



DAMORE HAMRIC & SCHNEIDER, INC.

CERTIFIED PUBLIC ACCOUNTANTS

Marta Williams, CPA

UGG – IT’S HERE!!!!

Uniform Grant Guidance
AKA
The “Super Circular”

October 22, 2015

WHAT IS THIS?

- ✗ In response to Executive Order, OMB worked with federal agencies & other stakeholders to reform federal grant policies
- ✗ Council on Financial Assistance Reform (COFAR) – created by OMB to accomplish this task.
- ✗ Result: eight separate sets of OMB guidance combined into one.
 - + “Uniform Administrative Requirements, Audit Requirements, and Cost Principles “
 - + 2 CFR Chapter 1, Chapter 2, part 200, et al.

WHY SHOULD YOU BE INTERESTED?

- ✗ Applies to all “**nonfederal**” entities expending federal awards
 - + Major emphasis on “strengthening accountability” by improving policies that protect against waste, fraud & abuse.
 - + Shift from focus on *compliance* to focus on *performance*

WHAT WILL WE COVER TODAY?

- ✗ We're going to discuss:
 - + UGG
 - ✗ Administrative Requirements
 - ✗ Cost Principles
 - ✗ Audit Requirements
 - + Practical Steps for Implementation & Best Practices for Internal Control

ADMINISTRATIVE REQUIREMENTS

REFORMS TO A-102

&

CIRCULAR A-110

REFORMS TO ADMINISTRATIVE REQUIREMENTS (THE COMMON RULE IMPLEMENTING CIRCULAR A-102); CIRCULAR A-110; AND CIRCULAR A-89

- Circular A-110 - Uniform Administrative Requirements for Grants and Other Agreements with Non-Profit Organizations (2 CFR part 215)
- Circular A-102 - ...State and Local Governments
- The following are major changes included in the final guidance

SUBPART A: ACRONYMS & DEFINITIONS

- 200.0, Acronyms
- Acronyms are at the beginning
- 200.1 – 200.99, Definitions
- 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

SUBPART B: GENERAL PROVISIONS

- ✖ **200.100, Purpose:** 2 CFR Part 200 establishes uniform administrative requirements, cost principles, and audit requirements for all types of non-Federal entities
- ✖ Federal awarding agencies must not impose additional or inconsistent requirements, unless Fed reg or OMB permits

“SHOULD” VS “MUST”

- ✗ Throughout, both “should” and “must” are used
- ✗ “Must” means “required”
- ✗ “Should” indicates best practices or recommended approach

DOES ALL OF THIS APPLY?

✖ 200.101 Applicability:

The following Parts:	Are applicable to the following Federal Awards:	Are NOT applicable to the following Federal Awards:
Subpart A – Acronyms and Definitions	--All	
Subpart B – General Provisions	--All	
Subpart C – Pre-Federal Awards Requirements...		**Child Care & Development Block Grant Child Care Matching Funds of the CCDF TANF CACFP
Subpart D – Post Federal Awards Requirements...		** Child Care & Development Block Grant Child Care Matching Funds of the CCDF
Subpart E – Cost Principles		** Child Care & Development Block Grant Child Care Matching Funds of the CCDF
Subpart F – Audit Requirements	--All	

** see complete list at (d) and (e)

EXCEPTIONS

✖ 200.102, Exceptions

- + No exceptions from any audit requirements
- + Only OMB may allow exceptions for classes of Federal awards or non-Federal entities
- + In the interest of maximum uniformity, OMB will permit exceptions only in unusual circumstances
- + If you have questions about your award, contact the Federal awarding agency

IMPLEMENTATION/EFFECTIVE DATE

- ✗ **200.110, Effective/applicability date**
- ✗ Federal agencies must implement the requirements to be effective by December 26, 2014
- ✗ Audit requirements will apply to audits of fiscal years beginning on or after December 26, 2014 (**June 30 year end – effective 7/1/15**)
- ✗ Administrative requirements and cost principles apply to new awards and to additional funding (funding increments) to existing awards made after Dec 26.

