



Uniform Grant Guidance, Indirect Cost, and Other Compliance Issues

SCASBO Fall Conference

Building Balance: Beliefs, Bonds, Business
November 5, 2015



Uniform Grant Guidance

Implementation and Compliance



Overview

- The federal government attempted to streamline processes, relieve burden on grantees, and improve efficiencies (8 OMB Circulars were merged into one regulation)
- Guidance for states and local governments, institutions of higher education (IHE'S), and nonprofits are now found in one place and all entities are now conforming to the same set of standards
- Strengthen accountability for federal dollars by improving policies that protect against **waste, fraud, and abuse**



Overview, cont'd

- Reemphasize importance of recipients achieving program objectives
- Shift from focus on *Compliance* to a focus on *Performance*
- Requires written policies to support stronger internal controls.



Effective Date

- The Uniform Grant Guidance became effective on December 26, 2014.
- For each LEA, it became effective for all awards awarded on and after July 1, 2015.



Sections

Located at 2 CFR Part 200

- Subpart A – Acronyms and Definitions
- Subpart B – General Provisions
- Subpart C – Pre-Award Requirements
- Subpart D – Post Award Requirements
- Subpart E – Cost Principles
- Subpart F – Audit Requirements
- Appendices III-V and VII – Indirect Cost and Cost Allocation Plans
- Appendix XI – Compliance Supplement



Uniform Grant Guidance has been applicable to
you now for 128 days.

Now What?



Subrecipient Responsibilities

- Manage every federal award with fidelity.
- Develop internal policies and procedures to ensure effective management of the federal award and compliance with the terms and conditions of the grant award.
- Have a compliant financial management system.
- Establish a budget of the costs required to manage a program and a method of monitoring actual costs against the budget
- Keep abreast of changes in policies, procedures, or requirements.
- Request prior approvals, when necessary



Subrecipient Responsibilities, cont'd

- Prepare and submit required reports on time
- Keep the pass-through entity informed about subaward performance and changes, if necessary.



Changes to Requirements

- Grant Award Information
- Financial Management
- Internal Controls
- Certification
- Mandatory Disclosure
- Procurement
- Equipment vs. Supplies
- Increased audit threshold
- Pre-Award Risk Assessment



Grant Award Information

(2 CFR Part 200.210)

- Grant Award Notifications (GANs) from SCDE contain more information
 - Federal Award Identification Number (FAIN)
 - Should be included in any federal award audit findings
 - Total amount of the federal award
 - Not just subrecipient's share
 - Recipient's Unique Identifier (DUNS Number)
 - 2 CFR Part 25 Requirement



System for Award Management (SAM) – 2 CFR Part 25

- Applies to all recipients and subrecipients of federal funding
- Must have universal identifier – Data Universal Numbering System (DUNS) number assigned by Dun & Bradstreet
- The subrecipient's unique identifier is listed on the GAN and the subrecipient's name must match the name in sam.gov.
- Subrecipient must maintain an active registration in sams.gov.
- SCDE can not make any federal awards to a subrecipient that does not maintain an active registration in sam.gov.



Terms and Conditions

- The Assurances, Terms and Conditions document that is included in every federal and state grant award has been updated to include uniform grant guidance references.
 - READ Before Signing
 - Time and Effort reporting (continue established procedures)
 - Record Retention Requirements



Financial Management Systems

2 CFR Part 200.302

The non-federal entity's financial management system, including records documenting compliance with federal statutes, regulations, and terms and conditions of the federal award, *must be sufficient to permit the preparation of reports and the tracing of funds to a level of expenditures adequate to establish that funds have been used according to the federal statutes, regulations and the terms and conditions of the grant award.*



Financial Management System must provide:

1. Identification of all federal awards received and expended and the federal programs under which they were received
2. Accurate, current, and complete disclosure of financial results of each federal award or program in accordance with reporting requirements
3. Records that identify source and application of funds for federally funded activities
4. Effective control over, and accountability for, all funds, property, and other assets



Financial Management System must provide:

