

Uniform Guidance for Federal Awards: The New Cost Principles, Time and Effort Reporting, Procurement and Other Administrative Requirements

What We Will Cover

- Previous Sources of Requirements/Guidance
- Key Changes in the Uniform Guidance for Federal Awards and Other Background
- Key Changes in the Combined Administrative Requirements Guidance
- Key Changes in the Combined Cost Principles Guidance
- Preparing for the New Uniform Guidance for Federal Awards

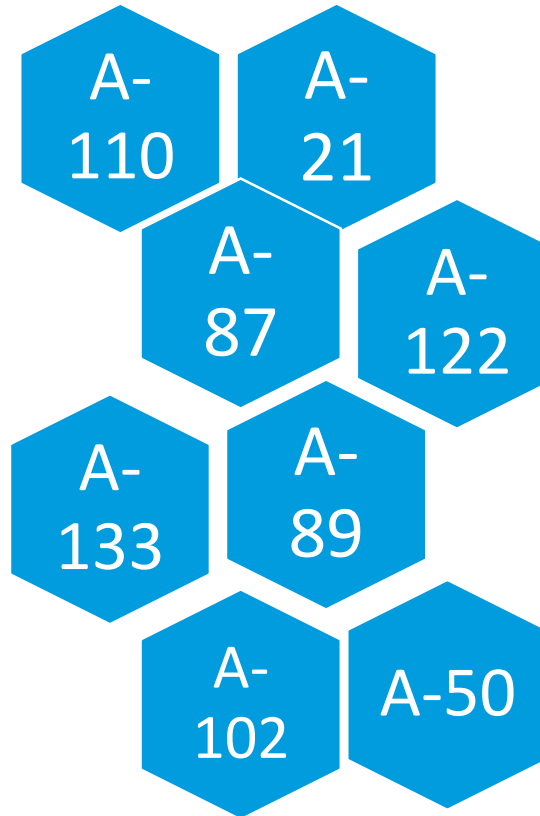


Previous Sources of Requirements/Guidance

Duplicative and Conflicting Guidance


Previously:

**Guidance
for
Federal
Awards**



**spread
over these
eight
circulars**

New Uniform Guidance for Federal Awards: All OMB guidance related to federal awards streamlined in Title 2 of the CFR, Subtitle A, Chapter II, Part 200



Key Changes in the Uniform Guidance for Federal Awards and Other Background

OMB Uniform Guidance for Federal Awards

- *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance for Federal Awards)
 - [Electronic Code of Federal Regulations \(e-CFR\)](#) version
 - PDF version of the [Federal Register Notice](#) in its entirety

COFAR

- Council on Financial Assistance Reform (COFAR) worked with OMB on rollout and related guidance
 - [*Frequently Asked Questions for New Uniform Guidance at 2 CFR 200*](#) (COFAR FAQs) - this document includes previously submitted and answered questions.
 - In case of any discrepancy, the guidance at 2 CFR Part 200 governs.
 - Award specific questions should be addressed to the Federal awarding agency or pass-through entity.
 - More to come in future

Uniform Guidance for Federal Awards Contents

- Subpart A - Acronyms and Definitions
- Subpart B - General Provisions
- Subpart C - Pre-Federal Award Requirements and Contents of Federal Award
- Subpart D - Post Federal Award Requirements
- Subpart E - Cost Principles
- Subpart F Audit Requirements
- Appendix I - Notice of Funding Opportunity
- Appendix II - Contract provisions for non-Federal entity contracts under Federal awards
- Appendix III - Indirect (F&A) costs identification and assignment, and rate determination for Institutions of Higher Education (IHEs)

Uniform Guidance for Federal Awards Contents

- Appendix IV - Indirect (F&A) costs identification and assignment, and rate determination for nonprofit organizations
- Appendix V - State/local government and Indian tribe-wide central service cost allocation plans
- Appendix VI -Public assistance cost allocation plans
- Appendix VII - State and local government and Indian tribe indirect cost proposals
- Appendix VIII - Nonprofit organizations exempt from Cost Principles
- Appendix IX Hospital Cost Principles
- Appendix X Data Collection Form
- Appendix XI Compliance Supplement

