Updating Your Policies and Procedures
Meeting the Uniform Grant Guidance Requirements
Thompson Information Services
Presented by: Sandra Swab
Agenda

I. Introduction: Uniform Guidance—Focus on Policies, Procedures and Internal Controls

II. Key Policy Areas Identified by OMB

III. Other Guidance Areas for Review

IV. Developing Policies, Procedures & Internal Controls

V. Policies, Procedures and Template Overview

VI. Summary
Uniform Guidance:
Introduction: Focus on Policies, Procedures and Internal Controls
Uniform Grant Guidance Requirement

The Office of Management and Budget’s (OMB’s) uniform grant guidance requires nonfederal entities to have written policies and procedures in place.
Uniform Grant Guidance Objectives:

- Ease administrative burden
- Strengthen oversight
- Strengthen internal controls in the administrative process
Uniform Grant Guidance Focus:

- Administrative flexibility
- “Reasonable assurance” of grant compliance
- Level of risk
- Ability to Perform
- Protection of allowable costs
Introduction

Uniform Grant Guidance Implies:

Properly written policies and procedures are one of the best ways to improve your organization’s internal controls, minimizing the likelihood of fraud, waste and abuse.
Uniform Grant Guidance Implies:

That many nonfederal entities have written policies and procedures in place, but updates may need to be addressed as the uniform grant guidance is implemented.
Where to Start?

• All the organization’s existing policies and procedures will require review
  • Some will require updates and revisions
  • Some may remain as written
  • Some new policies and procedures may need to be created
Introduction

Strategies

• First, identify the policies and procedures OMB has indicated are necessary

• Second, look at existing organizational policies and procedures for updates, changes

• Third, consider new policies and procedures, as appropriate
Uniform Guidance: Key Policy Areas Identified by OMB
Key Policy Areas Identified by OMB

OMB Interest in Written Policies/Procedures

- Internal Controls
- Personally Identifiable Information (PII)
- Travel
- Financial Management and Accounting
- Personnel Compensation (Time and Effort)
- Conflict of Interest/Disclosures
- Procurement
- Report Certification
Key Policy Areas Identified by OMB

Internal Controls (§ 200.303)

• Uniform guidance requires effective controls to manage federal awards
  • Show compliance with federal statutes, regulations and terms and conditions of the award
  • Identify how organization evaluates and monitors compliance
Key Policy Areas Identified by OMB

**Internal Controls (§ 200.303)**

- Five areas of internal control
  - Control environment (approval processes)
  - Risk assessment (processes to assess risk)
  - Control activities (processes to check accuracy)
  - Information and communication (training)
  - Monitoring (review processes)

- Identify what steps are taken to correct issues
- Provide reasonable assurance
Key Policy Areas Identified by OMB

Internal Controls (§ 200.303)

*Internal controls flow through all procedures*

Resources identified in Uniform Guidance for internal controls:

- “Standards for Internal Control in the Federal Government” (Comptroller General of U.S)
- “Internal Control Integrated Framework” (COSO)
Key Policy Areas Identified by OMB

Internal Controls (§ 200.303)

- New: PII
- Personally Identifiable Information
  - Must have reasonable procedures in place to protect personally identifiable information and other information identified as sensitive
  - Policy can address how an organization stores, accesses and shares PII data
Key Policy Areas Identified by OMB

Travel (§ 200.474)

• Current guidance allows for travel costs to be charged on a actual costs basis, a per diem basis, or a combination of the two as long as charged the same way for the whole trip and in lieu of actual costs
  • Travel costs must be consistent with entity’s written travel policy
  • Conference attendance must have supporting documentation and be retained by recipient
Key Policy Areas Identified by OMB

Travel (§ 200.474)

- New: family-friendly policies
- Dependent care costs 200.474 (c) (1) must be consistent with entity’s documented travel policy
- Travel costs must be reasonable and in accordance with entity’s written policy
LO1: Key Policy Areas Identified by OMB

Travel (§ 200.474)

• What happens if there are no local written travel policies and procedures?
  • Follow GSA travel rules (48 CFR 31.205-46 (c)) and document it
  • Create simple written policy that travel is based on GSA standards
Key Policy Areas Identified by OMB

Financial Management (§ 200.302)

• Financial system must identify federal awards by:
  • CFDA number and title
  • Federal award ID and year
  • Name of federal awarding agency
  • Pass-through entity’s name
Financial Management (§ 200.302)