5. Comparison of expenditures with budget amounts for each federal award
6. Written procedures to implement the requirements of payment (cash management)
NEW
7. Written procedures for determining the allowability of costs in accordance with cost principles and the terms and conditions of the grant award **NEW**



Internal Controls (2 CFR Part 200.303)

- Subrecipients must establish and maintain effective internal control over the federal award and it should be in compliance with the COSO framework and the Standards for Internal Control for the Federal Government
- Must comply with federal statutes, regulations, and terms and conditions of the grant award.
- Must evaluate and monitor its compliance with statute, regulations, and terms and conditions



Internal Controls, cont'd

- Must take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.
- Must take reasonable measures to safeguard protected personally identifiable information (PII) and other information the federal award agency or pass-through entity designates as sensitive.



Certification **NEW**

(2 CFR Part 200.415)

Requires that the official authorized to legally bind the non-federal entity **must certify** on annual and final fiscal reports or vouchers requesting payment that



2 CFR Part 200.415, cont.

- The report is **true, complete and accurate** and the expenditures, disbursements and cash receipts are for the purposes and objectives set forth in the terms and conditions of the federal award, and
- The official is aware that **any false, fictitious, or fraudulent information** or the omission of any material fact, may subject them to criminal, civil or administrative penalties for fraud, false statements, false claims, or otherwise.



Mandatory Disclosures

(2 CFR Part 200.113)

Subrecipients must disclose, in a timely manner, in writing to the SCDE all violations of federal criminal law involving fraud, bribery, or gratuity violations potentially affecting the federal award. Failure to make required disclosures can result in remedies for noncompliance, including suspension or debarment.



Procurement

(2 CFR Part 200.318 -200.326)

- All grantees other than States must follow procurement requirements in 2 CFR Part 200.318-200.326.
- Non-federal entity must have documented procurement procedures which reflect applicable state and local laws and regulations, provided that the procurements conform to applicable Federal law



Procurement, cont'd

- Conduct procurements in full and open competition (required).
- Award to responsible contractors
- Refrain from engaging vendors on SAM Excluded Parties List.
- Maintain records sufficient to detail the history of procurement
- Follow restrictions on time and material contracts
- Use good business judgment in settlement of contractual issues



Procurement

(2 CFR Part 200.318)

- **Must maintain written standard of conduct, including conflict of interest policy** A conflict of interest arises when any of the following has a financial or other interest in the firm selected for award:
 - Employee, officer or agent
 - Any member of that person's immediate family
 - That person's partner
 - An organization which employs, or is about to employ, any of the above or has a financial interest in the firm selected for award



2 CFR Part 200.318, cont'd

- Must neither solicit nor accept gratuities, favors, or anything of monetary value from contractors/ subcontractors.
- However, may set standards for situations in which the financial interest is not substantial or the gift is an unsolicited item of nominal value.
- Standards of conduct must include disciplinary actions applied for violations.



Methods of Procurement

- The non-Federal entity **MUST** use one of the following methods of procurement:
 - Micropurchases **NEW**
 - Purchase does not exceed \$3,000
 - Must be distributed equitable among qualified suppliers
 - May be awarded without soliciting quotes if price is determined to be reasonable



Methods of Procurement, cont'd

– Small Purchases

- Price does not exceed \$150,000
- Price or rate quotations must be obtained from an adequate number of qualified sources

– Sealed Bids (Formal Advertising)

- Price does not exceed \$150,000
- Bids are publicly solicited
- Firm fixed contract is awarded to the responsible bidder whose bid is the lowest in price



Methods of Procurement, cont'd

- Competitive Proposal (includes audits)
 - Price does not exceed \$150,000
 - RFP must be publicized
 - Fixed price or cost reimbursement
 - Generally used when sealed bids is not appropriate
- Noncompetitive Proposal
 - Sole source
 - Used only when item is only available from a single source
 - Public emergency



Procurement

(2 CFR 200.324)

The entity must make available, upon request from the Department or a pass-through entity, technical specifications on proposed procurements to ensure the item or service is for an item in the approved grant application.