CONFLICT OF INTEREST & MANDATORY DISCLOSURES

✗ Two new requirements that strengthen oversight:

+ 200.112, Conflict of interest

The Federal awarding agency must establish conflict of interest policies for their Federal awards

The non-Federal entity must disclose in writing any potential conflict of interest to the Federal awarding agency (or pass-through entity) in accordance with applicable Federal awarding agency policy

+ 200.113, Mandatory disclosures

Non-Federal entities (and applicants) must disclose all violations of Federal criminal law involving fraud, bribery, or gratuity violations potentially affecting the Federal award

SUBPART D: POST FEDERAL AWARD REQUIREMENTS STANDARDS FOR FINANCIAL AND PROGRAM MANAGEMENT

✗ Sections highlighted:

- ✗ 200.301, Performance management
- ✗ 200.303, Internal controls
- ✗ 200.305, Payments
- ✗ 200.306, Cost sharing or matching
- ✗ 200.309, Period of performance
- ✗ 200.313, Equipment
- ✗ 200.314, Supplies
- ✗ 200.315, Intangible property
- ✗ 200.317-326 Procurement standards
- ✗ 200.327, Financial reporting
- ✗ 200.328, Monitoring and reporting program performance
- ✗ 200.329, Reporting on real property
- ✗ 200.333, Retention requirements for records
- ✗ 200.335, Methods for collection, transmission and storage of information
- ✗ 200.338-342 Remedies for noncompliance
- ✗ 200.343 Closeout

PERFORMANCE MANAGEMENT

✗ **200.301, Performance Management:**

- + Provides more robust guidance to Federal agencies to measure performance in a way that will help the Federal awarding agency and other non-Federal entities to improve program outcomes, share lessons learned, and spread the adoption of promising practices.
- + Federal awarding agencies must require recipients to use OMB-approved standard government-wide information collections to provide financial and performance information.
- + Recipients must be required to relate financial data to performance accomplishments, and must also provide cost information to demonstrate cost effective practices.

INTERNAL CONTROLS

200.303, Internal Controls. For Federal awards Non-Federal entities must:

- ✗ Establish and maintain effective internal controls
- ✗ Comply with Federal statutes, regulations, & terms and conditions
- ✗ Evaluate and monitor compliance
- ✗ Take prompt action on audit findings
- ✗ Safeguard protected personally identifiable information

PAYMENTS

✖ 200.305, Payments:

- + Coverage largely replicates existing payment coverage from OMB Circular A-110
- + Maintains existing requirement that, if you receive electronic transfers from the feds, need to minimize the time elapsing between receipt of funds and disbursement by nonfederal agency
- + FIFO – use program income, etc. first!

COST SHARING OR MATCHING

- ✗ 200.306, Cost Sharing or Matching:

- + No change re: matching criteria

- ✗ can't be paid by the fed govt under another award

- ✗ unless specifically allowed

PERIOD OF PERFORMANCE

✖ 200.309, Period of Performance

- + Non-federal entities may charge to Federal awards only allowable costs incurred during the period of performance
- + Federal awarding agencies may still authorize no-cost extensions of the period of performance

PROPERTY STANDARDS & EQUIPMENT

- ✗ Coverage in Property Standards (Sections 200.310-200.316) largely derived from existing coverage in A-110
 - + “Conditional” title
- ✗ Section 200.313, Equipment
 - + Maintain an inventory system that demonstrates your agency has an effective system of internal control
 - + Account for & track equipment acquired with fed funds

EQUIPMENT DEFINITION

- ✖ Tangible personal property (including IT systems):
 - + Having a useful life of > 1 year *and*
 - + Per unit cost which equals or $>$ the lesser of
 - ✖ your agency's capitalization threshold or
 - ✖ \$5,000

SUPPLIES & INTANGIBLE PROPERTY

✗ 200.314, Supplies:

- + Defined as all tangible personal property that falls below the threshold for equipment.
- + Guidance explicitly states that when computing devices fall below this limit, they shall be treated consistently with all other items below this level. See 200.94, Definition of “Supplies”.
- + Still need to follow pass-through entity requirements, however!

✗ 200.315, Intangible Property:

- + Largely from OMB Circular A-110; title rests with agency upon acquisition.

