



# Practical Considerations for Single Audits and the Uniform Grant Guidance

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# Learning Objectives

- Discuss the main challenges surrounding implementation of the Uniform Grant Guidance (UGG) and ways to address them
- Understand how OMB's Compliance Supplement and your grant agreements can help plan for your single audit and reduce findings
- Discuss proactive grants management best practices to consider at your organization



# Reminders about what the UGG is:

- “The Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards” – known as the UGG
- Consolidated and streamlines eight previous federal regulations into comprehensive guidance codified at **2 CFR Part 200 (Subparts A – F)**



# Reminders about what the UGG is: (continued)

## Previous Guidance:

A-21, A-87, A-122 Cost Circulars

A-133 Single Audit Guidance

A-89 Catalog of Federal Domestic Assistance

A-102, A-110 Uniform Administrative Requirements

A-50 Audit Follow-up

## New Guidance:

Subpart A – Acronyms and Definitions

Subpart B – General Provisions

Subpart C - Pre Federal Award Requirements

Subpart D – Post Federal Award Requirements

Subpart E – Cost Principles

Subpart F – Audit Requirements

# Objectives of the Uniform Guidance

Eliminate  
duplication and  
conflicting  
guidance

Focus on  
performance over  
compliance for  
accountability

Encourage  
efficient use of IT  
and shared  
services

Provide for  
consistent and  
transparent  
treatment of costs

Limit allowable  
costs to make best  
use of federal  
funds

Set standard  
business processes  
using data  
definitions

Encourage non-  
federal entities to  
have family-  
friendly policies

Strengthen  
oversight

Target audit  
requirements on  
risk of waste,  
fraud, and abuse





# Top 5 Challenges about the UGG....and how to address them!

# Top 5 Challenges about the UGG....and how to address them

## #1 - Effective dates (section 200.110): for grant awards, subawards, and the single audit, what are the differences?

**New awards:** made on or after 12/26/14, also for incremental funding actions with opportunity to change award terms/conditions

**Subawards** (to subrecipients): same date of the federal award from which subaward is made

**Single audits:** fiscal years beginning after 12/26/14 (12/31/15, 6/30/16, 9/30/16 year-ends)



# Top 5 Challenges about the UGG....and how to address them (continued)

- **#1 effective dates** - Next few years will be “transition years” – some grants will be under old guidance and some by UGG:
  - NOTE – for agency incremental funding actions that are subject to UGG, you are not obligated to segregate or track old funds and new funds but can do so at your discretion, make sure to document decision!
  - TIP – Create a master tracking system to identify all federal grant award dates, incremental funding dates, CFDA #, grantor, responsible individual/department, etc.





# Top 5 Challenges about the UGG....and how to address them (continued)

## #2 Procurement standards (sections 200.317-326): what is the effective date I have to make changes and what are micro-purchases?

**Effective date:** MAY continue to follow old standards for 2 additional fiscal years after UGG effective date – BUT MUST document decision in internal policy

**Micro-purchases:** Procurement by micro-purchase is the acquisition of supplies or services, the aggregate dollar amount of which does not exceed the micro-purchase threshold (\$3K). To the extent practicable, the non-Federal entity must distribute micro-purchases equitably among qualified suppliers. Micro-purchases may be awarded without soliciting competitive quotations if the non-Federal entity considers the price to be reasonable.

# Top 5 Challenges about the UGG....and how to address them (continued)

- **#2 procurement standards** – what do I need to do for micro-purchases?
  - TIP – You can award micro-purchases without soliciting competitive quotations if the price is reasonable, DEFINE and EXPLAIN what would be considered reasonable in your policy and through training of employees making these purchases with federal grant monies, examples:
    - ◇ Whether the cost is of a type that is generally considered as being necessary for the operation of the organization or the performance of the award
    - ◇ Perform yearly price comparison of common purchases meeting this threshold (via google search, calling area stores, etc.) and provide to employees as a baseline
    - ◇ Make sure documentation is kept on file or electronically regarding these purchases, “audit trail”



# Top 5 Challenges about the UGG....and how to address them (continued)

## #2 procurement standards – reminders on 5 types:

### Micro-Purchase

< \$3,000

No quotations

Equitable distributions

### Small Purchases

Up to \$150,000

Rate quotations

No cost or price analysis

### Sealed Bids

> \$150,000

Construction projects

Price is a major factor

### Competitive Proposals

> \$150,000

RFP with evaluation methods

### Sole Source

Unique

Public emergency

Authorized by agency or PTE

No competition



# Top 5 Challenges about the UGG....and how to address them (continued)

## #2 procurement standards – some key “new” items to include in your policy under UGG:

- Conflict of interest policy
- Document decision to follow old standards with 2 year grace period OR under UGG
- Policy regarding engagement in full and open competition
- Policy around required documentation needed on file or electronic workflow.
- Detailed records must be maintained to outline history of procurement contracts - at a minimum include rationale for method, selection of contract type, contractor selection or rejection, and basis for contract.



# Top 5 Challenges about the UGG....and how to address them (continued)

## #3 Internal Controls (section 200.303): what has changed?

**Proactive controls** – there is now more explicit reference to existing internal control requirements and is in the administrative requirements of the UGG. Before, internal controls were discussed mainly in A-133 as part of the audit (after the costs had been incurred)

**Must vs. Should** – Now with the UGG, must is not optional, should is recommended. Now **MUST** establish and maintain effective internal control over federal awards, evaluate and monitor compliance, take prompt action over non-compliance. **SHOULD** consider and be in compliance with the Green Book and COSO framework.