Procurement- Contract Provisions

Subrecipients contracts must contain applicable contract provisions in Appendix II to Part 200:

- Contracts more than the simplified acquisition threshold (currently set at \$150,000) must address administrative, contractual, or legal remedies in instances where contractors violate or breach contract terms, and provide for such sanctions and penalties as appropriate
- Contracts in excess of \$10,000 must address termination for cause and for convenience by the non-Federal entity including the manner by which it will be affected and the basis for settlement
- Equal Employment Opportunity (EEO)
- Davis-Bacon Act – All prime construction contracts in excess of \$2,000
- Contract Work Hours and Safety Standards Act



Contract Provisions

- Rights to Inventions Made Under a Contract or Agreement
- Clean Air Act and the Federal Water Pollution Control Act
- Mandatory standards and policies relating to energy efficiency
- Debarment and Suspension
- Byrd Anti-Lobbying Amendment
- Procurement of recovered materials (See 200.332)



Procurement Implementation Extension

- 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 second full fiscal year for a non-Federal entity with a June 30th year end would be the year ending June 30, 2017.
- 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.



Property Standards

- Equipment – tangible, nonexpendable personal property having useful life of more than one year and acquisition cost of \$5,000 or more per unit
- Supplies – anything not meeting definition as equipment
- Computing Devices – considered to be supplies if less than \$5,000 (may have inventory management requirements).



Equipment Management

- Equipment must be used for the program or project for which it was acquired as long as needed, whether or not the program or project continues to be funded
- Must make equipment available for use by other programs as long as shared use will not interfere with intended purpose.



Equipment Management Cont'd

Must have inventory management system to include

- Detailed property records
- Physical inventory
- Adequate maintenance procedures to keep property in good condition
- Control system to prevent loss, damage, and theft.



Written Procedures

Subrecipients should, at a minimum, develop procedures to meeting the following requirements:

- Cash management procedures- 200.302(b)(6)
- Allowability procedures- 200.302(b)(7)
- Written standards of conduct covering conflicts of interest- 200.318(c)
- Procurement procedures- 200.319(c)
- Procedures for managing equipment- 200.313(d)



New Audit Requirement

- Single Audit threshold increased
 - From \$500,000 to \$750,000
 - Effective for Fiscal Years beginning after 12/26/14
 - For LEAs, effective for FY 2016 audits
- Questioned Costs (Material)
 - From \$10,000 to \$25,000



Auditor Selection (2 CFR Part 200.509)

When seeking to hire audit organization to perform single audit:

- you must request **copy of audit organization's peer review report; NEW**
- RFP must clearly **state objective and scope of audit.**



Auditor Selection, cont'd

Consider these factors when evaluating each auditing organization's proposal:

- responsiveness to RFP
- relevant experience
- availability of staff with professional qualifications and technical abilities
- results of peer/external quality control reviews
- price.



Pre-Award Risk Assessment (2 CFR Part 200.331)

Evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward which may include consideration of such factors as:

- (1) The subrecipient's prior experience with the same or similar subawards;
- (2) The results of previous audits including whether or not the subrecipient receives a Single Audit in accordance with Subpart F—Audit Requirements of this part,
- (3) Whether the subrecipient has new personnel or new or substantially changed systems; and
- (4) The extent and results of Federal awarding agency monitoring (e.g., if the subrecipient also receives Federal awards directly from a Federal awarding agency).



SCDE's Pre-Award Risk Assessment

NEW

- Formulated a working group to address UGG requirements
- Developed specific risk assessment criteria, tiers, and weightings
- Solicited the input of all federal program grant managers
- Formulated a total risk score for all LEAS and non-LEAs that are subrecipients of federal funds and determined which LEAS should be identified as high, medium, and low risk.
- Risk scores will be used to make federal award grant decisions



