

UNIFORM GRANT GUIDANCE

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South Carolina Association of School Business Officials
Lunch and Learn
Seawell's Banquet and Catering
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WHAT?

- Office of Management and Budget (OMB) Cost principles (A-87, A-122, A-21), audit requirements (A-133), and grant administrative regulations, have been consolidated into one set of regulations for federal grants
- Guidance was released 12/26/13 by the OMB
- The consolidated document, commonly referred to as the OMB Supercircular or OmniCircular, is the Uniform Grant Guidance and is listed at 2 Code of Federal Regulations Part 200 (2 CFR Part 200)

WHO AND WHY?

- The federal government is attempting to streamline processes, relieve burden on grantees, and improve efficiencies
- 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

WHEN?

- The Uniform Grant Guidance became effective on December 26, 2014.
- Effective for new federal awards on/after December 26, 2014
- Effective for new disbursements of multi-year awards on/after December, 26, 2014
 - Therefore, you may have to follow two sets of guidance for the same award

Multi-Year Awards

- Years 1-2 of a program of an award may be under the old OMB Circulars
- Years 3-5 of same program may be under the Uniform Grant Guidance
- Also impacts audits of the programs

TIP: Track developments/revisions to your award by reading each year's award documents carefully and staying mindful of 12/26/14

WHERE?

- Electronic Code of Federal Regulations
 - http://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr200_main_02.tpl
- New EDGAR
 - <http://www2.ed.gov/policy/fund/reg/edgarReg/edgar.html>
- Technical assistance on UGG:
 - <http://www2.ed.gov/policy/fund/guid/uniform-guidance/index.html>

USED Regulations

Awards Received Prior to
12/26/14

OMB Circulars & EDGAR

Awards Received On/After
12/26/14

UGG & EDGAR

Circulars A-89, A-102, A-110

UGG Subparts B, C, and D

Circulars A-21, A-87, A-122

UGG Subpart E

Circulars A-133, A-50

UGG Subpart F

EDGAR Parts 75 to 99

EDGAR Parts 75-79 and 81-99

EDGAR Parts 74 and 80

Now in UGG

Sections

- 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

2 CFR Part 200

- Pre-Award Risk Assessment (§200.205)
- Information in Federal Award (§200.210)
- Performance Measurement (§200.301)
- Financial Management (§200.302, §200.328, §200.331)
- Internal Controls (§200.303)

2 CFR Part 200

- Equipment versus Supplies (§200.33, §200.94)
- Procurement (§200.308, §200.317-200.326)
- Monitoring Requirements for Pass-through Entities (§200.331)
- Time and Effort Reporting (§200.430)
- Audit Threshold (§200.518)

WHAT IS EXPECTED???

- State and local governments should anticipate
 - Increased oversight and accountability expectations for federal spending,
 - Increased expectations for electronic reporting in open, machine-readable formats
 - Shift in how the federal government plans to manage federal resources
 - Federal agencies to update multi-year award documents for increments received after 12/26/14
 - Shift from focus on *Compliance* to a focus on *Performance*
 - Auditors and monitors will concentrate more on outcomes than processes

New Regulations Require

- Focus on performance (not just compliance):
 - Heightened scrutiny
 - Consequences for noncompliance
 - Recovery audits
 - Loss of grant awards
 - Personal liability for certifying officials and authorized organizational representatives

SCDE Assurances and Terms and Conditions For Federal Awards

- The SCDE has updated its assurances and terms and conditions for federal awards to comply with requirements listed in the Uniform Grant Guidance

SCDE Assurances and Terms and Conditions For Federal Awards

- Assurances – Part D – Will comply with the OMB 2 CFR Part 200 Subpart E – Cost Principles related to the allowability, reasonableness, and allocability of costs consistent with the approved budget and also by maintaining required support for salaries and wages
 - Allowability – Must have WRITTEN allowability procedures for grants
 - How do you determine what expenditures are allowable?
 - How do you ensure that all costs charged to the grant are allowable?
 - Are these procedures written? If not, they MUST be.

SCDE Assurances and Terms and Conditions For Federal Awards

- Reasonableness
 - Is the expenditure prudent?
 - Is the expenditure necessary?
 - Is the price charged for the good or service comparable to the same good or service received elsewhere?
- Allocability
 - If expenditure is split between different cost objectives, how do you determine the costs charged to the grant?

SALARIES AND WAGES

- In addition to payroll records, timesheets, etc., salaries and wages charged to federal grants must be supported by certifications or personnel activity records that must be incorporated into official records of the non-federal entity
 - Certifications
 - Employee works on one cost objective
 - Complete semiannually
 - Signed by employee or supervisor having first hand knowledge of work performed during the period covered by the certification

Salaries and Wages

- Personnel Activity Reports (PARs)
 - Employees who work on multiple cost objectives
 - Complete monthly
 - Must show distribution of 100% of time
 - Do not solely look at funding source but look at activities to determine if PAR or semi-annual certification should be completed
 - For instance, a special education teacher's salary is funded 50% with IDEA funds and 50% with general fund dollars. The teacher teaches a group of special education students all day. The teacher should complete a semi-annual certification, not a PAR.
 - An attorney's salary is funded 50% with IDEA funds and 50% General Funds. The attorney is responsible for filing complaints for special education students and performs legal services for non IDEA purposes. The attorney should complete a monthly PAR.