PROCUREMENT STANDARDS

- ✖ The procurement standards (in sections 200.317 through 200.326) are generally based on the requirements in A-102 for states & local governments
- ✖ Non-Federal entities, including subrecipients of a state, must have and follow written procurement procedures that reflect the procurement standards

GENERAL PROCUREMENT REQUIREMENTS

- ✗ The non-Federal entity must maintain oversight to ensure that contractors perform in accordance with the terms, conditions, and specifications of the contract or purchase order
- ✗ The non-Federal entity is not required to maintain a contract administration system
- ✗ How the non-Federal entity maintains oversight is a matter of judgment for the non-Federal entity

PROCUREMENT: STANDARDS OF CONDUCT

- ✗ 200.318(c)(1) 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, and administration of contracts
- ✗ 200.318(c)(2) new provision that covers organizational conflict of interest
- ✗ If the non-Federal entity has a parent, affiliate, or subsidiary organization, the non-Federal entity must also maintain written standards of conduct covering organizational conflicts of interest

PROCUREMENT: STANDARDS OF CONDUCT (CONT'D)

- ✘ 200.318(d) The non-Federal entity's procedures must avoid acquisition of unnecessary or duplicative items
- ✘ 200.318(f) The non-Federal entity is encouraged to use Federal excess and surplus property in lieu of purchasing new equipment and property when this is feasible and reduces project costs

METHODS OF PROCUREMENT

- ✗ 200.320, Methods of procurement to be followed
- ✗ The non-Federal entity must use one of the 5 methods:
- ✗ (remember: CDE requirements prevail if more restrictive)
 - + (1) Micro-purchase - for acquisition of supplies or services that are less than \$3,000 [New method]
 - ✗ Micro-purchase may be awarded without soliciting competitive quotations if the non-Federal entity considers the price to be reasonable
 - + (2) Small purchase – less than \$150,000

METHODS OF PROCUREMENT (CONT'D)

- + (3) Sealed bids (formal advertising) – more than \$150,000.
Preferred method for construction projects
- + (4) Competitive proposals - more than \$150,000
- + (5) Noncompetitive proposals – revised to clarify that solicitation of a proposal from only one source may be used only when one or more of the following apply:
 - × Sole source
 - × The public exigency or emergency
 - × Authorized by Federal awarding agency (or pass-through entity) in response to written request from the non-Federal entity
 - × After solicitation of a number of sources, competition is determined inadequate

PROCUREMENT (CONT'D)

× **Highly Important!**

- + Review your written procurement standards
- + Make sure they conform to UGG as well as your other funders' requirements
- + CDE requirements prevail, if they are more restrictive

FINANCIAL REPORTING

✖ 200.327, Financial Reporting:

- + Submission frequency requirements generally remain unchanged
 - ✖ No less frequently than annually, nor more frequently than quarterly.
 - ✖ New language added, however, which permits the Federal awarding agency to require more frequent reporting under unusual circumstances.

REQUIREMENTS FOR PASS-THROUGH ENTITIES

- ✖ 200.331 All pass-through entities must:
 - + Provide the subrecipient all funding and award information (CFDA #, period of performance, etc.)
 - + Monitor to assure compliance with applicable federal requirements
 - + Submit performance reports at least annually

RETENTION REQUIREMENTS FOR RECORDS

- ✘ 200.333, Retention requirements for records:
 - + Retains the record retention period of three years from the date of submission of the final expenditure report
 - + For Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report
 - + Some exceptions from standard record retention:
 - ✘ When the non-Federal entity is notified in writing by the Federal awarding agency, cognizant agency for audit, cognizant agency for indirect costs, or pass-through entity; and
 - ✘ Records for program income transactions after the period of performance (retention period starts from the end of the FY in which income earned)

METHODS FOR COLLECTION, TRANSMISSION AND STORAGE OF INFORMATION

- ✖ 200.335, Methods for collection, transmission and storage of information:
 - + A new section was added to clearly articulate the treatment of electronic records
 - + Federal awarding agencies and the non-Federal entities should, whenever practicable, collect, transmit, and store Federal award-related information in open and machine readable formats
 - + Federal awarding agencies or pass-through entities must always provide or accept paper versions of Federal award-related information to and from the non-Federal entity upon request

METHODS FOR COLLECTION, TRANSMISSION AND STORAGE OF INFORMATION (CONT'D)

- + 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 forms of electronic media provided that they are subject to periodic quality control reviews, provide reasonable safeguards against alteration, and remain readable.