SCDE's LEA Risk Criteria

Criteria 1-Personnel Turnover	High turnover in key personnel	Stability in key personnel	Experienced key personnel
Criteria 2-Required Reporting	Required reporting not submitted	Required reporting submitted but not timely	Required reporting submitted timely
Criteria 3-Program Compliance	Significant programmatic noncompliance noted during monitoring visits	Minor programmatic deficiencies noted during monitoring visits	Very minimal or no instances of programmatic noncompliance
Criteria 4-Fiscal Compliance	Significant fiscal deficiencies noted during monitoring visits	Minor fiscal deficiencies noted during monitoring visits	Very minimal or no instances of fiscal deficiencies
Category 5-Performance	Failed to meet performance requirements, expectations, and outcomes	Met most performance requirements, expectations, and outcomes	Met performance requirements, expectations, and outcomes
Category 6-Technical Assistance	Frequent need for assistance	Periodic need for support and technical assistance	Infrequent need for support and technical assistance
Criteria 7-Audit Report	Annual Audit Report received more than 30 days after the December 1st due date.	Annual Audit Report received within 30 days of the December 1st due date.	Annual Audit Report received on or before the December 1st due date.
Criteria 8-Management Systems	Major and/or more than one internal control finding or more than one federal award noncompliance finding	Minor and/or one internal control finding or one federal award noncompliance finding	No internal control findings or no federal award noncompliance findings
Criteria 9-Financial Stability	Unassigned general fund balance is 10% or more of general fund operating expenditures.	Unassigned general fund balance is between 5% and 9% of general fund operating expenditures.	Unassigned general fund balance is less than 5% of general fund operating expenditures.