Overarching Key Points

- Supersedes and streamlines requirements of the eight previous OMB Circulars
- Eliminates duplicative and conflicting guidance
- Focuses on performance over compliance
- Encourages use of fixed amount awards that minimize compliance requirements in favor of meeting performance milestones

A Summary of Key Changes

- Establishes uniform administrative requirements, cost principles, and audit requirements for Federal awards to non-federal entities
- Provides for federal agencies to approve alternative methods of accounting for salaries and wages based on achievement of performance outcomes
- Requires pass-through entities to provide an indirect cost rate to subrecipients
- Provides a de minimis indirect cost rate of 10% of Modified Total Direct Cost (MTDC)
- Raises audit threshold to \$750,000 thus reduces audit burden for approximately 5,000 non-federal agencies while maintaining coverage of over 99%

A Summary of Key Changes

- Prohibits federal awarding agencies from imposing additional or inconsistent requirements with some exceptions
- Provides for waiving certain compliance requirements on a case-by-case basis
- Contains a clear and robust section for definitions that is applicable to all non-federal agencies
- Provides for federal awarding agencies to only apply more restrictive requirements to a class of federal awards or non-federal entities when:
 - Approved by OMB
 - Required by Federal statutes or regulations

A Summary of Key Changes

- Provides for Federal awarding agencies to apply less restrictive requirements when making fixed amount awards
- Allows no exceptions for audit requirements

Uniform Guidance for Federal Awards - Effective Dates

- **Federal agencies** must implement policies and procedures by promulgating regulations to be **effective December 26, 2014**
- **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 to additional funding to existing awards (referred to as **funding increments**) **made after that date**
 - Non-federal entities wishing to implement entity-wide system changes to comply with the guidance **after December 26, 2014**, will not be penalized for doing so
- **Audit requirements** effective for fiscal **years beginning on or after December 26, 2014**
 - Not permitted to early implement any of the audit provisions

Effective Date – Are You Sure You Get it??

- December 31, 2014, year ends:
 - No impact from the Uniform Grant Guidance for non-federal entities and auditors
- March 31, 2015, June 30, 2015, and September 30, 2015 year-ends:
 - Non-federal entities will have to adopt new administrative requirements and Cost Principles relating to all new federal awards and additional funding to existing awards
 - Single audit requirements continue to use “old” regulation but auditor compliance testing will be affected by client adoption of “new” requirements (i.e., will likely have to test some awards subject to the old requirements and some the new requirements)
- December 31, 2015, year-ends and beyond:
 - New administrative requirements, Cost Principles, and new single audit requirements apply



Key Changes in Combined Administrative Requirements Guidance

Part 200 – Contents of Uniform Guidance for Federal Awards

- Subpart D - Post Federal Award Requirements
 - Financial management
 - Internal controls
 - Bonds
 - Payment
 - Cost sharing and matching
 - Program income
 - Revision of budget and program plans
 - Property standards
 - Procurement standards
 - Performance and financial monitoring and reporting
 - Sub recipient monitoring and management
 - Record retention and access
 - Remedies for noncompliance
 - Closeout

Financial Management System

Must include:

- Identification, in its accounts, of all federal awards received and expended and the federal programs under which they were received. Information should include:
 - Catalog of Federal Domestic Assistance (CFDA) number and title
 - Federal award identification number and year
 - Federal awarding agency
 - Pass-through entity (PTE), if applicable
- Accurate, current, and complete disclosure of the financial results of each federal award or program

Financial Management System

Must Include:

- Records that identify the source and application of funds for federally-funded activities
- Effective control over, and accountability for all funds, property, and other assets.
- Comparison of expenditures with budget amounts for each federal award
- Written procedures to implement the requirements cash management
- Written procedures for determining the allowability of costs in accordance with Cost Principles

Internal Control

- Focus on controls - Internal Control Clarification – From COFAR FAQ III-4

§ 200.303 Internal controls.

The **non-federal entity must: (a) Establish and maintain effective internal control over the Federal award** that provides reasonable assurance that the non-federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” [**Green Book**] issued by the Comptroller General of the United States and the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (**COSO**).

