Agenda

• What is the uniform grant guidance?
• Financial Management Systems
  ➢ Identification of Federal Awards
  ➢ Financial Reporting
  ➢ Accounting Records
  ➢ Internal Control
  ➢ Budget Control
  ➢ Written CMIA Procedures
  ➢ Written Allowability Procedures
• Policies & Procedures: Helpful Practices
• Questions
OMB Uniform Grant Guidance “Part 200”
What is covered?

✓ A-102: Administrative Rules State and Local Govts
✓ A-110: Administrative Rules IHEs and Nonprofits
✓ A-87: Cost Principles – State and Local Govts
✓ A-21: Cost Principles – IHEs
✓ A-122: Cost Principals – Nonprofit Orgs
✓ A-133: Audit Rules
Reasons for the Change?

1. Simplicity
2. Consistency
3. Obama Executive Order on Regulatory Review
   - Increase Efficiency
   - Strengthen Oversight
Who crafted the changes?

- OMB
- Council on Financial Assistance Reform (COFAR) & Key Stakeholders
  - [www.cfo.gov/cofar](http://www.cfo.gov/cofar)
- COFAR FAQs - November 2014
Who is covered?

• All “nonfederal entities” expending federal awards
The Major Changes in Federal Grants Management

1. Focus on Outcomes
2. Performance Metrics
3. Risk Assessments
5. Equipment Use
6. Micro Purchases
7. Corrective Action
8. Family Friendly Policies
9. False Claims Certifications
10. Audit Thresholds
Most Significant Changes

• Part 200 has a MAJOR emphasis on strengthening accountability by improving policies that protect against waste, fraud and abuse
Most Significant Changes

- Shift from focus on *compliance* to focus on PERFORMANCE!!!
  - Auditors (A-133 + Federal OIG) and Monitors (Federal and State Pass-Through) must look more to “outcomes” than to “process”
Inconsistency Between Program Statute and Circular

- If federal program statute or regulation differs from uniform grant guidance, then statute/regulation governs.
Key Dates:

- Feb. 1, 2013: Notice of Proposed Rulemaking
- Dec. 19, 2013: Final Rule Released
- Dec. 26, 2013: Federal Register Published Rule
- May 22, 2014: New OMB Compliance Supplement
- June 26, 2014: Draft Agency Implementing Regulations Due
- Dec. 19, 2014: Final Regulations Published
- June 2015: 2015 Compliance Supplement
Date of Applicability of Revised Rules

• Audit requirements will apply to audits of fiscal years beginning on or after December 26, 2014.

• Administrative requirements and cost principles will apply to new awards and to additional funding (e.g., depending on agency rules, funding increments) to existing awards made after December 26.
Structure of Uniform Grant Guidance

2 CFR Part 200
- Subpart A: Definitions
- Subpart B: General Provisions
- Subpart C: Pre-Award Requirements
- Subpart D: Post-Award Requirements
- Subpart E: Cost Principles
- Subpart F: Audit Requirements
Financial Management Systems
and Changes Under the Uniform Guidance
Financial Management

- Uniform guidance brought changes to financial management requirements
- Revised rules set standards for financial management of federal awards
- Located at 2 CFR 200.302
Financial Management

- Each State must expend and account for Federal awards in accordance with state laws and procedures
  - 2 CFR § 200.302(a)
Financial Management

- State & other non-federal entity financial management systems (including records documenting compliance) must be sufficient to:
  - Prepare required reports
  - Trace funds to an expenditure level adequate to establish funds were used in compliance with --
    - Federal statutes,
    - Regulations, and
    - Federal award terms and conditions
Financial Management Systems

Financial management systems must provide:

1) Identification of Federal Awards (New)
2) Financial Reporting
3) Accounting Records
4) Internal Control
5) Budget Control
6) **Written Procedures** on Cash Management (New)
7) **Written Procedures** to Determine Allowability (New)
1) Identification of Federal Awards (New)

Financial management systems must:
1) Identify all federal awards received and expended and the federal programs under which they were received.
1) Identification of Federal Awards

- Identification must include:
  - CFDA title and number
  - Federal award ID number and year
  - Name of Federal agency
  - Name of pass-through entity, if any
2) Financial Reporting

