOT part of the system of IC

- SEC Interpretive Release 33-8810 states: “Management is responsible for maintaining evidential matter, including documentation, to provide reasonable support for its [ICFR] assessment”
- COSO 2013 is clear on management’s documentation responsibilities:
- Green Book Documentation Requirements: Overview lists in OV4.08 the documentation requirements found in the principles which represent the minimum level of documentation necessary for an effective internal control system.

Controls “ cannot be performed entirely in the minds of senior management without some documentation of management's thought process and analysis”

“Management would need to document significant judgments, how such decisions were considered, and how the final decisions were reached”

# Documentation Requirements (cont.)

## Control Environment

- 3.09: Management develops and maintains documentation of its internal control system.

## Control Activities

- 12.02: Management documents in policies the internal control responsibilities of the organization.

# Documentation Requirements (cont.)

## Monitoring

- 16.09: Management evaluates and documents the results of ongoing monitoring and separate evaluations to identify internal control issues.
- 17.05: Management evaluates and documents internal control issues and determines appropriate corrective actions for internal control deficiencies on a timely basis.
- 17.06: Management completes and documents corrective actions to remediate internal control deficiencies on a timely basis.

**Audit requirements  
(subpart F of uniform  
guidance)**

# Single audit threshold

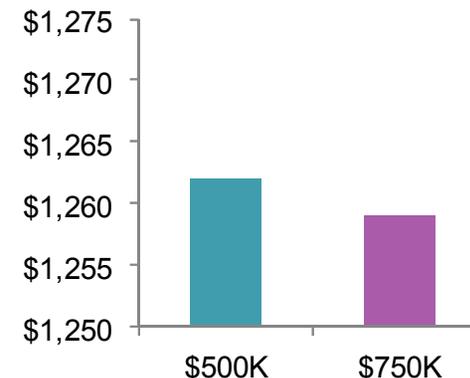
\$ 200.501

- Increases audit threshold from \$500,000 to \$750,000
- Based on single audits submitted to the FAC for 2012, there would be approximately 6,200 fewer entities subject to a single audit, but there would only be a reduction in dollars covered of approximately \$3.9 billion, or less than 1%

Number of Single Audits



Total Dollars Covered (in billions)