REMEDIES FOR NONCOMPLIANCE

- ✘ Remedies for noncompliance are covered in 200.338 through 200.342
- ✘ The sections are generally substantively the same as superseded circulars, with some modifications
- ✘ The sections cover actions that may be taken by the pass-through entity, not just by the Federal awarding agency

REMEDIES FOR NONCOMPLIANCE

- ✖ 200.338, Remedies for noncompliance
 - + Permits the Federal awarding agency (or pass-through entity) to try to remedy noncompliance through additional conditions on the Federal award (or subaward)
 - + Expressly references suspension and debarment proceedings and cross-references the government-wide regulation at 2 CFR Part 180

REMEDIES FOR NONCOMPLIANCE: TERMINATION

- ✗ 200.339, Termination, comprehensively addresses termination
- ✗ The Federal award may be terminated by the Federal awarding agency (or pass-through entity) in whole or in part:
 - + (1) For failure of the non-Federal entity to comply with the terms and conditions of the Federal award
 - + (2) for cause [NEW]
 - + (3) with the consent of the non-Federal entity (the two parties must agree upon the termination conditions, including the effective date and, in the case of partial termination, the portion to be terminated)

CLOSEOUT

- ✖ 200.343, Closeout
- ✖ This section should be clearer because the timeframes are based on “period of performance” which must be stated in the Federal award

POST-CLOSEOUT ADJUSTMENTS AND COLLECTION OF AMOUNTS DUE

- ✖ 200.344, Post-closeout adjustments and continuing responsibilities
- ✖ The adjustment to the Federal award amount based on an audit or other review after closeout must be made within the record retention period
- ✖ 200.345, Collection of amounts due
- ✖ The collection may happen after the record retention period

COST PRINCIPLES

REFORMS TO CIRCULARS A-21,
A-87, AND A-122

COST PRINCIPLES

✕ 2 CFR CHAPTER II,

- + SUBPART E - COST PRINCIPLES
- + AND APPENDICES III-VIII: COST PRINCIPLES. REFORMS TO COST PRINCIPLES (CIRCULARS A-21, A-87, AND A-122).

COST PRINCIPLES

Final “guidance” clarifies and strengthens Cost Principles across many functional areas.

SIGNIFICANT CHANGES IN THE COST PRINCIPLES

- Indirect Cost Rates
- Compensation – Personal Services (time & attendance)
- Family Friendly Policies

SUBPART E – COST PRINCIPLES GENERAL PROVISIONS

- 200.400 - Policy Guide
 - Strengthens the long standing practice that non Federal entities are not permitted to keep profit unless expressly authorized by the terms & conditions of the award.

SUBPART E – COST PRINCIPLES GENERAL PROVISIONS (CONT'D)

How would you know?

- + Do you have a fixed award contract?
 - ✗ Paid based on milestones, rather than reimbursement of actual costs
- + Were all of your claimed costs determined in accordance with UGG?

COST PRINCIPLES

✖ **200.403 Factors affecting allowability**

- + **Necessary and reasonable**
- + Conform to limitations of award
- + **Consistent** with all of your policies
- + Accorded consistent treatment (direct vs indirect)
- + GAAP
- + Not also used for cost-sharing in another fed-funded program
- + **Be adequately documented**

COST PRINCIPLES

✖ 200.407 - Prior Written Approval

- + Provides a one-stop comprehensive list of the circumstances (references applicable sections) under which non-Federal entities should seek prior approval from the Federal awarding agency.

- ✖ Special or unusual costs

COST PRINCIPLES

- ✖ **200.413 – Administrative Costs as Direct Costs**
 - + Direct charging administrative costs (list of conditions)
 - + If you have unallowable costs that include salaries, occupy space and benefit from indirect costs, must allocate IDC to them.

COST PRINCIPLES

✖ 200.414 - Indirect (F&A) Costs

- + Federal acceptance of approved IDC rate(s)
- + New de minimis rate for entities who have never negotiated an IDC rate - 10%
 - ✖ CDE included this in the FY '16 FT&C
- + For current, approved rates - one time extension of up to 4 years

COST PRINCIPLES

✖ **200.415 - Required Certifications**

- + Signed by official who can legally bind organization – don't be surprised if your annual/final fiscal reports include expanded certifications
- + Penalties under the False Claims Act

SELECTED ITEMS OF COST

- **200.420 UGG 55** specific items listed(alphabetically). Few more than previously listed in OMB, depending on whether you are from local govt or not-for-profit