OMB has stated that the **should** is meant to be a “best practice” and not a presumptively mandatory requirement

Payment (Cash Management)

- Applies to all non-federal agencies other than States
- Payment method must minimize the time elapsing between the transfer of funds from the US Treasury or PTE and the disbursements by the non-federal entity regardless of how funds are being transferred.
- Payment must be in advance when the non-federal entity:
 - Has written procedures to implement the requirements of cash management, and
 - Has a compliant financial management system
- If the above requirements are not met, reimbursement method is used
- If reimbursement method cannot be used because non-federal entity lacks sufficient working capital, working capital may be provided

Cost Sharing and Matching

- Any shared costs or matching funds and all contributions, including cash and third party in-kind contributions, must be accepted as part of the non-Federal entity's cost sharing or matching if:
 - Supported by verifiable records
 - Are not included as match for another Federal Award
 - Are necessary and allowable
 - Are not paid for by another Federal award except when authorized by Federal statute

Cost Sharing and Matching

- Unrecovered indirect costs may be included as a part of cost sharing or matching only with prior approval of the Federal awarding agency.
- The Uniform Guidance for Federal Awards includes a whole section about the donation from the non-federal agency and other third-parties

Program Income

- Non-federal entities are encouraged to earn income to defray program costs where appropriate
- Proceeds from the sale of real property or equipment are not program income
- Use of income is normally specified in the award:
 - Defray cost of the program
 - Placed into a reserve
 - Returned to the federal agency
- If not indicated by the federal awarding agency in the regulations or the terms of the award, program income must be deducted from total allowable costs to determine the net allowable costs.

Procurement

- States will follow the same policies and procedures they use for procurements from non-federal funds (i.e., state procurement statutes).
- Other non-federal entities will follow the five procurement methods outlined in the Guidance including small purchase procedures which are subject to the Simplified Acquisition Threshold, micro-purchases, sealed bids, competitive proposals, and noncompetitive proposals.
- In general, the new procurement standards adopt the majority of the language used from Circular 102. Therefore, non-federal entities that are previously subject to Circular A-110 will likely be affected more significantly.

All auditees should review these changes carefully to determine the impact on their procurement procedures, in particular those relating to procurement card programs.

Procurement

- Type of recipients with greatest impact of new procurement guidance
 - Higher Educational Institutions
 - Not-for-Profit Organizations

Procurement

- Micro Purchases
 - \$3,000 Aggregate - \$2,000 if it is for Construction and subject to Davis-Bacon Act.
 - There does not need to be quotations.
 - Equitable distribution among qualified vendors
- Small Purchases
 - Simple and informal procurement methods
 - Not more than the simplified acquisition threshold - currently \$150,000
 - Price and rate quotations must be obtained from adequate number of qualified sources.
- Sealed Bids
 - Above simplified threshold – greater than \$150,000
 - Preferred for construction projects
 - Must be publicly advertised

Procurement

■ Competitive Proposals

- Above simplified threshold – currently \$150,000
- More than one source for proposal
- Usually used for fixed fee or cost reimbursement
- A written method of evaluation and selection.
- Award must go to “most advantageous” proposal

■ Sole Source

- Must meet at least one of the criteria
 - Single source availability
 - Public emergency
 - Written request has been made and approved by federal or PTE
 - Competition is determined to be inadequate

Important COFAR FAQ on Effective Date and Grace Period for Procurement

- FAQ .110-6 states, for compliance with the new procurement standards only, the federal government is providing a grace period of one full fiscal year after the effective date of the Uniform Guidance for Federal Awards.
- The FAQ goes on to provide information on certain documentation that the non-federal entity will have to provide in this regard and how it will affect the single audit in its first year.

Monitoring and Reporting

- Non-federal entity is responsible for monitoring programs for compliance and performance expectations.
- Federal entity must use OMB-approved data elements.
 - Non-federal entity must submit reports as often as required but no less frequently than annually and no more frequently than quarterly
 - Exceptions – unusual circumstances
 - Annual Reports due 90 calendar days after reporting period
 - Quarterly Reports due 30 days after reporting period
- Performance reports must contain
 - Comparison of accomplishments to objectives
 - The reason goals were not met
 - Other information that is appropriate

Monitoring and Reporting

- Construction performance reports
 - Only when necessary above inspections and certification of percentage of completion.
- Significant Developments
 - Must notify as soon as condition is known
 - Problems, delays, adverse conditions materially impacting performance and objectives
 - Favorable Developments
- Federal agency may waive any part of reporting if not needed.

