



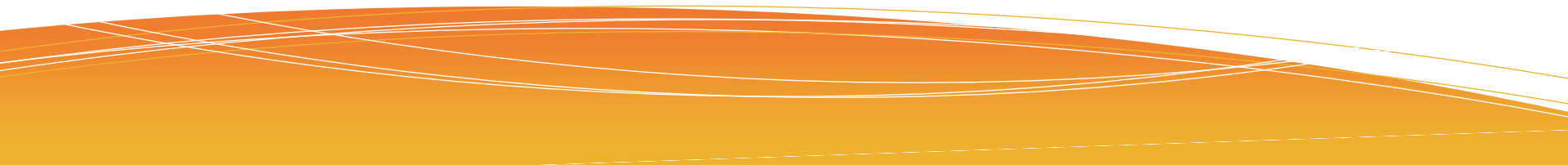
OMB Uniform Guidance: Cost Principles, Audit, and Administrative Requirements for Federal Awards

Presented By:

Devesh Kamal, CPA | Shareholder
deveshk@cshco.com

Jesse Young, CPA | Principal
jyoung@cshco.com

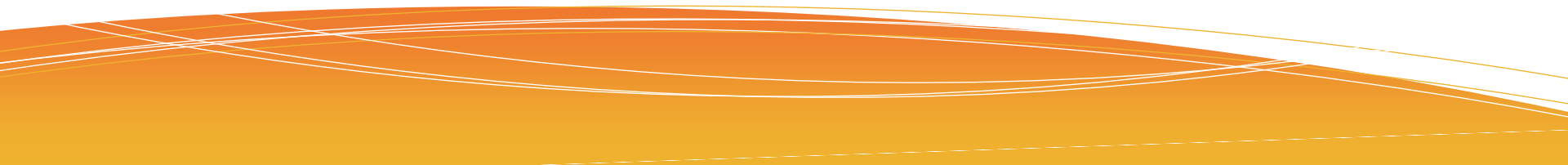
Today' s Agenda

- Purpose of the revision
 - Major Changes
 - Impact
 - Questions and Answers
- 

Purpose of the Revision

- 2 CFR 200 (103 page document) was published in the Federal Register on December 26, 2013.
- Supersede requirements of OMB Circulars A-21, A-87, A-110 and A-122 (Cost Principles)
- Supersede requirements of OMB Circulars A-89, A-102, and A-133 (Audit and Administrative Requirements)
- Administrative and cost principle changes applicable for new awards and additional funding increments of existing awards made after **December 26, 2014**
- Single audit changes effective for years ending **December 31, 2015** and after

Purpose of the Revision

- Reduce administrative burden for those receiving federal awards, while also reducing risk of waste, fraud , and abuse
 - Improve the integrity of financial management and operation of federal programs
 - Strengthen accountability for federal dollars by improving policies that protect against waste, fraud , and abuse
 - Increase impact and accessibility of programs by minimizing time spent complying with unnecessarily burdensome administrative requirements
- 

Purpose of the Revision

- Reorient recipients toward achieving program objectives
- Grants awarded based on merit
- Increased management focus on performance outcomes
- Streamlined rules governing federal funds
- Single audit oversight tool is better focused to reduce waste, fraud, and abuse

Document Organization

➤ 6 Subparts (broken into 3 major sections)

Administrative Requirements:

- Subpart A, 200.XXX - Acronyms and Definitions
- Subpart B, 200.1XX - General
- Subpart C, 200.2XX - Pre-Award – Federal
- Subpart D, 200.3XX- Post-Award – Recipients

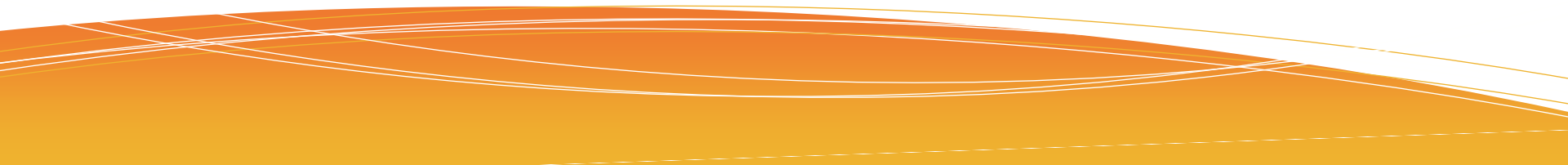
Cost Principles:

- Subpart E, 200.4XX- Cost Principles

Audit Requirements:

- Subpart F, 200.5XX- Audit Requirements

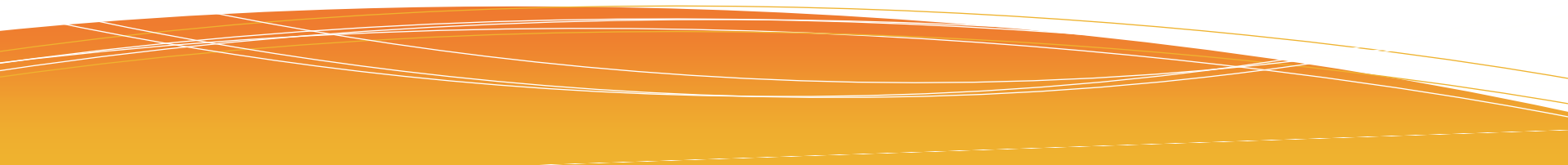
Subpart A - Definitions



Major Changes – Subpart A

- Definitions
 - No significant definition changes
 - The 99 definitions are in separate sections (and therefore are listed in the index)
 - Terms are broad to encompass all requirements (administrative, cost principles, audit) and all types of entities receiving Federal awards
 - “Must” means “required”
 - “Should” indicates best practices or recommended approach

Subpart B – General Provisions



Major Changes – Subpart B

- Section 200.101 - Applicability
 - describes the applicability of each subpart to types of Federal awards
 - HUD will determine applicability and state the applicable requirements in the terms and conditions of the Federal award
 - Likewise, funding agencies such as CSB must state HUD's applicable requirements for recipients in the terms and condition of each sub-award

Subpart C – Pre Award Requirements



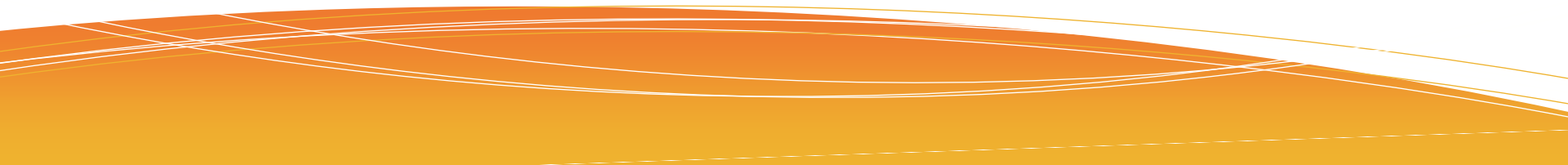
Major Changes – Subpart C

- Section 200.205 – Federal awarding agency review of risk posed by applicants
 - Suspension and debarment regulations (not new)
 - Federal awarding agency must also consider risks, such as:
 - Financial stability
 - Quality of management systems
 - History of performance
 - Reports and findings from audits
 - Ability to effectively implement statutory, regulatory, or other requirements

Subpart D – Post Award Requirements



Major Changes – Subpart D

- Standards for Financial and Program Management
 - Property Standards
 - Procurement Standards
 - Performance and Financial Monitoring and Reporting
 - Subrecipient Monitoring and Management
 - Record Retention and Access
 - Remedies for Noncompliance
 - Closeout
 - Post-Closeout Adjustments and Continuing Responsibilities
 - Collection of Amounts Due
- 

Major Changes – Subpart D

- Section 200.303 - Internal Controls
 - Must establish and maintain effective internal control over compliance
 - Must take prompt action to correct instances of noncompliance identified during audits
 - Must take reasonable measures to safeguard protected personally identifiable information

Major Changes – Subpart D

- Section 200.309 – Period of Performance
 - A non-Federal entity may charge to the Federal award only allowable costs incurred during the period of performance and any costs incurred before the Federal awarding agency or pass-through entity made the Federal award that were authorized by the Federal awarding agency or passthrough entity

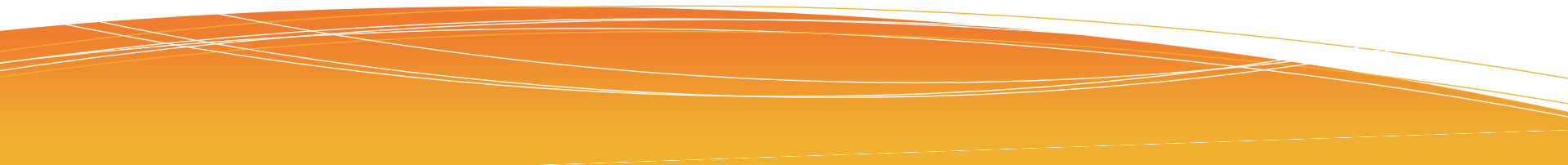
Major Changes – Subpart D

- Section 200.318 - General procurement
 - Paragraphs (d), (e), and (f) require the non-Federal entity to avoid duplicative purchases by:
 - Consolidating procurements
 - Lease vs. purchase analysis
 - Entering into inter-entity agreements
 - Using Federal excess and surplus property in lieu of purchasing new property