SELECTED ITEMS OF COST

✗ 200.421 - Advertising and public relations

- + No change, just clarification
- + Allowable for program purposes, incl:
 - ✗ Recruitment
 - ✗ Procurement of goods
 - ✗ Disposal of materials
 - ✗ Program outreach
 - ✗ Public relations (limited-see .421(d))

SELECTED ITEMS OF COST

✖ 200.425 Audit Services

- Reasonable proportionate share of the Single Audit Act costs allowable
- Other audit costs allowable if included in an IDCproposal (i.e., financial statement audits for a non-Federal entity that does not currently have a Federal award)

TIME & EFFORT DOCUMENTATION

✖ 200.430 – Compensation – Personal Services

- + Strengthen Internal Controls
- + Removed Examples
- + “Most flexible and most changed” rule

TIME & EFFORT DOCUMENTATION

- ✗ Time Distribution Records – (i) “Standards for Documentation of Personnel Expenses”
 - + Must be maintained for **all** employees whose salaries are:
 - ✗ Paid in whole or in part with federal funds 200.430 (i)(1)
 - ✗ Used to meet a match/cost share requirement 200.430 (i)(4)
 - + Written policies and procedures for compensation **must** include documentation for those paid under federal awards

TIME & EFFORT DOCUMENTATION

- + Charges for salaries must be based on records that **accurately reflect** the work performed.
 1. Must be supported by a system of internal controls which provides **reasonable assurance** charges are accurate, allowable and properly allocated.
 2. Be incorporated into official records
 3. **Reasonably reflect** total activity for which employee is compensated

TIME & EFFORT DOCUMENTATION

✖ Charges for salaries (cont'd)

1. **New:** all time, both grant funded and non-grant funded must total 100%
2. Comply with established accounting policies and practices
3. Support distribution among specific activities or *cost objectives*
200.28 (definition slightly changed) Program, function, activity...work unit for which cost data are desired...provision is made to accumulate the cost

TIME & EFFORT DOCUMENTATION

- ✗ Items of note

- + **local governments** encouraged to adopt “substitute systems” if approved by cognizant agency for indirect cost. *No longer applies to nonprofit orgs* 200.430(i)(5)
- + Entities should review documentation to ensure written procedures have:
 - ✗ Guidance on how to correct errors on submitted timesheets
 - ✗ Timeline for submission of all time reports
 - ✗ Review/approval process

TIME & EFFORT DOCUMENTATION

- ✗ Items of note (cont'd):

- + If records meet the standards, the nonfederal entity **will *not* be required to provide additional support or documentation for the work performed** 200.430(i)(2)
- + But, if “records” of grantee do not meet new standards, feds may require personnel activity reports (PARs) 200.430(i)(8).
 - ✗ PARs are not defined!!

TIME & EFFORT DOCUMENTATION

✗ Items of note (cont'd): :

- + Budget estimates alone do not qualify as support for charges to fed awards 200.430(i)(1)(viii)
- + NO requirements stated regarding signature, time period.
- + **Percentages may be used** for distribution of total activities 200.430 (i)(1)(ix)

FRINGE BENEFITS

✗ 200.431 – Compensation – Fringe Benefits

- + Includes the costs of leave, employee insurance, retirement plans, etc. Allowable provided the benefits are reasonable and are:
 - ✗ Required by law *or*
 - ✗ Required by an employer-employee agreement *or*
 - ✗ Required by an established policy of the agency

FRINGE BENEFITS

- + Must have written policies for all forms of leave charged
- + Must be equitably allocated to all fed and nonfederal programs
- + GAAP for accrual based accounting
- + Severance – limits described at (i)(1)
- + Excessive severance pay-*unallowable*

CONFERENCES – NEW SECTION

✖ 200.432 – Conferences

- + Requires conference hosts/sponsors to exercise discretion and judgment in ensuring that conference costs are appropriate, necessary and managed in a manner that minimizes costs to the Federal award.
- + Allows costs of finding, *not providing* local dependent care

SELECTED ITEMS OF COST

✖ 200.434 - Contributions and Donations

- + No major changes – language is strengthened to **align** with Cost Sharing Section 200.306
- + Value of donated services to the agency is not an allowable cost, but can be used to meet cost sharing requirements

SELECTED ITEMS OF COST

✖ 200.437 – Employee Health and Welfare costs

“Costs incurred in accordance with the non-Federal entity's **documented policies** for the improvement of working conditions, employer-employee relations, employee health, and employee performance are allowable.”