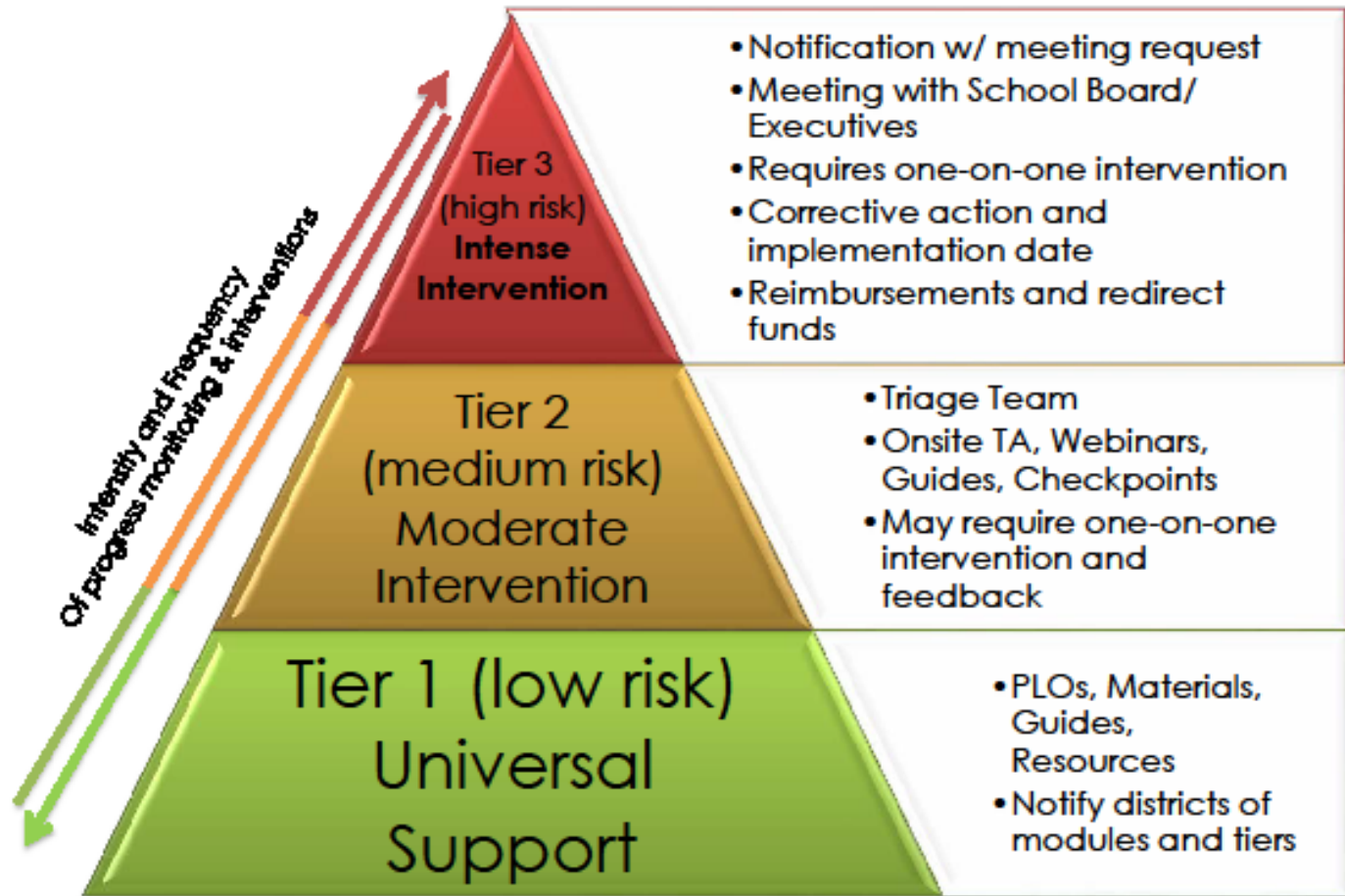
Additional Criteria

In the upcoming risk assessment, SCDE will also include a risk criteria for “Other Material Factors”. This will include items such as:

- Accreditation Status
- Grade Changing Allegations
- Cheating on Standardized Tests



Response to Intervention (RTI)



Tiers based on risk assessment scale.



Risk Assessment

- All subrecipients who are identified at risk of noncompliance (high risk) will be notified directly by the Office of the State Superintendent. The SCDE can and will impose specific subaward conditions, allowable under 2 CFR Part 200.207(b), on the federal funds that pass-through the SCDE to the subrecipient.
- All other subrecipients are urged to review the regulations in 2 CFR Part 200 and take immediate action, as nonfederal entities, to come into compliance.



Remedies for Noncompliance

If SCDE determines that the district's risk of noncompliance cannot be remedied by imposing special condition(s), the SCDE may take one or more of the following actions, allowable under 2 CFR Part 200.338, as appropriate in the circumstances:

- (a) 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.
- (b) 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.
- (c) Wholly or partly suspend or terminate the federal award.
- (d) Recommend the US Department of Education or US Department of Agriculture (depending upon the grant) initiate suspension or debarment proceedings as authorized under 2 CFR part 180 and federal awarding agency regulations.
- (e) Withhold further federal awards for the project or program.
- (f) Take other remedies that may be legally available.



INDIRECT COST



What are Indirect Costs?

- Indirect costs are those expenses of doing business that are not readily identifiable with the activities of a grant or contract but are, nevertheless, incurred for the joint benefit of those activities and other activities or programs of the organization
- Two Criteria
 - they are incurred for a common or joint purpose benefiting more than one cost objective and
 - they are not readily assignable to the cost objectives specifically benefited.



Examples of Indirect Cost Functions

- accounting
- auditing
- budgeting
- payroll
- personnel
- purchasing





Examples of Direct Costs

- Salaries and Wages
- Supplies and Materials
- Other employee fringe benefits for direct labor employees
- Travel of direct labor employees
- Equipment for a specific program or grant
- Consultant services for a particular program or grant



EXCLUDED COSTS

RESTRICTED AND NONRESTRICTED

- Facilities Acquisition/Construction(Function 253)
- Food Services (Function 256, Object 400 food/supplies)
- Other Charges (Fctn 400 series, transfer expenditure)
- Debt Service (Function 500 series)
- Equipment (Object 540 series)
- **Unused Leave (Object 140)**
- **Food Services (Direct Purchased Services, Object 393)**
- **Subawards in excess of \$25,000 (Function 265)**



INDIRECT COSTS (Restricted)