Salaries and Wages

- Time and effort reporting is a common finding for LEA's. Ensure that all employees who work on a federal cost objective complete either the semi-annual certification or PAR, whichever is applicable, and ensure the documents are accurate
- Remember documents must be prepared AFTER-THE-FACT

SCDE Assurances and Terms and Conditions For Federal Awards

- Assurances Part M - Comply with 2 CFR Part 25 and register and receive a unique entity identifier, fulfill the requirement for the System for Award Management at www.sam.gov, maintain the currency of the registration throughout the full grant term, and allow access by the granting agency to ensure compliance
- Assurances – Part N - Comply with 2 CFR Part 200.112 and disclose **in writing any potential** conflict of interest to the SCDE
 - Personal benefit from grant
 - Financial gain from grant
- Assurances – Part O - Comply with 2 CFR Part 200.113 and disclose in **writing** to the SCDE **all violations** of federal criminal law involving fraud, bribery, or gratuity violations potentially affecting the federal award

NEW AUDIT REQUIREMENTS

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

NEW AUDIT REQUIREMENT

- 200.509 requires nonfederal entities seeking to hire an audit organization to perform a single audit will be required, for the first time, to request **a copy of the audit organization's peer review report.**
- The RFP must also clearly state the objective and scope of the audit
- Factors to consider when evaluating each proposal include the responsiveness to the RFP, relevant experience, availability of staff with professional qualifications and technical abilities, the results of peer and external quality control reviews, and price

2015 Compliance Supplement

- Eliminates “Circular A-133” from the title
- Should be released in April 2015
- Will include 2 versions of Part 3
 - 1 for Awards prior to the Uniform Grant Guidance
 - 1 for Awards after the Uniform Grant Guidance

Compliance Requirements

- Activities Allowed or Unallowed
 - No significant changes
- Allowable Costs and Cost Principles
 - Updated for new UGG references
 - Updates selections of costs
 - Reorganized for clarity
- Cash Management
 - Add payment system examples on minimizing the lapse of time between drawdown of funds and expending of funds

Compliance Requirements

- Equipment and Real Property
 - Separated audit objectives for states and nonfederal entities
 - No significant changes to audit requirements
- Period of Performance
 - Focus on Areas of Highest Risk
 - Auditors Encouraged to test at the Beginning of the Performance Period and End of Period to Ensure that Obligations are liquidated at the required time period

Compliance Requirements (Cont.)

- Procurement, Suspension, and Debarment
 - Emphasizes Three Ways Auditors Can Comply
 - Checking SAM registration
 - Collecting a certification from the entity providing goods or services
 - Adding a clause or condition to the covered transaction

Compliance Requirements (Cont.)

- Program Income
 - Provide clear descriptions on what is considered as program income under the uniform guidance, and a discussion on the three methods used for using program income
 - Deduction
 - Addition
 - Cost sharing or matching
- Subrecipient Monitoring
 - Focus audit objectives to ensure the recipient followed the requirements of the 200.331 of the guidance

Compliance Requirements

- Other requirements are basically the same
- OMB and its workgroups developing the 2015 supplement are deciding whether to remove the requirements in the Davis-Bacon Act section to the Special Tests and Provisions section
- “Real Property Acquisition and Relocation” requirements will be deleted

PROCUREMENT

- The Uniform Grant Guidance states general procurement standards for non-Federal entities in Section 200.318 General Procurement Standards through 200.326 Contract Provisions
- 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
- Must maintain oversight to ensure that contractors perform in accordance with terms, conditions, and specifications
- The non-Federal entity must maintain written standards of conduct covering conflicts of interest and governing the performance of its employees engaged in the selection, award, or administration of contracts
- Employees, officers, or agents should not participate in the selection of a vendor in which the member may have a conflict of interest (i.e. financial or any benefit)

General Procurement Standards

- Award to responsible contractors
- Maintain records
- Follow restrictions on time and material contracts
- Use good business judgment in settlement of contractual issues
- Conduct procurements in full and open competition (required).

Key Changes to Procurement

§ 200.324 – new requirements for oversight of procurement dollars, including:

- Entity must make available, upon request, technical specifications on proposed procurements to ensure the item or service is the one being proposed for acquisition
- Entity must make pre-procurement process documents available if certain conditions exist.

Methods of Procurement

- The non-Federal entity **MUST** use one of the following methods of procurement:
 - Micropurchases
 - 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)

- 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.)

- 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

Pre-Award Risk Assessment

§200.205 (c)

In evaluating risks posed by applicants, the awarding agency may use a risk-based approach and may consider any items such as the following:

- Financial stability,
- Quality of management systems and ability to meet management standards,
- History of performance,
- Reports and findings from audits, and
- Applicant's ability to effectively implement statutory, regulatory, other requirements.