SELECTED ITEMS OF COST

✖ 200.438 – Entertainment Costs

+ Unallowable unless

1. Those costs have a programmatic purpose and are authorized in the approved budget for the federal award, or
2. Those costs have prior written approval from the federal awarding agency

SELECTED ITEMS OF COST

✖ 200.439 Equipment and Other Capital Expenditures

- + Definitions in Subpart A
- + Property Standards in Subpart D

SELECTED ITEMS OF COST

✖ 200.441 – Fines, Penalties, Damages and Other Settlements

- + Includes “alleged violations” and not just “violations” are unallowable except when they result directly from complying with the terms of a Federal award or are approved in advance by the Federal awarding agency.

SELECTED ITEMS OF COST

✖ 200.455 - Organization Costs

- + Now **un**allowable to all organizations unless specific approval by the awarding federal agency

SELECTED ITEMS OF COST

✖ 200.456 – Participant Support Costs

- + Applies to types of organizations
- + Definition moved to 200.75
- + The treatment of participant support costs is in the definition of modified total direct costs and in the appendices on indirect cost rates, Appendix IV to Part 200

SELECTED ITEMS OF COST

✗ 200.460 – Proposal Costs

- + Language changed – must be treated as indirect costs.
- + Only current costs are allocable to current accounting period

SELECTED ITEMS OF COST

✖ 200.465 – Rental Costs of Real Property and Equipment

- + rental costs under “sale and lease back”
- + rental costs under “less-than-arm's-length” transactions
- + home office space

SELECTED ITEMS OF COST

✖ 200.470 - Taxes (including Value Added Tax)

- + Paragraph (a) – States, local government and Indian Tribes
- + Paragraph (b) Nonprofits – if legally required to pay, allowable
- + Property tax exemption? If eligible but not claimed, tax not allowable.

SELECTED ITEMS OF COST

✖ 200.474 – Travel Costs

- + Actual or per diem costs allowed when:
 - ✖ individual's participation is necessary to contract
 - ✖ Costs are reasonable & consistent with travel policy
- + Temporary dependent care costs that result *directly* from travel to conferences and meet specified standards are allowable.

AUDIT REQUIREMENTS

REFORMS TO CIRCULARS A-133 AND A-50

Make sure your auditors are aware of the new requirements.

AUDIT REQUIREMENTS

× 200.501 –

- + Audit threshold increased from \$500,000 to \$750,000
- + Type A/B threshold increased from expenditures of \$300,000 to \$750,000

IMPLEMENTATION

PRACTICAL STEPS TO IMPLEMENT UGG

IMPLEMENTATION

- ✗ Keep in mind that you don't just have to comply, you have to *conform*.
 - + New guidance gives recipients more flexibility by relying on entities' policies and procedures (P&P)
 - + This means that P&P need to be updated for UGG.
 - ✗ Must be written.

IMPLEMENTATION

✗ **P&P should address the priorities of UGG:**

- + Strengthen accountability and protect against waste, fraud and abuse
- + Focus on performance and outcomes
- + Strengthen financial integrity
- + Focus on innovative methods and outcome

IMPLEMENTATION

✗ UGG places emphasis on results:

- + Recipient management practices
- + Subrecipient oversight management
- + Standards for identifying federal funds
- + Risk assessment evaluation
 - ✗ Moving to the beginning of the process, rather than the end of the cycle

IMPLEMENTATION

✗ Focus on risk 200.205:

- + Federal agencies are now required to use risk assessments **before** awarding direct funding to a nonfederal entity.
- + Evaluated based on:
 - ✗ Financial stability of entity
 - ✗ Performance history
 - ✗ Audit reports and findings

IMPLEMENTATION

✗ How to address risk criteria:

- + Past performance counts

- ✗ Financial integrity

- ✗ Cash flow management

- ✗ Audit findings – corrective action

- ✗ Timely report submissions

IMPLEMENTATION

✗ How to address risk criteria (cont'd):

+ Financial integrity

- ✗ Good business practices
- ✗ Sound accounting systems
- ✗ Successful past awards

IMPLEMENTATION

✗ How to address risk criteria (cont'd):