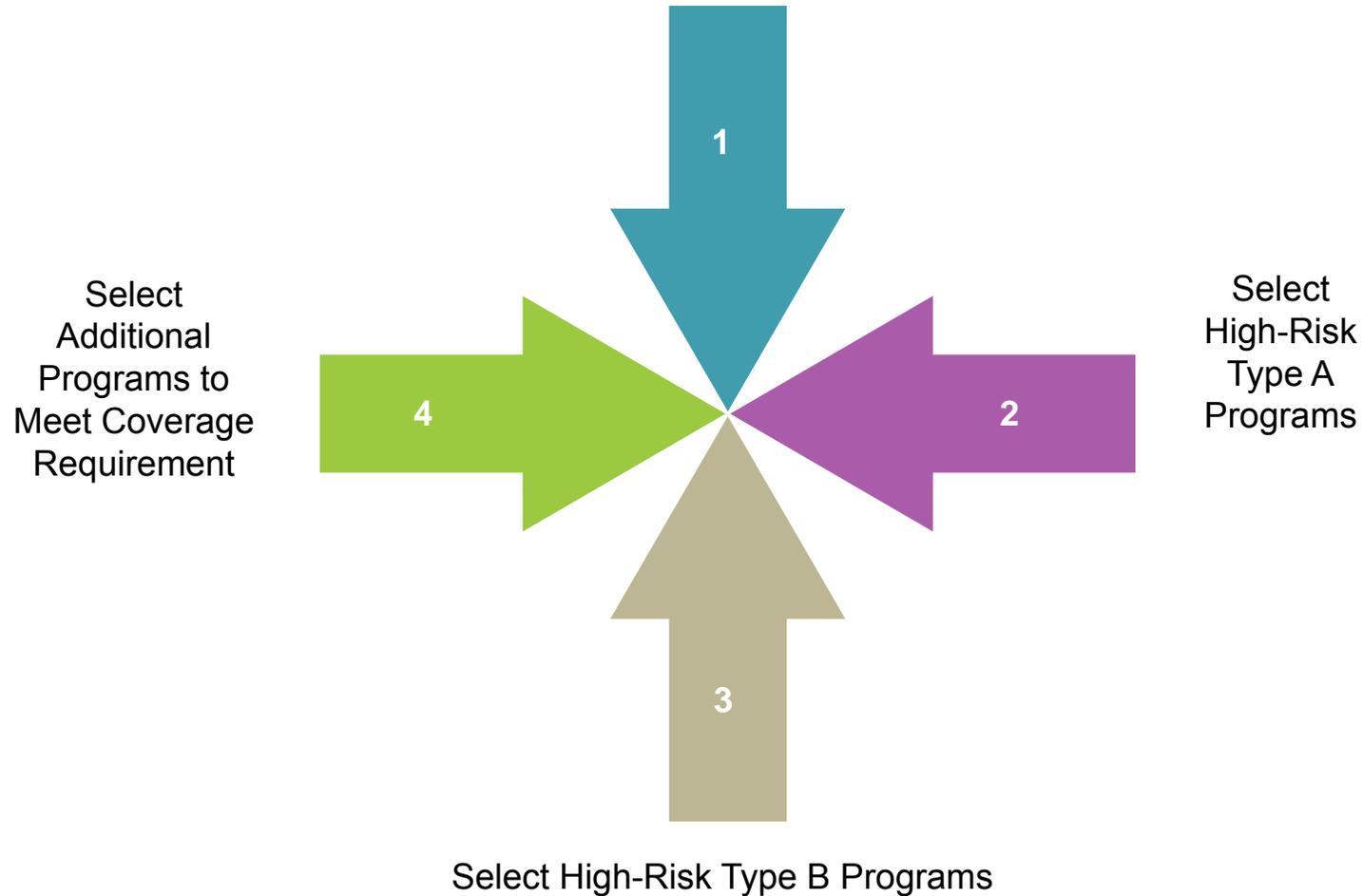


**OMB's goal is to concentrate audit resolution and oversight resources on higher dollar and higher risk awards.**

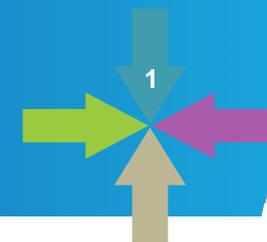
# Major program determination

\$ 200.518

## Group as Type A or B Programs



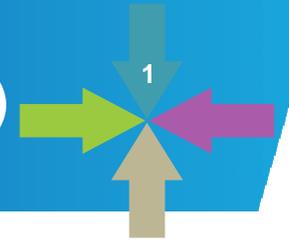
# 1. Group programs as type A or type B



- Groupings are based on dollars — Type A programs are those above the dollar threshold, Type B are those below
  - The minimum threshold is increased from \$300,000 to \$750,000.

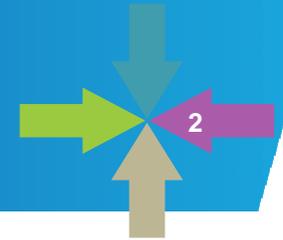
If total Federal awards expended is:	Then Type A programs are those with Federal awards expended of the greater of
\$750 thousand to \$25 million	\$750,000
\$25 million to \$100 million	(.03) of total awards expended
\$100 million to \$1 billion	\$3 million
\$1 billion to \$10 billion	(.003) of total awards expended
\$10 billion to \$20 billion	\$30 million
\$20 billion or more	(.0015) of total awards expended

# 1. Group programs as type A or type B (continued)



- Incorporates the guidance on the inclusion or exclusion of large loan or loan guarantee programs in determining the Type A threshold that is currently in the Compliance Supplement
- Guidance related to a cluster of programs was modified as follows:
  - A cluster of programs is treated as one program in determining Type A programs. For the purposes of excluding large loan programs in the determination of other Type A programs, a cluster of programs is not considered to be a loan program if the individual loan programs within the cluster comprise less than 50% of the expenditures of the cluster.