- Board of Education (only account 231-318 audit services)
- Fiscal Services (function 252)
- Internal Services (function 257)
- Internal Auditing Services (function 259)
- Central Support Services (function 260 series,
**Except Function 261, Heads of
Components**)



Indirect Costs (Unrestricted)

- Board of Education (only account 231-318 audit services)
- Fiscal Services (function 252)
- Operation and Maintenance of Plant (Function 254)
- Internal Services (function 257)
- Internal Auditing Services (function 259)
- Central Support Services (function 260 series)
- Depreciation or Use Allowance on Buildings and Equipment (Data Supplied by LEAs)



Direct Costs (Restricted)

- Instruction (Function 100 series)
- Pupil Services (Function 210 Series)
- Instructional Staff Services (Function 220 series)
- Board of Education (Function 231, except Object 318, Audit Services)
- Office of Superintendent (Function 232)
- School Administration (Function 233)



Direct Costs (Restricted)

- Operation and Maintenance of Plant (Function 254)
- Pupil Transportation (Function 255)
- Food Services (Function 256, except food, supplies, equipment)
- **Heads of Components (Function 261)**
- Supporting Services Pupil Activity (Function 271)



Direct Costs (Restricted)

- Community Services (Function 300 series)
- Summer School (Function 170 series)



Direct Costs (Unrestricted)

- The same for restricted except for the following are not included as direct:
 - Operation and Maintenance of Plant (Function 254)
 - Heads of Components (Function 261)



Federal Review

- 2012 - 2015– USDE Indirect Cost Group performed a review of the indirect cost allocation plan the SCDE uses for LEA's
- Concerns
 - Restricted Rate
 - Head of Component Units
 - Subawards in Excess of \$25,000
 - Food Service Expenditures



New Codes

- **Function 261 - Head of Component Units**
 - Head of a unit one organizational level below the Chief Executive Unit/Superintendent (i.e., CFO)
 - Determine job duties of the head
 - If Managerial, charge to function 261
 - If Day-to Day, charge to the specific function (i.e., 252)
 - If ADM is less than 2,000 students, opt to charge in either fund
 - Does NOT relate to heads of a LEA's component units such as charter schools, foundations



New Codes

- **Function 265 – Subawards in excess of \$25,000**
 - Subgrants or subcontracts awarded to a subrecipient in excess \$25,000



New Codes

- **Object 393 – Direct Purchased Services**
 - Use with the Food Service Function 256
 - Account for food service contracts that are directly charged to the food service fund
 - Indirect cost should not be taken on the items charged here



Food Service Rate

- **FY 2015-16** is the last fiscal year that the SCDE will calculate a separate food service rate.
- The food service fund can charge either the unrestricted or restricted rate
- The SCDE recommends that the restricted rate is charged for food service expenditures



Computation of Indirect Cost Rates

- LEAs submit audited expenditures to the SCDE by December 1 of each year in the LEA Audit Reporting System.
- Reports are run to exclude certain costs and treat other costs as direct and indirect.
- Audited expenditures for the second preceding fiscal year are to be used in the completion of the indirect cost rates for a given fiscal year. For example, the rates for FY 2015-16 are based on FY 2013-14 data.





Computation of Indirect Cost Rates (Continued)

- Fixed with carryforward rate - an indirect cost rate applicable to a LEA's fiscal year based on the estimate of costs to be incurred during the period. The estimated costs and the actual costs of a period is carried forward as an adjustment to the rate computation of the subsequent period
- An over or under recovery amount is calculated and admin charges are adjusted based on this recovery amount
- For FY 2015-16 rates, expenditures for the following years factor into the rate computation (FY 2011-12 and FY 2013-14)





Computation of Indirect Cost Rates (Continued)