Major Changes – Subpart D

5 Methods of procurement

1. Micro purchases

- Aggregate amount does not exceed \$3k (\$2k if subject to Davis Bacon)
 - When practical, distribute equitably among qualified suppliers
 - No competitive quotes required if management determines price is reasonable.
- 

Major Changes – Subpart D

5 Methods of procurement

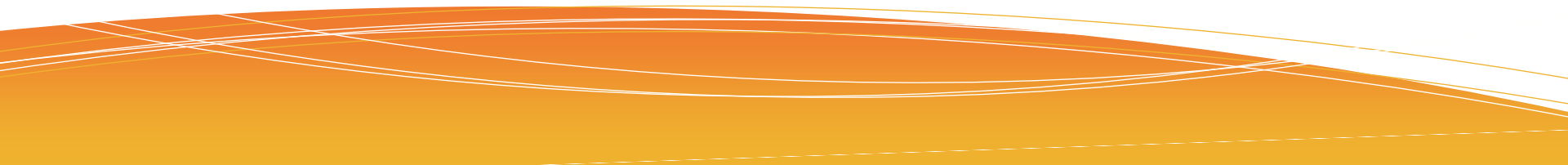
2. Small purchases

- Purchases up to the Simplified Acquisition Threshold (currently \$150,000)
- Informal procedures acceptable
- Price or rate quotes must be obtained from an adequate number of sources.

Major Changes – Subpart D

5 Methods of procurement

3. Sealed Bids

- Purchases over the Simplified Acquisition Threshold (currently \$150,000)
 - Formal solicitation required
 - Fixed price (lump sum or unit price) awarded to responsible bidder who conformed with all material terms and is the lowest in price.
 - Most common for construction contracts
- 

Major Changes – Subpart D

5 Methods of procurement

4. Competitive Proposals

- Purchases over the Simplified Acquisition Threshold (currently \$150,000)
- Formal solicitation required
- Fixed price or cost-reimbursement contracts.
- Used when sealed bids not appropriate
- Awarded to responsible firm whose proposal is most advantageous to the program, with price being one of various factors

Major Changes – Subpart D

5 Methods of procurement

5. Non-Competitive Proposals

May be used only when one or more of the following apply:

- The item is available only from a single source
- The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation
- The Federal awarding agency (or pass-through entity) expressly authorizes this method in response to a written request from the non-Federal entity
- After solicitation of a number of sources, competition is determined inadequate

Major Changes – Subpart D

- Section 200.330 – Subrecipient and contractor determinations
 - Each pass-through entity must make case-by-case determinations for each agreement to disburse federal funds
 - Pass-through entity must use judgment in classifying each agreement as subaward vs. procurement contract
 - Document decisions

Major Changes – Subpart D

- Section 200.330 (a) – Characteristics of subrecipient:
 - Determines who is eligible
 - Has performance measured against Federal program objectives
 - Responsible for programmatic decisions
 - Responsible for adherence to Federal program requirements
 - Uses funds for public purpose as opposed to benefit of pass-through

Major Changes – Subpart D

- Section 200.330 (b) – Characteristics of contractors:
 - Provides good/services within normal operations
 - Provides similar goods/services to many purchasers
 - Operates in a competitive environment
 - Provides ancillary goods/services
 - Not subject to compliance requirements

Major Changes – Subpart D

- Section 200.331 – Subrecipient Monitoring
 - Pass-through must evaluate subrecipient's risk of noncompliance and tailor monitoring.
Factors to consider:
 - Prior experience with same or similar sub-awards
 - Results of previous audits
 - Whether new or substantially changed personnel or systems
 - Extent and results of HUD monitoring

Major Changes – Subpart D

- Section 200.331 – Subrecipient Monitoring (cont)
Suggested monitoring tools
 - Monitor financial and program results
 - Provide subrecipients with training and technical assistance
 - Perform on-site reviews (HUD requires at least annual reviews)
 - Determine necessary action for subrecipient noncompliance, follow up, issue management decision

Major Changes – Subpart D

- Section 200.333 – Retention requirements for records
 - Financial records, supporting documents, statistical records, and all other pertinent records must be retained for a period of three years from the date of submission of the final expenditure report

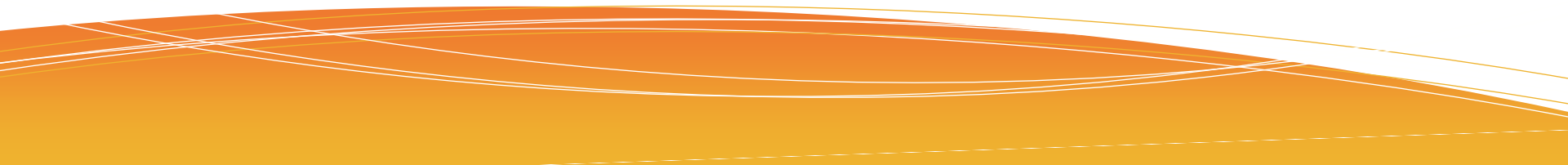
Major Changes – Subpart D

- Section 200.338 – Remedies for Noncompliance
 - Temporarily withhold cash payments pending correction
 - Disallow all or part of the cost
 - Wholly or partly suspend or terminate the award
 - Initiate suspension or debarment proceedings
 - Withhold further Federal awards

