



**Grant Compliance – Auditee Documentation  
within the Uniform Guidance**

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**Background -2 CFR Part 200**


**General**

- Issued by OMB on December 26, 2013
- Codified (and streamlined) eight existing OMB Circulars
- Intended to alleviate administrative burden of the existing standards
- Emphasizes engaged oversight and *effective internal controls*
- Moves away from “check the box” mentality

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## Background -2 CFR Part 200

### *Challenges*

- Navigating a codification of eight Circulars
- Applying a single source of guidance to a broad spectrum of entities
- Recognizing Federal agency-specific requirements
- Developing an effective *plan for compliance*




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## Background -2 CFR Part 200

### *Effective dates*

- Effective for all new awards and incremental funding of existing awards after December 26, 2014.
- *Procurement Grace Period*
  - 2-year extension *now increased to 3-years*
  - June 30 fiscal year - new effective date is **7/1/18**
  - December 31 fiscal year - new effective date was **1/1/18**
  - Upon expiration, all entities will be required to comply fully with UG





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## Internal Controls

200.303

- Auditee must establish and maintain *effective internal control* that provides reasonable assurance as to compliance with all applicable grant requirements.
- Internal controls should be in compliance with:
  - COSO Framework
  - Green Book – *Standards for Internal Control in the Federal Government*

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## Internal Controls

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Effective internal control starts with a *sufficient understanding* of:

- Terms and conditions of the award, and applicable statutes and regs
- How to evaluate and monitor compliance
- How to take prompt action when noncompliance is identified
- How to safeguard PII

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## Internal Controls

200.303

- Sufficient understanding is best established by *well-written policies and procedures*
- Facilitates comprehensive analysis of applicable requirements and best practices
- Provides written clarity as to required documentation
- *“If you didn’t document it, you didn’t do it!”*

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## Internal Controls

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### Considerations

- Each entity is different – “one size does not fit all”
- What sections of UG have the greatest impact on your organization?
- Do you a sufficient understanding of those sections?
- What are the specific changes required to sufficiently *mitigate risk of noncompliance*?
- Design and clearly communicate plan for implementation
- Incorporate accountability

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## What to Document?


*Start with the “non-negotiables”*

UG stipulates documentation and written policy requirements in a number of areas including:

Conflict of interest - <b>200.112</b>	Procurement- <b>200.319</b>
Mandatory disclosures - <b>200.113</b>	Pass-through entities - <b>200.331</b>
Certification of completion - <b>200.201</b>	Record retention- <b>200.331</b>
Financial management - <b>200.302</b>	Compensation- <b>200.430</b>
Employee H&W costs - <b>200.305</b>	Travel Costs - <b>200.474</b>
Advance Payment of funds - <b>200.305</b>	Revision of Budgets - <b>200.308</b>
Property - <b>200.308 – 312</b>	Audits and audit findings - <b>200.508 &amp; 511</b>

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## Conflict of Interest

200.112

- The entity must *disclose in writing* any potential conflict of interest to the Federal awarding agency or pass-through entity in accordance with applicable awarding agency policy.
- Specific COI requirements related to procurement are reflected in 200.318

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## Mandatory Disclosures


### 200.113

- The entity must disclose in a timely manner, *and in writing* all violations of Federal criminal law involving fraud, bribery, or gratuity violations potentially affecting the award.
- Failure to make required disclosures can result in any remedies described in § 200.338 *Remedies for noncompliance*, including suspension or debarment

## Certification of Completion

### 200.201

- The entity must *certify in writing* at the end of the award that the project or activity was completed or the level of effort was expended.
- If the required level of activity or effort was not carried out, the amount of the award must be adjusted
- Changes in PI, project leader, project partner, or scope of effort must receive the *prior written approval* of the awarding agency or pass-through.




## Financial Management

200.302

The entity's financial management system must provide for the following:

- Identification in the general ledger of all Federal awards received and expended
- Accurate, current, and complete disclosure of the financial results of each award
- Records and source documents that identify the source and application of funds for grant activities
- Effective internal control over, and accountability for, all funds, property, and other assets.
- Comparison of expenditures with budget amounts for each Federal award.
- Written procedures to implement the requirements of § 200.305 Payment.
- Written procedures for determining the allowability of costs.