- Must have written procedures for determining allowability of costs
  - Subpart E Cost Principles
  - Terms and conditions of the award
    - Equipment, for example, may not be allowable under an award
Key Policy Areas Identified by OMB

Financial Management (§ 200.302)

- Subpart E – Cost Principles
- 55 items of costs
  - Allowable costs
  - Unallowable costs
  - New costs (social media, family friendly travel)
- Chart of accounts must align with uniform guidance as well as written policies
Key Policy Areas Identified by OMB

Financial Management (§ 200.302)

• Payment (§ 200.305) requires written procedures:
  • States follow Cash Management Improvement Act
  • All other entities to minimize the time between transfer of funds from government to disbursement
  • For advance payments, entities must minimize the time between transfer of funds and disbursement; have financial systems that meet standards of funds control, and maintain accountability
Key Policy Areas Identified by OMB

Personnel/Time & Effort (§ 200.430(i))

• Written procedures required
  • Documentation for time paid under federal award and (new) documentation for non-award time, all totaling 100 percent.
  • Also used in meeting cost sharing or matching requirements (§ 200.430(i)(4))
Key Policy Areas Identified by OMB

Personnel/Time & Effort ( § 200.430(i))

• Records must:
  • Accurately reflect work done
  • Be incorporated into entity’s official records
  • Comply with organization’s accounting policies and practices
  • Support distribution of employee’s time if the employee works on more than one federal award
Key Policy Areas Identified by OMB

Personnel/Time & Effort (§ 200.430(i))

• Additional considerations
  • Budget estimates do not qualify as support for personnel charges (200.430(i)(1)(viii))
  • Percentages may be used instead of number of hours in the entity’s records (200.430(i)(1)(ix))
  • If entity’s records meet the standards found in 200.430(i)(1), no additional documentation support is needed
Key Policy Areas Identified by OMB

**Personnel/Time & Effort (§ 200.430(i))**

- Procedures must be defined and provide reasonable assurance that charges are accurate, allowable and properly allocated
  - May require a review and sign-off process with timeline to meet entity’s payroll schedule
  - May require a change process with timeline for correction
  - May require supporting documents defined by entity
Conflict of Interest (§ 200.112)

- Recipients must disclose in writing any potential conflict of interest
- Recipients must define how conflict of interest is handled based on the federal agency’s policy
- It is especially important for procurement activities
- Conflict of interest extends to boards, donors, partners
Key Policy Areas Identified by OMB

Mandatory Disclosures (§ 200.113)

- Applicants and recipients must disclose violations in writing that involve fraud, bribery or gratuities that may affect a federal award.
- Policies must address timeliness of notification and what steps are taken to address the violation.
Key Policy Areas Identified by OMB

Procurement (§ § 200.317-326)

- States follow same their procurement policies and procedures with federal or nonfederal funds
- Nonfederal entities (institutions of higher education, nonprofits and hospitals) that were previously governed by OMB Circular A-110 have option of one additional fiscal year grace period for implementation of procurement policy
Procurement (§ § 200.317-326)

- Records of sufficient detail to provide a historical or audit trail.
- Contractual and administrative issues, including disputes, protests, and evaluations
- Full and open competition that are consistent with uniform guidance standards
- Noncompetitive (sole source) procurement and when it can be used
Key Policy Areas Identified by OMB

Procurement (§ § 200.317-326)

- Risk assessments in selection process
- Award provisions include representations and certifications in Appendix II
Key Policy Areas Identified by OMB

Certification (§ 200.415)

• New certification for an entity’s authorizing official (who can legally bind the organization).

• Recipient policies/procedures must include the certification for the organization’s management to sign; procedures may need to define what steps or reviews are required prior to signing.
Uniform Guidance: Other Guidance Areas for Review
Other Areas for Review

Provisions in Uniform Guidance with Changes

• Financial reporting
• Performance reporting
• Prior written approval
• Documentation
• Indirect costs
• Risk assessments
• Cooperative audit resolution (CAROI)
Other Areas for Updates

Financial Reporting (§ 200.327)

Requires use of OMB-approved data collection instrument (currently SF-425)

• Procedures should describe when to start collecting data for the report, who shall review and sign the report, and when the report will be submitted

• Procedures should include timeframes for report submissions and corrections
Other Areas for Updates

Performance Reporting (§ 200.328)

Federal awarding agencies must include performance goals or measures in awards

• May require change in internal reporting process

• May require different data collection activity to meet reporting requirements
Other Areas for Updates

Performance and Financial Reporting (§ 200.301)