Major Changes – Subpart D

- Section 200.343 – Closeout
 - Non-Federal entity must closeout within 90 days after the end of period of performance
 - Non-Federal entity must liquidate all obligations within 90 days after the end of period of performance
- Section 200.345 – Collection of amounts due
 - Any funds paid to a non-Federal entity in excess of federal expenditures must be returned within 90 days after demand

Subpart E – Cost Principles



Major Changes – Subpart E

Section 200.403 - 405 - Reasonable, Allowable, Documented, Allocable, Reimbursable

- Reasonable -costs are ordinary and necessary. Reflects the action of a prudent person.
- Allowable -consistently treated and conform to any limitations or exclusions set forth in the cost principles or the program requirements.
- Documented –adequately documented as outlined in Section 200.300.
- Allocable -Is there a reasonable benefit between the cost allocated and receiving activity?
- Reimbursable –follows cost principles regulations and program requirements. Is not included as a cost or used as match for other federally financed programs.

Major Changes – Subpart E

- Section 200.413 - Direct costs
 - Costs that can be identified specifically with a particular final cost objective
 - Specifically allows administrative costs if:
 - Administrative or clerical services are integral to a project
 - Individuals can be specifically identified with the project
 - Costs are specifically in the budget
 - Costs are not recovered as indirect

Major Changes – Subpart E

- Section 200.414 – Indirect (F&A) costs
 - Typical indirect costs are depreciation, costs of operating facilities, and general administrative expenses
 - Negotiation of indirect rates has not changed
 - Non-Federal entities that has never received a negotiated indirect cost rate may elect to charge a de minimis rate (10%) of modified total direct costs (*CSB has been asked by the local field office to review and approve the method used for MTDC prior to charging de minimis*)

Major Changes – Subpart E

- Section 200.414 – Indirect (F&A) costs (cont)
 - Modified Total Direct Cost Base is defined in Section 200.68
 - Includes direct salaries and wages, applicable fringe benefits, materials, supplies, services, travel, sub-awards/subcontracts up to the first \$25k of each sub-award/subcontract.
 - Excludes equipment, capital expenditures, rental costs, and sub-award/subcontract in excess of \$25k.

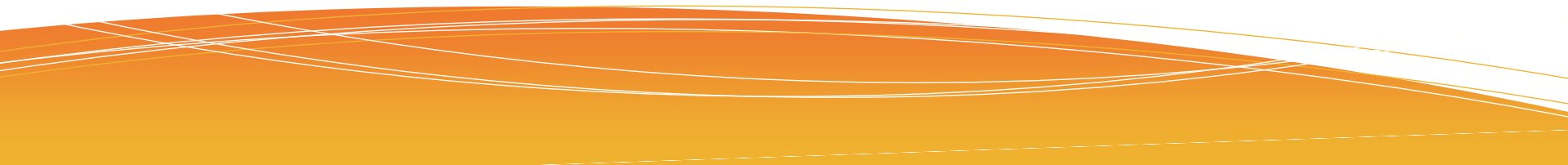
Major Changes – Subpart E

- Section 200.430 – Compensation
 - Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed

Major Changes – Subpart E

- Section 200.430 (i) – Standards for Documentation of Personnel Expenses
 - These records must:
 - Be supported by a system of internal control
 - Be incorporated into the official records
 - Reasonably reflect 100% of the employee's activity
 - Comply with accounting policies and practices

Subpart F – Audit Requirements



Major Changes – Subpart F

- Section 200.501 – Audit requirements
 - Single Audit requirement increased from \$500,000 to \$750,000
 - Applicable for audit periods beginning after December 26, 2014
 - December 31, 2015 year end is first applicable year
 - All other Subparts are still applicable

Major Changes – Subpart F

- Section 200.516 – Audit findings
 - Auditors are now required to report known questioned costs that are greater than \$25,000, or
 - Known questioned costs when likely questioned costs are greater than \$25,000
 - This is currently \$10,000

Impact on non-Federal Entities

- Clear necessity for written policies and procedures
- Merit based and performance focused
- How will your entity differentiate your programs?
- Need to risk assess and collect performance information from subrecipients

Resources

- Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards:
<http://www.gpo.gov/fdsys/search/home.action>
<http://www.ecfr.gov>
- Council on Financial Assistance Reform (COFAR)
<https://cfo.gov/COFAR/>

Questions?