Subrecipient Monitoring and Management

- This session will not cover subrecipient monitoring and management in detail
- GAQC Web Event titled: *Uniform Guidance for Federal Awards: How Clients will Need to Monitor Subrecipients Going Forward*, is archived on the GAQC website.

Subrecipient Monitoring and Management – A High-Level Overview


- Guidance on subrecipient versus contractor determination expanded and relocated to administrative requirements section 200.330 in Subpart D
 - ▶ Criteria for determination basically unchanged
- New subaward requirements
- New requirements for PTEs with regard to monitoring activities
 - Much more detailed than guidance contained in *Compliance Supplement*
 - Includes a required risk assessment of subrecipients

Remedies for Noncompliance

- If the non-federal entity does not comply additional requirements can be applied
 - Section 200.207 allows for federal agency or PTE to impose additional requirements.
- If the noncompliance cannot be cured
 - Temporarily withhold cash payments pending correction of issue
 - Disallow associated costs and matching
 - Wholly or partially suspend award
 - Initiate suspension and debarments proceedings
 - Withhold further awards for the project or program
 - Other legally available remedies

Closeout

- The federal awarding agency or PTE should complete all closeout actions for federal awards no later than one year after receipt and acceptance of all required final reports.



Cost Principles and Highlights of Changes

Cost Principles – Subpart E

Section 200.4XX, OMB Cost Principles

- Consolidated Cost Principles into single document:
 - OMB Circular A-21 – Educational Institutions
 - OMB Circular A-87 - State, Local and Indian Tribal Governments
 - OMB Circular A-122 – Nonprofit Organizations
- Health and Human Services at 45 CFR Part 74 Appendix E- Hospitals was not incorporated into the new
 - OMB is conducting further review of the cost principles for hospitals and will make a future determination about the extent to which they should be added to this guidance

Part 200 – Uniform Guidance for Federal Awards

- **Subpart E - Cost Principles**
 - General provisions
 - Basic considerations
 - Collection of unallowable costs
 - Adjustment of previously negotiated ICR containing unallowable costs
 - Direct and indirect costs
 - Special considerations for states, local governments and Indian Tribes
 - Special considerations for institutions of higher education
 - **General provisions for selected items of costs**

Support for Personnel Costs

Previously different reporting under A-21, A-87 and A-122

- Requirements for:
 - Existence of employees
 - Reasonableness of compensation
 - Assignment and allocation to federal awards
- Changes primarily in the area of assignment and allocation of salaries to federal awards
- Previously different documentation is required:
 - A-122 is based on time actually incurred through periodic (at least monthly) time and effort reporting
 - A-87 is primarily similar to A-122, but provides for certifications in cases where the employee only works on one federal program
 - A-21 is based on a system for establishing an estimate and determining that is a reasonable basis for the activity

Cost Principles – Compensation – Personal Services

- New language intended to reduce the administrative burden of documenting time and effort
- Less prescriptive on documentation – places great emphasis on internal controls
- However, there is a requirement that charges must be based on records
- Will allow entities to replace detailed time and effort reports with performance based reporting based on milestones (agency approval required)

Cost Principles – Compensation – Personal Services

- Time and distribution records must be maintained for all employees whose salary is:
 - Paid in whole or in part with federal funds
 - Used to meet a match/cost share requirement
- Not based on budget estimates alone – needs to be ACTUAL
- Full disclosure
 - All time worked for the organization and what percentage is federal

Cost Principles – Compensation – Personal Services

- Budgets alone do not qualify as support for charges to Federal awards, but may be used for interim accounting purposes, provided that:
 - The system for establishing the estimates produces reasonable approximations of the activity actually performed
 - Significant changes in the corresponding work activity are identified and entered into the records in a timely manner, i.e. one or two months
 - The non-federal entity's system of internal controls includes processes to review after-the-fact interim charges made to a Federal awards based on budget estimates.
 - All necessary adjustments must be made such that the final amount charged to the federal award is accurate, allowable, and properly allocated

Cost Principles – Compensation – Personal Services

■ New standards for documentation

- Charges must be based on records that accurately reflect the work performed
- Must be supported by a system of internal controls which provides reasonable assurance that amounts are accurate, allowable and properly allocated
- Be incorporated into official records
- Reasonable reflect total activity for which employee is compensated

Cost Principles – Compensation – Personal Services

- Activities may be expressed as a percentage distribution of total activities
- Nonexempt employees, must also prepare records indicating the total number of hours worked each day
- Salaries and wages of employees used in meeting cost sharing or matching requirements on Federal awards must be supported in the same manner.