Financial management systems must:

2) Provide accurate, current, and complete disclosure of the financial results of each federal award or program in accordance with reporting requirements.
2) Financial Reporting

• New: In accordance with requirements in 200.327 and 200.328
  • 2 CFR 200.327: Financial reporting
  • 2 CFR 200.328: Monitoring and reporting program performance
2) Financial Reporting

- **200.327 Financial Reporting:** Unless OMB approves otherwise, Federal awarding agency can only collect OMB approved data elements
  - Frequency defined by grant terms
  - No less than annually
  - No more than quarterly unless unusual circumstances
2) Financial Reporting

• **200.328 Monitoring & Reporting Program Performance:**
  • Non-federal entity:
    • Is responsible for oversight of activities supported by the federal award;
    • Must monitor activities to assure compliance with requirements *and* achievement of performance expectations
• **200.328 Monitoring & Reporting Program Performance:**
  
  • Non-federal entity must submit performance reports at intervals required by federal agency or pass-through entity

  • Annual performance reports due 90 days after reporting period; Quarterly or semiannual performance reports due 30 days after reporting period

  • If nonfederal entity submits a justified request, the federal agency may extend due date for any performance report
Performance Information

• Non-federal entity must use OMB-approved governmentwide standard information collections

• For each federal award, reports will include:
  i. Comparison of actual accomplishments to objectives
  ii. Reasons goals were not met, if appropriate
  iii. Additional pertinent information (e.g., analysis and explanation of cost overruns or high unit costs)
2) Financial Reporting

Significant Developments

- If events occur between scheduled performance reporting dates that significantly impact supported activity, must inform federal awarding agency or pass-through entity of:
  - Problems, delays, or adverse conditions that would materially impair ability to meet objective of the federal award
    - Disclosure must include: statement of action taken or contemplated, and any assistance needed to resolve situation
  - Favorable developments
    - Finishing sooner or at less cost than expected
    - Producing more of beneficial results than originally planned
2) Financial Reporting

• Federal awarding agency may waive performance reports if not needed
3) Accounting Records

Financial management systems must:
3) Provide records that identify source and application of funds for federally-funded activities.
3) Accounting Records

- Must contain information pertaining to:
  - Federal awards
  - Authorizations
  - Obligations
  - Unobligated balances
  - Assets
  - Expenditures
  - Income
  - Interest (New)

- Must be supported by source documentation
Record Retention Requirements

• 2 CFR § 200.333

• Records related to a federal award (ex: financial records and supporting documents) must be maintained for 3 years under uniform grant guidance
  But...
  ➢ May be liable for longer, or
  ➢ Subject to other rules requiring longer retention period
Record Retention Requirements

- Federal awarding agencies and pass-through entities cannot impose other record retention requirements, EXCEPT:
  - If litigation, claim or audit started before 3 year period ends until resolution and final action
  - When notified in writing to extend retention period
  - Records for real property and equipment purchased with Federal funds must be retained for 3 years after final disposition

Additional exceptions located at 2 CFR 200.333
• 2 CFR § 200.335: Methods for collection, transmission and storage of information

• Federal agency and non-federal entity should, whenever practicable, collect, transmit, and store federal award information in open and machine readable formats rather than in close formats or on paper.

• Federal agency or pass-through must provide or accept paper versions upon request.
  • Cannot require more than an original and 2 copies of paper documents
• 2 CFR § 200.335: Methods for collection, transmission and storage of information

• 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 electronic media as long as:
  • Subject to periodic quality control reviews,
  • Provide reasonable safeguards against alteration, and
  • Remain readable
• **2 CFR § 200.336: Access to records**

• Federal agency, Inspectors General, Comptroller General and pass-through or any of their authorized representatives must be able to access any documents or other records of non-federal entity related to federal award
  
  • For audits, examinations, excerpts and transcripts

• Right to timely and reasonable access to non-federal entity’s personnel for interview and discussion related to documents
4) Internal Controls

Financial management systems must:
4) Provide effective control over, and accountability for, all funds, property, and other assets.
4) Internal Control

- The non-federal entity must:
  - Adequately safeguard all assets
  - Assure assets are used solely for authorized purposes
4) Internal Controls