+ Quality of management systems

- ✗ Organizational policies and procedures (P&P)
- ✗ Standard management reports
- ✗ Communication and training

IMPLEMENTATION

✗ How to address risk criteria (cont'd):

+ Audit findings

- ✗ Maintain record of audit findings
- ✗ Correct audit findings
- ✗ Identify when and how
- ✗ Ensure procedures reflect changes as required

IMPLEMENTATION

✗ Other steps:

- + Identify (in management P&P) specific statutory requirements implemented
- + Make sure P&P reflect how your organization does business

IMPLEMENTATION

✗ Other steps (cont'd):

- + New representations and certifications

 - ✗ Identify appropriate signatory

- + Conflict of interest 200.112 and mandatory disclosures 200.113

 - ✗ Identify appropriate policy revisions

 - ✗ Standards of conduct

IMPLEMENTATION

- ✗ Establish a quarterly review session on activities as part of your regular management process
- ✗ Any change to P&P should be dated
- ✗ Read new or revised post-award requirements

IMPLEMENTATION

- ✖ Highlights
 - + Time and effort
 - + Indirect costs
 - + Travel
 - + Financial management
 - + Procurement

IMPLEMENTATION

✗ Financial Management

- + UGG requires that an entity's financial system must identify all federal awards in all contracts that are received and expended by:
 - ✗ CFDA number and title
 - ✗ Federal awards ID and year
 - ✗ Name of federal awarding agency
 - ✗ Pass-through entity's name
- + Entity must have written procedures for determining allowability of costs *in accordance with Subpart E Cost Principles* and terms and conditions of the award.

UPDATING POLICIES AND PROCEDURES

✗ Internal procedures

- + The issuance of UGG is forcing entities to review their documentation, modify or re-write procedures.
- + Should be maintained in a manner so that they are available to staff at all times.

UPDATING POLICIES AND PROCEDURES

✗ What should you update first?

1. Determine what procedures will have most impact on entity if not updated within a specified timeframe
2. List by last date procedure was updated or established
3. Create a schedule for update or revision, if necessary

UPDATING POLICIES AND PROCEDURES

✗ Updating requires:

1. Review of the current procedure for a particular process
2. Compare this to the UGG; identify changes, **make sure good internal controls are reflected.**
3. Ensure there is a review and approval procedure in place (internal controls)
4. Review any audit findings associated with procedures and correct any deficiencies
5. Review changes in staff that may alter approval requirements (names and titles)
6. Document the date when procedures were implemented/ updated.

REFLECTING STRONG INTERNAL CONTROLS IN YOUR P&P

- ✗ UGG specifically refers to the federal “Green Book” and COSO 200.303
- + “Nonfederal entity must establish and maintain internal control over federal awards...”
- + “These internal controls **should** be in compliance with the “Standards for Internal Control in the Fed Govt” and the “Internal Control Integrated Framework,” issued by COSO”

REFLECTING STRONG INTERNAL CONTROLS IN YOUR P&P

- ✗ Original COSO Integrated Framework 1992
- ✗ Committee of Sponsoring Organizations
Treadway Commission (COSO)
 - + still broadly accepted
 - + used to design, implement, and conduct systems of internal control (IC) and assess IC.
- ✗ (COSO) Board completed update in 2013

WHAT IS THE GREEN BOOK AND HOW IS IT USED?

- *Standards for Internal Control in the Federal Government*, known as the Green Book, sets internal control standards for federal entities.
- The Green Book standards follow COSO's Internal Control Framework **and adapts the principles for a government environment.**

HOW DOES THE GOVT USE THE GREEN BOOK?

✗ Objective identified



✗ Controls designed



✗ Controls in place



✗ Objective achieved

A govt entity uses the Green Book to design, implement, and operate internal controls to achieve its objectives related to operations, reporting, and compliance.