Cost Principles – Proposal Costs

- Allowable as an indirect cost
 - Preparing proposals for both Federal and non-Federal
 - Successful and not successful bids
 - Allocated to all activities of the organization
- Used to be permitted in higher education and government cost circulars – now permitted for all

Cost Principles – Indirect Costs

- Federal agencies and pass-through entities will have to accept a non-federal entity's negotiated indirect cost rate
 - Unless a statute or regulation allows for an exception
- Non-federal entities will have a one-time option to extend rate for up to four years
- For non-federal entities who have never received a negotiated rate, de minimis rate of 10% of modified total direct costs may be used indefinitely



Preparing for the New Uniform Guidance for Federal Awards

Tips for Entities Implementing the New Uniform Guidance for Federal Awards

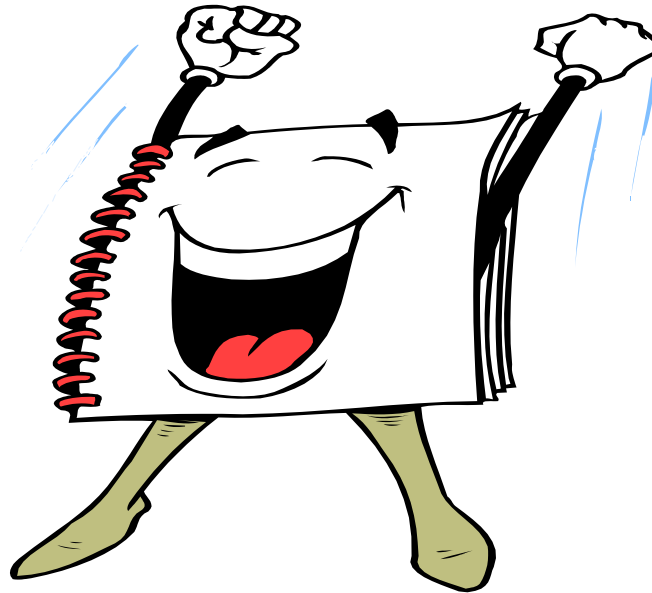
- ▶ Ensure an Appropriate Understanding of Effective Dates
- ▶ Obtain an Understanding of the New Requirements. There is no getting around reading the new requirements!
- ▶ Focus on Areas of Most Significance First (e.g., time and effort reporting, allocating indirect costs, procurement, internal control, and subrecipient monitoring)
- ▶ Developing a Plan to Become Compliant. To include identification of needed policy and procedure changes; internal controls that might need to be established or modified; action items that will be needed to implement needed changes; who within the entity is responsible for each action item; and timing
- ▶ Senior Management Should Be Involved. The tone at the top is important as it relates to major changes like this
- ▶ Access Available Resources. See slides - end of presentation
- ▶ Training is Important. (Both new requirements and new entity-specific policies and procedures)

Uniform Guidance For Federal Awards Resources

- OMB/COFAR resources that clients and auditors should access:
 - Access all the various Uniform Grant Guidance documents at: http://www.whitehouse.gov/omb/grants_docs
 - Go to the [COFAR Mailing List link](#) to register and receive future announcements, information on upcoming webcasts, and other COFAR resources
 - Access an [archive of an OMB Web event and related presentation materials](#) covering the contents of the various Subparts and requirements
 - Access a COFAR FAQ document titled, [Frequently Asked Questions for New Uniform Guidance at 2 CFR 200](#) issued 8/29/2014 this document includes previously submitted and answered questions.

Thanks for participating

Any questions?




Thanks for participating

Jeff Zeichner

(904) 224-8107

jeff.zeichner@rsmus.com



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RSM US LLP

80 City Square
Boston, MA 02129
+1 617 912 9000

+1 800 274 3978
www.rsmus.com

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