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## Advance Payments

200.305

- The entity must be paid in advance, provided it maintains:
  - *Written procedures* that minimize the time elapsing between the receipt and disbursements of funds, and
  - *Financial management systems* that meet the standards for fund control and accountability
- Reimbursement is the preferred method when the requirements section 200.305 cannot be met

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## Revision of Budget and Program Plans

200.308

- Recipients are required to *report* deviations from budget or project scope or objective
- *Non-construction awards* - Recipients must request *prior written approval* for one or more of the following program or budget-related reasons:
  - Change in the scope or the objective
  - Change in a key person specified in the application or the award
  - Disengagement for more than 3 months (or a 25% reduction in time) by key persons
  - Inclusion of costs that require *prior written approval* in accordance with Subpart E
  - Transfer of funds budgeted for participant support costs
  - Subawarding, transferring or contracting out of any work under the award
  - Changes in the amount of approved cost-sharing or matching

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## Revision of Budget and Program Plans

200.308

*Construction awards* - The entity must request *prior written approval* promptly from the awarding agency for budget revisions whenever:

- The revision results from changes in the scope or the objective of the project or program.
- The need arises for additional Federal funds to complete the project.
- The revision involves specific costs for which prior written approval requirements may be imposed consistent with Subpart E—*Cost Principles*

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## Property - Real

200.311

- Disposition of real property requires *written disposition instructions* from the awarding agency
- The instructions must provide for one of the following alternatives:
  - *Retain* title after compensating the awarding agency
  - *Sell* the property and compensate the awarding agency
  - *Transfer* title to the awarding agency or to a 3rd party

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## Property – Federally-owned and Exempt

200.312

- The entity must submit annually an inventory listing of federally-owned property in its custody to the awarding agency.
- Upon completion of the award (or when the property is no longer needed), the entity must report the property to the awarding agency for further federal utilization.

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## Procurement – General Standards


**200.318**

The entity must maintain the following:

- Documented procurement procedures which conform to applicable Federal law and the standards reflected in section 200.318
- Written standards of conduct covering employee conflicts of interest
- Written standards of conduct covering organizational conflicts of interest
- Records sufficient to detail the history of procurement.

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## Procurement - Competition

**200.319**

Written procedures for competitive procurement transactions must ensure that all solicitations:

- Incorporate a clear and accurate description of the technical requirements
- Description must not contain features which unduly restrict competition.
- The description must set forth minimum essential characteristics and standards.
- Detailed product specifications should be avoided
- Prequalified lists of vendors must and include enough sources to ensure competition.

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## Procurement Noncompetitive

200.319

- *Generally* - The entity must have a written method for conducting technical evaluations of the proposals received and for selecting recipients
- *Noncompetitive* - As one of three conditions, the awarding agency (or passthrough) must provide expressed authorization in response to a written request for a noncompetitive proposal.

## Pre-procurement Review

200.319

The entity must make available upon request, procurement documents, such as requests for proposals or invitations for bids, or independent cost estimates, when:

- Procurement procedures or operations fail to comply with UG standards
- The procurement is expected to exceed the Simplified Acquisition Threshold (SAT) and is to be awarded without competition
- The procurement, which is expected to exceed the SAT and specifies a “brand name” product
- The proposed contract is more than the SAT and is to be awarded to other than the low bidder
- A proposed contract modification changes the scope of a contract or increases the contract amount by more than the SAT

## Pre-procurement Review Exemption

200.319

The entity may be exempt from the pre-procurement review if the awarding agency determines that its procurement systems comply with the UG

- The entity may request a review of its procurement system to determine if it meets the standards to be certified.
- The entity may self-certify its procurement system.
- Self-certification must not limit the awarding agency's right to survey the system.
- Under self-certification, the awarding agency may rely on written assurances from the entity that it is complying with the standards.
- The entity must cite specific policies, procedures, or regulations as being in compliance and have its system available for review.

## Prior Written Approval

200.332

Common items requiring prior written approval from awarding agencies

- *Fixed amount awards* - Specific level of support without regard to actual costs incurred (200.332)
- *Notification to terminate* to include reasons for the termination, the effective date, and portion of award to be terminated (200.339)
- *Indirect costs* - May avoid subsequent disallowance or dispute, with prior written approval from the federal agency (200.407)
- *Administrative and clerical salaries* – Can only be directly charged with prior written approval from the federal agency (200.413)

## Passthrough entities – Terms and Conditions

200.331

Every subaward must detail the following information:


- All requirements imposed by the pass-through entity
- An approved federally recognized indirect cost rate (if applicable)
- A requirement for auditor access to the subrecipient records
- Modifications to the subaward if any changes to the above
- Adequate terms and conditions to closeout of the subaward

## Passthrough entities – Risk Assessment

200.331

Evaluate each subrecipient's risk of noncompliance to include factors such as:

- The subrecipient's experience with the similar subawards;
- The results of previous audits
- Whether the subrecipient has
  - new personnel or
  - new or substantially changed systems
- The extent and results of Federal awarding agency monitoring




## Passthrough entities - Monitoring


200.331

Pass-through entity monitoring of the subrecipient must include:

- Reviewing required financial and programmatic reports
- Ensuring timely action on all audit and oversight deficiencies
- Issuing a management decision for audit findings




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## Record Retention

200.333

- Entity records pertinent to a award must be retained for 3 years from the date of submission of the final expenditure report
- For awards that are renewed quarterly or annually, 3 years from the date of the submission of the quarterly or annual financial report
- Awarding agencies must not impose any other retention requirements with the exception of following:
  - Litigation, claims, or audits started before the expiration of the 3-year period
  - Written notification by the awarding agency (or other cognizant agency), to extend the retention period.
  - Requirement for property records to be retained for 3 years after final disposition
  - When records are transferred to or maintained by the awarding agency
  - Records of program income transactions after the period of performance.
  - Certain supporting records for ICR proposals and cost allocations plans



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## Compensation - General

200.430

*Standards for Documentation of Personnel Expenses* - Charges for salaries and wages must be based on records that accurately reflect the work performed.