## 2. Select *all* high-risk type A programs based on risk assessment



### Current default criteria:

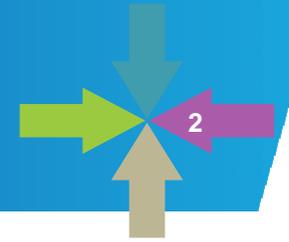
- Not audited as a major program in 1 of 2 most recent audit periods
- In most recent period, had any of the following for program:
  - Significant deficiency in internal control
  - Material weakness in internal control
  - Material noncompliance finding
- Written request by Federal awarding agency to audit as major (180 days notice)

### Revised default criteria:

- Not audited as a major program in 1 of 2 most recent audit periods
- In most recent period, had any of the following for program:
  - **Modified opinion**
  - Material weakness in internal control
  - **Known or likely questioned costs that exceed 5% of the total expenditures of the program**
- Written request by Federal awarding agency to audit as major (180 days notice)

**Focuses risk assessment on whether the program received a modified opinion or material weakness over internal control, rather than less significant findings.**

## 2. Select *all* high-risk type A programs based on risk assessment



### Current auditor judgment:

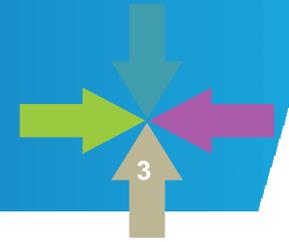
- Many factors in §.525
- Auditor's judgment on overall risk

### Revised auditor judgment:

- Limits factors to § 200.519 (c):
  - Oversight by federal agencies or pass through entities
  - Federal agency designation as higher risk
- Results of audit follow up
- Changes in program personnel

**New guidance limits the factors an auditor can consider.**

### 3. Select high-risk type B programs based on risk assessment



#### Current:

- Currently there are two Type B risk assessment options:
  - Option 1 – Perform risk assessments on all Type B programs\* and select one half 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

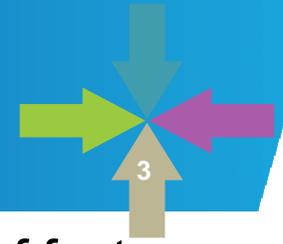
\* subject to de minimus threshold

#### Revised:

- Perform risk assessments on Type B programs\* until high-risk Type B programs have been identified up to 25% of low-risk Type A programs

\* subject to a revised de minimus threshold

### 3. Select high-risk type B programs based on risk assessment (continued)



- Auditors use cumulative knowledge and professional judgment of factors below to determine if Type B program is considered low or high risk (included in 200.519)

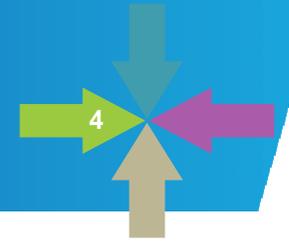
Current and prior audit experience

Oversight exercised by Federal agencies and pass-through entities

Inherent risk of program

**There are no significant changes to the criteria for Federal program risk.**

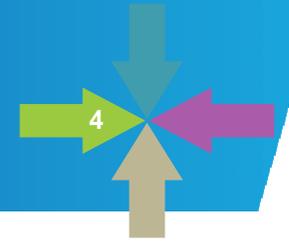
## 4. Select additional programs to meet percentage of coverage requirement (if necessary)



- The fourth step is to select additional programs if necessary to meet the minimum coverage requirement.
  - The minimum coverage required is reduced as follows:

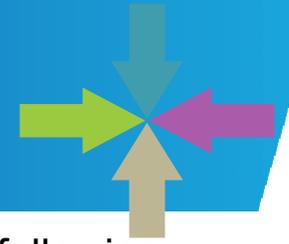
Type of Auditee	Current	Revised
Not Low Risk	50%	40%
Low Risk	25%	20%

## 4. Select additional programs to meet percentage of coverage requirement (if necessary)



- Low Risk Auditee if meet *all* criteria for the last two years:
  - Annual audits in accordance with A-133
    - ❖ Single audit reporting package and data collection form submitted (accepted) within required timeframe
  - Financial statements prepared in accordance with GAAP or based on accounting prescribed by applicable state law
  - Unmodified opinion on FS and SEFA
  - Auditor did not report substantial doubt about going concern
  - No material weaknesses in internal over financial reporting
  - No Type A program had:
    - ❖ Material weakness
    - ❖ Modified opinion on compliance
    - ❖ Questioned costs > 5% of Federal awards expended

# Major program determination



- OMB believes the changes to the major program determination will result in the following:

A more targeted audit coverage of programs with internal control weaknesses.

Appropriate burden relief for entities that materially comply as evidenced by an unmodified audit opinion and no material weaknesses in internal controls or material questioned costs.