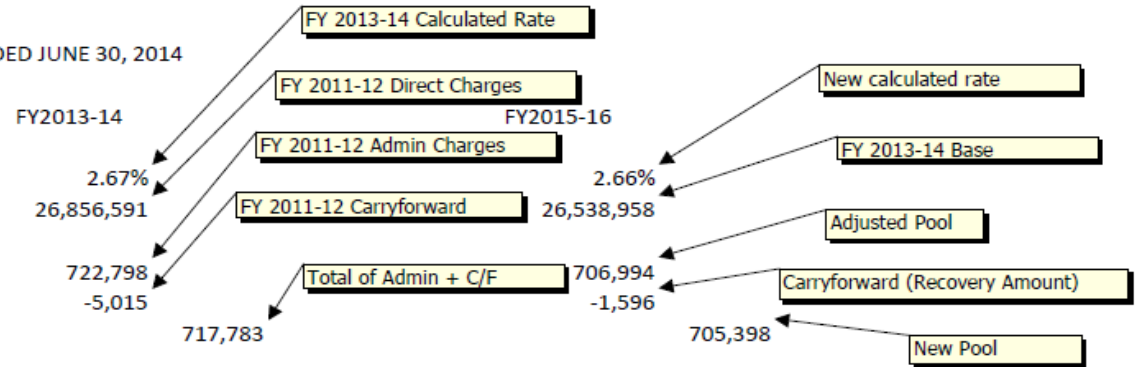
- Applied costs section is FY 2011-12 actual costs
- Actual costs section is FY 2013-14 actuals



Fixed Rate with Carry-Forward Adjustment
 Restricted Rate
 FY 2015-16
 FOR FISCAL YEAR ENDED JUNE 30, 2014

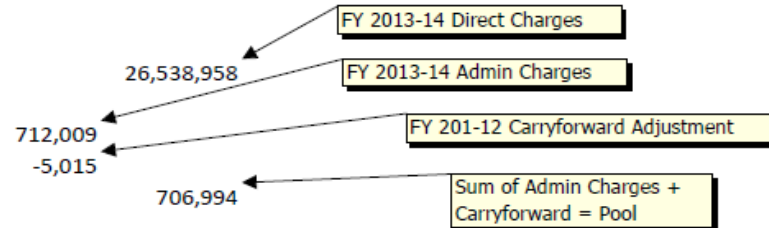
(A) Applied Costs:

Fixed Rate Per Negotiation Agreement
 Direct Base (34 CFR 75.567)
 Indirect Cost Pool:
 Admin Charge (34 CFR 75.565)
 Carry-Forward
 Total Pool



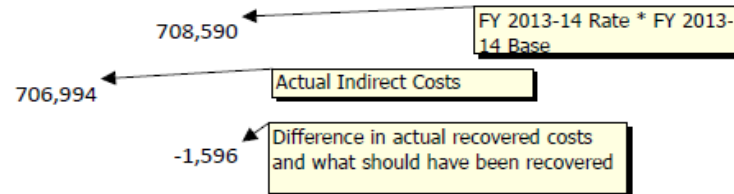
(B) Actual Costs:

Actual Direct Base
 Actual Indirect Cost Pool:
 Admin Charges
 Carry-Forward



(C) Carry-Forward Computation

Recovered:
 Fixed Rate * Actual Direct Base
 Should Have Recovered:
 Actual Indirect Costs Billed For



Under (Over) Recovery



LEA AUDIT REPORTING SYSTEM (LARS)



WHAT SHOULD BE UPLOADED

- Full Audit Report
 - SCDE Supplemental Schedules
 - Single Audit Section
 - Schedule of Findings and Questioned Costs
 - Corrective Action Plan
 - Management Letter
- OMB Data Collection Form
 - Website is currently down – Due date extended to 12/31/15
- SCDE Supplemental Schedule Template



Supportive Information Sheet

- Supportive Information
 - Input supportive information values under the supportive information tab
 - Form does not have to be submitted



ISSUES

- Template upload
 - Data is used for several state and federal reports (indirect cost, NPEFS, F-33, etc.)
 - Select the correct option (LEA, Charter, or Both)
 - If incorrect option selected, revenue and expenditures could be double counted or under reported
 - Have conversation with charter to inform them of their data has been blended with the sponsoring district's data



ISSUES

- Ensure that transfers from one fund to the next net to \$0 or an error will be noted



Questions

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