• Internal controls (200.61)
  • A process, implemented and designed to provide reasonable assurance regarding the achievement of objectives in the following categories:
    • Effectiveness and efficiency of operations
    • Reliability of reporting
    • Compliance with applicable laws and regulations
4) Internal Control

• Cross references 200.303 Internal Controls (New)

• The non-federal entity must:
  • Establish and maintain effective control over the federal award
  • Evaluate and monitor the non-federal entity’s compliance with statutes, regulations, and terms of the federal award
  • Take prompt action when instances are identified including noncompliance identified in audit findings
  • Take reasonable measures to safeguard protected personally identifiable information (200.79)
Personally Identifiable Information (PII)

• 2 CFR 200.79

• Information used to distinguish or trace individual’s identity

• Either alone or when combined with other personal or identifying information linked to specific individual
Personally Identifiable Information (PII)

- **Public PII:** PII available in public sources (ex: websites, university listings, phone books)
  - Name
  - Address
  - Work number
  - Email
  - Home number
  - Education credentials
Person ally Identifiable Information

• PII determined on a case-by-case assessment of specific risk that individual can be identified

• Non-PII can become PII if additional information is made publicly available that when combined with other available information could be used to identify an individual
4) Internal Controls

Types of Internal Controls

• Preventative Controls - designed to discourage errors or irregularities

• Detective Controls - designed to identify an error or irregularity after it has occurred

• Corrective Controls - detect if a risk has been realized and reacts
4) Internal Controls

Components of Internal Controls

• Control Environment
• Risk Assessment
• Control Activities
• Information and Communications
• Monitoring
5) Budget Control

Financial management systems must:

5) Provide comparison of expenditures with budget amounts for each federal award.
6) Written Cash Management Procedures (New)

Financial management systems must:

6) Have written procedures to implement the requirements of Section 200.305 Payment
6) Written Cash Management Procedures

• For states, payments are governed by Treasury – State CMIA agreements and default procedures codified in 31 CFR Part 205
  • No Change
For all other non-federal entities, payments must minimize time elapsing between transfer of funds from the U.S. Treasury or the pass-through entity and the disbursement.
6) Written Cash Management Procedures

- Describe whether non-federal entity uses:
  1) **Advance Payments**
     - Limited to minimum amounts needed to meet immediate cash needs
  2) **Reimbursement**
     - Pass through must make payment within 30 calendar days after receipt of the billing
  3) **Working Capital Advance**
     - The pass through determines that the nonfederal entity lacks sufficient working capital. Allows advance payment to cover estimated disbursement needs for initial period
6) Written Cash Management Procedures

- **Obligation – 2 CFR 200.71**
  - Orders placed for property and services, contracts and subawards made, and similar transactions during a given period that require payment during the same or a future period
  - Promise to pay
Written Cash Management Procedures

• Interest earned must be remitted annually to HHS
• Interest amounts up to $500 may be retained by non-federal entity for administrative purposes
Financial management systems must:

7) Have written procedures for determining allowability of costs in accordance with Subpart E-Cost Principles and terms and conditions of federal award.
7) Written Allowability Procedures

- Not a restatement of Subpart E
- But a GPS through grant development and budget process
- Training tool for employees
All Costs Must Be:
1. Necessary, Reasonable and Allocable
2. Conform with federal law & grant terms
3. Consistent with state and local policies
4. Consistently treated
5. In accordance with GAAP
6. Not included as match
7. Net of applicable credits (§ 200.406)
8. Adequately documented
Necessary

• Uniform Grant Guidance – no description
• Based on the needs of the program
• Expenditure benefits program
• Helps achieve program objective
Necessary

• Consider:
  • Whether the cost is needed for the proper and efficient performance of the grant program
  • Whether the cost is identified in the approved budget or application
  • Whether there is a benefit associated with the cost
  • Whether the cost aligns with identified needs based on results and findings from a needs assessment
  • Whether cost addresses program goals and objectives and is based on program data
Reasonable Costs § 200.404

• Reasonable for the performance of the federal award

• “A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost.”