Incentive for entities to focus on correcting the deficiencies that indicate underlying weaknesses in internal controls.

# Finding elements

\$ 200.516



# Single audit reporting

\$ 200.510  
& 512

- Face of schedule of expenditures of federal awards (SEFA) must include *all* Federal awards expended including:

Noncash assistance

Loan programs (beginning balance of outstanding loans plus loans disbursed during period plus interest subsidy, cash, or administrative cost allowance

Loan guarantee programs

- Amounts in data collection form (DCF) should be the same as SEFA
- Reporting package submitted to Federal Audit Clearinghouse (FAC) must be unlocked and unencrypted
- Reports submitted to FAC will be publically available except for Indian tribes
- SEFA must list pass through funds for each grant

# Single audit reporting (continued)

\$ 200.512

- Senior level representative of auditee must sign statement that:

Auditee complied with requirements

Reporting package does not include protected personally identifiable information

FAC is authorized to make the reporting package available on the web (except for Indian tribes)

# Audit Findings Follow-Up

§ 200.511

- (a) *General*. The auditee is responsible for follow-up and corrective action on all audit findings.
- As part of this responsibility, the auditee must prepare a summary schedule of prior audit findings.
- The auditee must also prepare a corrective action plan for current year audit findings.
- The summary schedule of prior audit findings and the corrective action plan must include the reference numbers the auditor assigns to audit findings under §200.516 Audit findings, paragraph (c).
- Since the summary schedule may include audit findings from multiple years, it must include the fiscal year in which the finding initially occurred.
- The corrective action plan and summary schedule of prior audit findings must include findings relating to the financial statements which are required to be reported in accordance with GAGAS.

# Audit Findings Follow-Up

§ 200.511

## **(c) *Corrective action plan.***

- At the completion of the audit, the auditee must prepare, in a document separate from the auditor's findings described in §200.516 Audit findings, a corrective action plan to address each audit finding included in the current year auditor's reports.
- The corrective action plan must provide the name(s) of the contact person(s) responsible for corrective action, the corrective action planned, and the anticipated completion date.
- If the auditee does not agree with the audit findings or believes corrective action is not required, then the corrective action plan must include an explanation and specific reasons.

# Findings resolution and management decisions

\$ 200.513 &  
\$ 200.521

- Uniform Guidance requires Federal agencies to develop a baseline, metrics, and targets to track the effectiveness, over time, of follow-up on audit findings
- Ability of Federal agencies and pass-through entities to rely on management decisions for cross-cutting findings in NPG was eliminated
  - Added to Single Audit Resolution Pilot currently underway with COFAR
- Uniform Guidance does *not* require or facilitate establishment of:
  - Standard follow up procedures among Federal agencies
  - Single or common electronic system to track findings resolution

**Government-wide audit quality project must be performed every six years.**

# Federal agency accountability and coordination

\$ 200.513

- Federal agencies are required to designate *single audit accountable official* from senior policy officials who must be:
  - Responsible for ensuring agency fulfillment of responsibilities
  - Held accountable to improve effectiveness of single audit process based upon metrics
  - Responsible for designating Federal agency key management *single audit liaison*
- *Single audit liaison* must:
  - Serve as agency management point of contact for single audit process
  - Promote interagency coordination consistency, and sharing in areas such as audit follow-up
  - Oversee training for Federal agency
  - Promote Federal agency use of cooperative audit resolution mechanisms
  - Coordinate Federal agency activities for timely follow-up and corrective action of findings
  - Organize Federal cognizant agency follow-up on cross-cutting findings
  - Ensure agency updates Compliance Supplement annually

**Next steps**

# Action Plan

**Study Uniform Guidance and FAQs**

**Develop implementation plan**

**Participate in industry implementation groups**

**Identify changes to policies and procedures**

**Develop training plan**

**Q & A**

# Contacts

**Joe Seibert**

Partner

[jseibert@kpmg.com](mailto:jseibert@kpmg.com)

**Hannah Padilla**

Partner

[mhpadilla@kpmg.com](mailto:mhpadilla@kpmg.com)

**Brian T. Lyman**

Senior Manager

[blyman@kpmg.com](mailto:blyman@kpmg.com)

**Eric J. Forkner**

Senior Manager

[eforkner@kpmg.com](mailto:eforkner@kpmg.com)



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