These records must:

- Be supported by an effective system of internal control
- Be incorporated into the official records of the entity
- Reflect the total activity for which the employee is compensated
- Encompass both federally assisted and all other activities that are compensated by the entity
- Comply with the entity's written accounting policies and practices
- Support distribution of an employee's comp among multiple activities or cost objectives

## Compensation – Higher Ed.

200.430

The following costs (and similar benefits) are allowable if granted under established written policies:

- Leaves of absence to include graduate work or sabbatical study, travel, or research
- Extra service pay from outside professional activities by non-faculty members
- Fringe benefits in the form of:
  - employer contributions for social security;
  - employee life, health, unemployment, and worker's compensation insurance
  - pension plan and retiree health care costs

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## Travel Costs

200.474

- Allowable travel costs include transportation, lodging, subsistence, and related items
- Incurred by employees on official business of the entity
- May be charged on an actual cost basis, on a per diem or mileage basis
- The method must be applied to an entire trip and not to selected days
- Must be consistent with methods applied to the entity's non-federally-funded activities
- Must be in accordance with the entity's *written travel reimbursement policies*.

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## Auditee Responsibilities

200.508


The auditee must:

- Arrange for the audit and ensure it is properly performed and submitted when due
- Prepare and maintain appropriate financial statements, including the schedule of expenditures of Federal awards
- Promptly follow up and take corrective action on audit findings
- Provide auditor access to personnel, accounts, books, records, supporting documentation, and other information as needed

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## Audit Findings Follow-up

200.511

- The auditee must prepare:
  - a summary schedule of prior audit findings (SSPAF)
  - a corrective action plan for current year findings (CAP)
- Both must include financial statements findings required to be reported under GAGAS
- The CAP must:
  - Be a separate document from the auditor's findings.
  - Address each audit finding included in the current year auditor's reports.
  - Include the name of the contact person(s) responsible for corrective action, the corrective action planned, and the anticipated completion date

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## Audit Findings Follow-up


200.511

SSPAF must include:

- Status of all findings reflected in the prior schedule of findings and questioned costs
- Uncorrected findings reflected in the prior year SSPAF
- *Fully corrected findings* - need only list the finding and state that corrective action was taken.
- *Findings not fully corrected* - must describe the reasons for recurrence and planned corrective action.
- *If corrective action taken is significantly different* from that previously reported, an explanation must be provided.

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## SFA Brief

- *DOE Required Audit Frequency*
  - **August 5, 2016** – DOE announces plans to include additional guidance in the 2017 Compliance Supplement requiring annual audits of Title IV funds regardless of low risk assessment.
  - **April 28, 2017** – DOE announces that such guidance will be delayed for inclusion in the 2018 Supplement
- *Common audit findings*
  - Failure to Take Corrective Action on prior year findings
  - Student credit balances not refunded timely
  - Late reporting of status changes to NSLDS
  - Return of Title IV funds - Calculation Errors and Late Remittances
  - Failure to modify academic progress policies to ensure clarity and compliance
  - Verification Violations

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## 2017 Compliance Supplement - Status

- OMB has made a draft publicly available for the purpose of 2017 single audit planning
- Includes the typical updates such as the addition, deletion, and modification of various federal programs
- [Appendix V](#), lists the specific programmatic changes by CFDA number
- Revisions include an extension of the procurement grace period by an additional fiscal year.
- Procurement standards will now start for fiscal years beginning on or after December 26, 2017
- Requirement for annual audit of Title IV funds not to be included in 2017 supplement
- No changes to internal controls section
- Presently, the draft is in final clearance at OMB with no estimated date of final issuance
- OMB does not expect any significant changes to final supplement

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## Yellow Book – Proposed Revisions

**April 5, 2017** - The [GAO](#) proposed revisions to the 2011 edition of *Government Auditing Standards* including:

- Expanded *Independence* requirements now state that:
  - Preparing accounting records and financial statements create significant threats to auditors independence
  - Auditors should document the threats and safeguards to mitigate risks to an acceptable level or decline to perform such services.
- Expanded financial audit requirements to address *waste* in which auditors must:
  - Ascertain the potential effect on the audit objectives if waste is identified that could be quantitatively or qualitatively significant to the audit objectives.
  - Report in writing, instances of waste that:
    - they conclude have a material effect on the financial statements.
    - they conclude *may not* have a material effect on the financial statements, but still warrant the attention of those charged with governance.
- The proposed revisions are in exposure draft form with a July 6, 2017 deadline to provide comments to GAO

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