INTERNAL CONTROL REQUIREMENTS

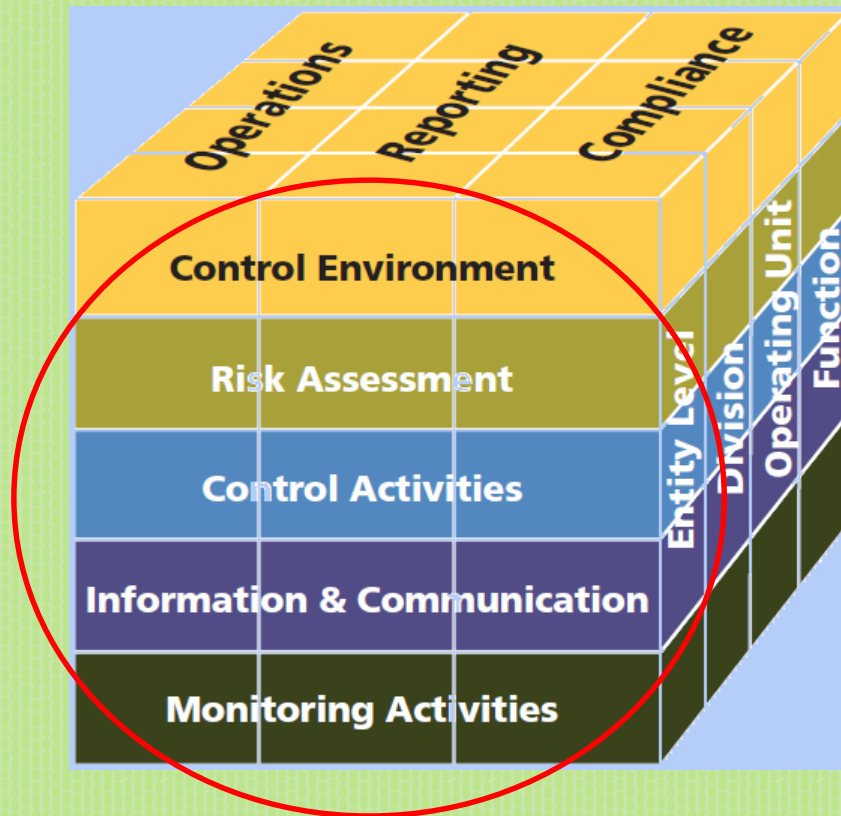
- ✗ The five components of internal control **must** be effectively
 - + designed,
 - + implemented, and
 - + operating,
- ✗ and operating together in an integrated manner, for an internal control system to be effective.

INTERNAL CONTROL REQUIREMENTS

- ✗ Documentation is a necessary part of an effective internal control system.
- ✗ The level and nature of documentation vary based on the size of the entity and the complexity of the operational processes the entity performs.
- ✗ Management uses judgment in determining the extent of documentation that is needed.

INTERNAL CONTROL REQUIREMENTS

5 Components of Internal Control



EFFECTIVE INTERNAL CONTROL

- ✖ Effective internal control provides reasonable assurance regarding the achievement of objectives and requires that:
 - + Each component and each relevant principle is present and functioning
 - + The five components are operating together in an integrated manner

INTERNAL CONTROL PRINCIPLES

Control Environment

1. Demonstrates commitment to integrity and ethical values
2. Exercises oversight responsibility
3. Establishes structure, authority and responsibility
4. Demonstrates commitment to competence
5. Enforces accountability

Risk Assessment

6. Specifies suitable objectives
7. Identifies and analyzes risk
8. Assesses fraud risk
9. Identifies and analyzes significant change

Control Activities

10. Selects and develops control activities
11. Selects and develops general controls over technology
12. Deploys through policies and procedures

Information & Communication

13. Uses relevant information
14. Communicates internally
15. Communicates externally

Monitoring Activities

16. Conducts ongoing and/or separate evaluations
17. Evaluates and communicates deficiencies

RESOURCES

COSO RESOURCES

✕ COSO Resources

+ Internal Control-Integrated Framework

- ✕ Executive summary
- ✕ Framework and Appendices
- ✕ Illustrative tools for assessing effectiveness of a system of internal control

+ Internal Control over External Financial Reporting, a Compendium of Approaches and Examples

www.coso.org

GREEN BOOK RESOURCES

- ✖ United States Government Accountability Office

- + By the Comptroller General of the United States

- ✖ Standards for Internal Control in the Federal Government

- Green Book – Updated September 2014

- ✖ The fastest and easiest way to obtain copies of GAO documents at no cost is through the GAO's website www.gao.gov

QUESTIONS

Please feel free to contact:

Marta Williams, Principal

Damore, Hamric & Schneider, Inc. CPAs

1515 River Park Drive, Suite 150

Sacramento, CA 95815

(916) 418-9373

martaw@dhscpa.com