Pre-Award Risk Assessment

- LEA's may be subjected to a pre-award audit if requested by one of the SCDE program offices. If a pre-award audit is conducted, the SCDE Office of Auditing Services will
 - Distribute a pre-award audit questionnaire, an internal control questionnaire, to the LEA to complete
 - Request and review agency policies and procedures related to financial grant management (travel, procurement, disbursements, receipts, etc.)
 - Select an expenditure report for a current grant and review documentation maintained to support expenditures requested for reimbursement

Pre-Award Risk Assessment

Criteria in §200.205 allows the federal awarding agency or pass-through entity to impose additional specific award conditions such as:

- Withholding authority to proceed to the next phase until receipt of evidence of acceptable performance within a given performance period,
- Requiring additional, more detailed financial reports,
- Requiring additional project monitoring,
- Requiring the non-federal entity to obtain technical or management assistance, or
- Establishing additional prior approvals.

Performance Measures

2 CFR Part 200.301

- Setting specific performance goals, indicators, milestones or expected outcomes and timelines.
- For example: quantitative monthly or quarterly projections of the accomplishments to be achieved for each proposed program function or activity.

2 CFR Part 200.301

Performance Measurement Requires:

- Comparison of performance goals to actual accomplishments, and
- The recipient to relate financial data to performance accomplishments

2 CFR Part 200.210

Requires federal agencies to note in federal award documents:

- Performance goals
- Indicators
- Milestones/expected outcomes
- Timelines

That applicants wrote in their proposals

2 CFR Part 200.210 (d)

- Clarifies that performance goals and objectives in federal grant award agreements are directed toward achieving desired outcomes.
- Means federal award documents for grants and cooperative agreements are becoming comparable to federal contract agreements (i.e., task orders) with deliverables stated.

Internal Controls

§200.303

The non-federal entity must 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.

Internal Controls, cont.

§200.303

These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” 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).

Internal Controls, cont.

§200.303

Internal Control is a process, effected by an entity's board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting, and compliance.

COSO Framework Components

- Control Environment - sets the tone of an organization and serves as the foundation for the other components of internal control.
- Risk Assessment - management's formal process for assessing its operating environment and taking actions.
- Control Activities - the actions established through policies and procedures that help ensure that management's directives to mitigate risks to the achievement of objectives are carried out.

COSO Framework Components, cont.

- Information and Communication - the identification, capture, and exchange of information in a form and timeframe that enable people to carry out their responsibilities.
- Monitoring - a process that assesses the quality of internal control performance over time.

Internal Controls, cont.

- Ensure internal controls are written, adequately documented, and implemented.
- §200.302 requires written procedures for determining the allowability of costs in accordance with Subpart E-Cost Principles and the terms and conditions of the federal award.
- Ensure all assets are properly safeguarded and used solely for authorized purposes.

Certification

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.**

GAPS Certification Language

Expenditure Summary | GAPS District Finance Approver | Member Center | Contacts | Logout

SOUTH CAROLINA STATE DEPARTMENT OF EDUCATION

Sub Grant Selector

Sub Recipient: Abb
Sub Grant Title: 27 F
Award Period: 6/10

Select a Fiscal Quarter

Sub Program Code Function Code S P N

18	212	27	F	N
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award

(700) Indirect Costs Total

\$0.00	\$13,000.00
Total:	\$0.00 \$0.00 \$0.00 \$0.00 \$0.00 \$13,000.00 \$0.00 \$13,000.00

Back Submit

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Submit

By submitting this report through the GAPS system, I certify to the best of my knowledge and belief that the report is true, complete, and accurate. Also, that the expenditures reported have been incurred and are for the purposes and objectives set forth in the terms and conditions of the Grant award. I understand that the payment for this claim must not be duplicated or reimbursed from any other source and the related documentation to support this claim are on file and available for review at any time. I am aware that any false, fictitious, or fraudulent information, or the omission of any material fact, may subject me to criminal, civil or administrative penalties for fraud, false statements, false claims or otherwise.

Are you sure you wish to Bulk Submit all Expenditure items for All Quarters?

Yes Cancel

GAPS LANGUAGE

By submitting this report through the GAPS system, I certify to the best of my knowledge and belief that the report is true, complete, and accurate. Also, that the expenditures reported have been incurred and are for the purposes and objectives set forth in the terms and conditions of the Grant award. I understand that the payment for this claim must not be duplicated or reimbursed from any other source and the related documentation to support this claim are on file and available for review at any time. I am aware that any false, fictitious, or fraudulent information, or the omission of any material fact, may subject me to criminal, civil or administrative penalties for fraud, false statements, false claims or otherwise.

Actions

- Read the Uniform Grant Guidance
 - Definitions (Subpart A)
 - Note language used:
 - “must” means required
 - “should” means best practice recommended

Actions (cont.)

- Perform an internal review at your LEA
- Ensure procedures are written and clearly documented
- Ensure that the proper controls are in place
- For cash management procedures, if your entity is not provided any advances, include that verbage in your procedures
- Communicate with your program officers to ensure that they are aware of the UGG



QUESTIONS??????

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