Uniform guidance requires recipients to relate financial data to performance accomplishments (200.301)

- May require change in internal reporting process
- May require change in budget development e.g. sub-budgets by program objective
Prior Approvals (§ 200.407)

The uniform guidance provides a list of 22 actions that require prior written approval:

• Policy and/or procedures may want to include the list

• Procedures need to identify steps to take in advance of expending funds
Other Areas for Updates

Documentation

• The requirement of documentation is used throughout the uniform guidance.
  • Travel
  • Procurement
  • Personnel/Time & Effort
  • Performance Reports
  • Financial Reports
Other Areas for Updates

Documentation

• Policy and/or procedures should include requirements for documentation to include:
  • The award ID on the document
  • Any organizational ID
    • Project number
    • Account number
    • Department number
  • Steps to take before expending funds
Other Areas for Updates

Indirect Costs (200.414)

• New: Federal agencies must accept negotiated indirect cost rate of recipients
• New: “De minimis” flat rate of 10 percent for nonfederal entities that never had a negotiated indirect cost rate
• New: Pass-through agencies must accept negotiated indirect cost rate of subrecipients
Indirect Costs (200.414)

- New: If no indirect cost rate exists but subrecipient wants to charge indirect costs, the pass-through agencies must
  - Negotiate an indirect cost rate, OR
  - Allow the “de minimis” flat rate of 10 percent

- Nonfederal entities’ policies and procedures should reflect changes
Other Areas for Updates

Risk Assessments (200.205)

Nonfederal entities’ policy and/or procedures should consider including basic indicators of risk:

- how risk is monitored and corrected
- Include reasonable assurance
  - Past performance
  - Experienced leadership
  - Favorable registration in SAM.gov
  - Requirements for subrecipients or partners
Cooperative Audit Resolution (§ 200.25)

Nonfederal entities’ may want their policy procedures to include prompt corrective actions to reduce outstanding audit findings by:

- Documenting resolution process;
- Reviewing reports
- Establishing timelines
- Making reducing audit findings a management policy and cooperatively working with federal agencies for resolution
Uniform Guidance: Developing Policies, Procedures and Internal Controls
Some Distinctions - Policy

• **Policy**: Broad stated guidance or guiding principles of an organization developed by the organization’s governing body or management team that direct its operating activities to achieve long-term program and administrative goals.
Some Distinctions – Procedures

• **Procedures**: Step-by-step instructions or course of action for an associated policy that have start and end points, must be followed in order to complete a specific task or action, and usually requires a decision or approval from a management official.
Some Distinctions - Internal Controls

• A system of internal control or internal controls: Provides reasonable assurance that federal funds will be managed and expended as intended. Written policies and procedures strengthen an organization’s system of internal control.
Some Distinctions - Internal Controls

- **Internal Controls**: Logical steps (controls) defined in procedures that are used to conduct business activities in an efficient manner that safeguard the organization’s assets and resources; enables the access to and production of accurate and complete financial data for reliable and timely financial and management reports; and ensures policies are followed and when not, identifies corrective action steps to be taken.
Some Distinctions - Flexibility

- **Flexibility**: The uniform guidance provides limited procedural instructions. The guidance defines **what** must be done, but not **how**.
Developing Policies and Procedures

Policy, procedures and internal controls are terms used throughout the uniform guidance. These terms define an oversight or authorization/approval process and includes, what is often called separation of duties, so that one person does not undertake all steps of a procedure, and actions are done within a specified timeframe.
Managing Policies and Procedures

• Written policies should be maintained separately from procedures
• Policies are broad operational statements
• Procedures are step-by-step instructions for a task or activity and may be separated by work unit and be part of larger operating process between two units
• Internal controls are embedded in procedures
Uniform Guidance: Policy, Procedures and Template Overview
How To Develop Policy

• Identify need - Review current organization’s program goals, objectives, mission statement and assess current activities and responsibilities. Review external environment and interactions.