• Sound business practices
• Comparable to market prices
• Arm’s length bargaining
Reasonable Costs § 200.404

• Consider
  • Are there restraints or requirements imposed by factors like sound business practices; arm’s length bargaining; federal, state, and other laws and regulations; and terms and conditions of the federal award
  • Market prices for comparable goods or services for the geographic area
  • Whether individuals involved acted with prudence under the circumstances
  • Whether non-federal entity significantly deviated from established practices and polices regarding the incurrence of costs, which unjustifiably increase the federal award’s cost
Necessary & Reasonable

• Practical aspects of “necessary”
  • Do I really need this?
    • Surplus property/existing resources

• Practical aspects of “reasonable”
  • Is this the minimum amount I need to spend to meet my need?
  • Is the expense targeted to valid programmatic/administrative considerations?
  • Do I have the capacity to use what I am purchasing?
  • Did I pay a fair rate? Can I prove it?
  • If asked, would I be comfortable defending this purchase?
• A cost is allocable to the federal award if the goods or services involved are chargeable or assignable to the federal award in accordance with the relative benefit received.

• The federal grant program derived a benefit in proportion to the funds charged to the program.
Those receipts or reduction-of-expenditure type transaction that offset or reduce expense items – must be credited to the Federal award as either cost reduction or cash refund, as appropriate.

Examples: purchase discounts, rebates or allowances, recoveries or indemnities on losses, insurance refunds or rebates, adjustments of overpayments
Adequately Documented § 200.403(g)

• Costs must be adequately documented
As a Practical Matter, Ask…

- Is the proposed cost allowable under the relevant program?
- Is the proposed cost consistent with an approved program plan and budget?
- Is the proposed cost consistent with program specific fiscal rules?
- Is the proposed cost consistent with applicable regulations?
- Is the proposed cost consistent with special conditions imposed on the grant (if applicable)?
- Is the proposed cost consistent with the underlying needs of the program?
- Does the proposed cost targeted areas of weakness? Was data reviewed to ensure that federal funds meet areas of concern?
Financial Management System

• Can include Selected Items of Cost section for frequently asked about expenses

• The Uniform Grant Guidance has 55 specific items of cost - § 200.420
Travel Costs

- Uniform Grant Guidance § 200.474
- State Rules
- Agency Rules
- Documentation Required to be Maintained
• Aligns with increased emphasis on creating and establishing written policies and procedures
• Written policies and procedures have been the subject of common monitoring and audit findings
Why Policies & Procedures are Important

- Single audits
- Monitoring
- Staff changes and transitions
- Uniform Grant Guidance
Policies v. Procedures

- Policies – goals for your organization
- Procedures – steps to achieve your goals
Logistics

• Review existing policies and procedures
• Develop questions
• Schedule interviews with relevant staff
• Gather information on actual practices
• Draft policies and procedures
• Review internally with appropriate staff
• Revise
• Formally adopt and implement
• Train staff

Annually review and revise!
Where to start?

• Determine goal
  • Internal or for subgrantees?
  • Grant specific or cross cutting?
• Create a team – include both fiscal and programmatic personnel (very important)
• Create a table of contents
• Assign subjects
• Create timeline for completion
Where to start?

• Existing documentation
  • Memos
  • Emails
  • Forms
  • Job descriptions

• Directly from the source – the staff member(s) that perform the tasks related to the policies and procedures you are creating
Resources

- Uniform Grant Guidance
  - OMB Circulars
- Federal agency regulations
- Authorizing statute
- Program regulations
- Program guidance
- State and agency rules, regulations, policies and procedures
After your policies and procedures are done . . .

NOW WHAT!?!
Now What!?!?

- Training
- Review and Revise
- Where are Policies and Procedures Located?
QUESTIONS?

• To ask a question **online:**
  • Use the Q&A option in the chat box on the lower left side of your screen.

• To ask a question via **telephone:**
  • Press *1 on your touchtone phone.
  • If you are using a speaker phone, please lift the receiver and then press *1.
  • If you would like to withdraw your question, press *1.
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 webinar producer: mbarnes@columbiabooks.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 counsel familiar with your particular circumstances.
Financial Management
Under the Uniform Grant Guidance

Brette Kaplan Wurzburg, Esq.
www.bruman.com
May 28, 2015