  • Determine if there is a goal, objective or activity that requires definition.
  • Determine if an activity needs to be defined in order to meet organization’s legal responsibility.
How To Develop Policy

• Identify need – There are many sections in the uniform guidance that require revision of local policies previously based on the OMB circulars:
  • Updates to outdated policies (travel, procurement).
  • New items of cost.
  • New certifications.
  • New data requirements.
  • Pre-approvals.
Policy Example – Payment Advances/Drawdowns

• Are requests being made within allowed timeframes? If answer is no—consider policy

• Does the organization hold the funds for an unusual period of time routinely? If answer is yes—consider policy

• Broad Policy Statement Example: Organization will minimize the timeframe between an advance request or drawdown and meeting payment obligations.
Policy Template – Format

I. **Purpose:** Define why the policy is being written

II. **Policy:** Define in a broad statement organization’s policy; provide a description of the policy

III. **Authority:** Include organization’s legal authority or use federal citation from uniform guidance

IV. **Signature; Effective Date**
Definition of Procedure

- Procedures are:
  - Specific, step-by-step instructions to perform a task and may be part of a larger work process
  - Work instructions; desk procedures
  - Structured by subject
Questions To Consider When Writing Procedures

• Procedures define:
  • Who performs the procedure
  • What steps are performed
  • When the steps are performed
  • How it is performed
Example – Advance Payment Questions

- Who initiates advance payment? Is requestor authorized to make request? Who performs the procedure?

- What is needed to support the request, e.g., documents, cash on hand to meet obligations?

- Why: Under what circumstances would an advance payment be appropriate?
Example – Advance Payment Questions

• When is analysis needed regarding cash? When is the request made (the first of month/ middle of month). When is a response expected?

• How is the procedure done, such as preparing a request form, getting authorization, submission of request?
Procedures Template - Format

I. **Purpose:** Define why procedure is being written; supports a defined policy

II. **Authority:** Insert organization’s policy or use federal uniform guidance citation

III. **Staff Responsibilities:** Identify staff involved and who is involved for specific actions (by title)
IV. Definitions: Define terms used in procedure
V. Procedures: Write out step-by-step instructions, using the who, what, when, and how questions
VI. Reports: Identify if reports are required, what information is required and when due
VII. Supersession (replacement)/Cancellation: Identify if the procedure is a replacement or cancellation
Procedures Template - Format

VIII. Maintenance: Identify the organizational unit/staff who developed procedure; when it will be reviewed and updated

IX. Signature, Effective Date: Approval/authorization signature; approval date; and effective date

X. Distribution List: Identify internal and external distribution
Why Policies Need Updating

• There are many reasons to update policies
  • Commitment – by a specific date/annually
  • New legal responsibilities or mission statement
  • New requirements from funding organization
  • **Change in federal regulations**
  • Change in internal activities or external relationships
Steps To Consider

• Identify if a policy or procedure needs to be completely rewritten or just modified
  • Rewritten documents should be drafted and reviewed and accepted by the management team
  • Modified documents may only need minor changes
Steps To Consider:

Communicate changes using cover transmittal or email transmittal

- Staff/internal dissemination
- External dissemination, as appropriate
What To Update First?

• List by last date procedure was updated or established, or

• Determine what procedures will have most impact on organization if not updated within a specified timeframe, or

• Identify what award activities will occur early on and may need procedures, or
What To Update First?

• Review any audit findings associated with procedure and correct any deficiencies, or
• Review changes in staff that may alter approval requirements (names and titles)

Create a schedule for updates, revisions. Document when procedures were updated.
All updating requires

- Review the procedures for a particular process currently being used
- Review the same process in the uniform guidance
- Compare, identify changes, revise
All updating requires

• Review and approval of new procedure
• Signature of authorized representative and date
Summary

• For award management, the Uniform Guidance requires recipient organizations to have written policies/ procedures in place for:
  • Personnel/employment
  • Travel
  • Procurement
  • General Management
  • Financial Management
  • Plus Others
Summary

• Nonfederal entities should review the uniform guidance to:
  • Determine what activities may need written procedures in order to manage a particular activity or issue
  • Review any audits that may indicate a weakness in internal control or policy/procedures
Summary

• Nonfederal entities’ policies and procedures should be designed to have:

  • Broad business practice statements (policy) with operating procedures (step-by-step instructions) that include internal controls (oversight) that addresses waste, fraud and abuse
Follow-Up Questions

If you have any remaining questions after the conclusion of today’s webinar please do not hesitate to get in touch.

Ask our editor: karen.norris@thompson.com

For more information and great grants related resources feel free to visit us online:

• http://www.thompson.com/
• http://grants.complianceexpert.com/ (Thompson’s subscription website, federal compliance regulations are available to all free of charge)
This presentation is intended solely to provide general information and does not constitute legal advice. Attendance at the presentation or later review of these printed materials does not create an attorney-client relationship with the presenter(s). You should not take any action based upon any information in this presentation without first consulting legal or financial advisors familiar with your particular circumstances.