# Top 5 Challenges about the UGG....and how to address them (continued)

- **#3 Internal Controls** – what do internal controls really mean and what are some examples?
  - NOTE – Internal Controls means a process that is implemented and designed to provide reasonable assurance regarding the achievement of objectives in the following categories:
    - ◇ (a) Effectiveness and efficiency of operations;
    - ◇ (b) Reliability of reporting for internal and external use;
    - ◇ and (c) Compliance with applicable laws and regulations.



# Top 5 Challenges about the UGG....and how to address them (continued)

- **#3 Internal Controls** – what do internal controls really mean and what are some examples? (continued)
  - TIP – Think outside the box on what an internal control means, it's not just checking a box or signing an invoice:
    - ◇ Internal Environment – commitment to integrity and ethics, Board involvement
    - ◇ Objective Setting, Event Identification, Risk Assessment, Risk Response – analysis of risk and how to mitigate (what could go wrong?), identify and assess changes that could affect system of internal controls



# Top 5 Challenges about the UGG....and how to address them (continued)

- **#3 Internal Controls** – what do internal controls really mean and what are some examples? (continued)
  - TIP – Think outside the box on what an internal control means, it's not just checking a box or signing an invoice (continued):
    - ◇ Control Activities – policies, procedures, review, segregation of duties, IT controls
    - ◇ Information and Communication – internal and external communication regarding controls
    - ◇ Monitoring – quality reviews, Board and mgmt. level reviews, communication of deficiencies and corrective action





# Top 5 Challenges about the UGG....and how to address them (continued)

## #4 Subrecipient monitoring (section 200.331): How do I evaluate the subrecipient's risk and then monitor them?

**Subrecipient risk assessment** – perform this for the subrecipient as a whole and for your specific subaward to them

**Subrecipient award and monitoring** – Ensure proper information is communicated to them via award document, and tailored monitoring for the subrecipient is conducted



# Top 5 Challenges about the UGG....and how to address them (continued)

- **Reminder – Key differences between subrecipient vs. contractor (Section 200.330)**
- (a) ***Subrecipients.*** A subaward is for the purpose of carrying out a portion of a Federal award and creates a Federal assistance relationship with the subrecipient. Characteristics which support the classification of the non-Federal entity as a subrecipient include when the non-Federal entity:
  - (1) Determines who is eligible to receive what Federal assistance;
  - (2) Has its performance measured in relation to whether objectives of a Federal program were met;
  - (3) Has responsibility for programmatic decision making;
  - (4) Is responsible for adherence to applicable Federal program requirements specified in the Federal award; and
  - (5) In accordance with its agreement, uses the Federal funds to carry out a program for a public purpose specified in authorizing statute, as opposed to providing goods or services for the benefit of the pass-through entity.



# Top 5 Challenges about the UGG....and how to address them (continued)

- **Reminder – Key differences between subrecipient vs. contractor (Section 200.330)**
- **(b) Contractors.** A contract is for the purpose of obtaining goods and services for the non-Federal entity's own use and creates a procurement relationship with the contractor. Characteristics indicative of a procurement relationship between the non-Federal entity and a contractor are when the contractor:
  - (1) Provides the goods and services within normal business operations;
  - (2) Provides similar goods or services to many different purchasers;
  - (3) Normally operates in a competitive environment;
  - (4) Provides goods or services that are ancillary to the operation of the Federal program; and
  - (5) Is not subject to compliance requirements of the Federal program as a result of the agreement, though similar requirements may apply for other reasons.



# Top 5 Challenges about the UGG....and how to address them (continued)

## SUBRECIPIENT MONITORING:

Pass-through entities must evaluate each subrecipient's risk of noncompliance

prior  
experience

results of  
previous  
audits

new personnel  
or new or  
substantially  
changed  
systems

extent and  
results of  
Federal  
awarding  
agency  
monitoring

# Top 5 Challenges about the UGG....and how to address them (continued)

- **#4 Subrecipient Monitoring** – What are some key areas for evaluating a subrecipient's risk and how do I assess this?
  - NOTE – Consider risk factors similarly to how you evaluate your own organization: control environment, past history, controls, training programs, staff turnover, etc.
  - TIPS – DOCUMENT your risk assessment and use consistent evaluation techniques for all subrecipients. Use CLA's "Subrecipient Risk Assessment Matrix" tool as a guide. If subrecipients receive multiple awards from your organization, consult those individuals and departments that award these to combine efforts in your risk assessment.



# Top 5 Challenges about the UGG....and how to address them (continued)

- **#4 Subrecipient Monitoring** – What are some key areas for evaluating a subrecipient's risk and how do I assess this? (continued)
  - NOTE – DOCUMENT how you will monitor your subrecipients and track results.
  - TIPS – Examples of this monitoring: review of financial and programmatic reports, verify that an audit is being performed if necessary and follow up on findings and deficiencies, issue management decision on findings, provide training, conduct on-site reviews, arrange for agreed upon procedures if they don't require a single audit.



# Top 5 Challenges about the UGG....and how to address them (continued)

## #5 Compensation – personal services (section 200.430): what has changed with time and effort reporting?

**Now Principles Based vs. Rules Based** - The focus is now on strong internal controls surrounding compensation costs instead of the specific requirements to track and allocate costs.

**MUST be based on records that accurately reflect work performed and** be supported by internal controls, be reasonable, comply with policies/practices, and support distribution of salary or wages among specific activities or cost objectives if working on multiple federal awards or federal/non-federal activities.



# Top 5 Challenges about the UGG....and how to address them (continued)

- **#5 Compensation – personal services** – What are some key areas I should consider for my time and effort reporting process?
  - NOTE – DOCUMENT your policies and controls around compensation costs. If your process is working already and in compliance with the UGG, DON'T RECREATE THE WHEEL! Do consider if efficiencies can be made in the process and still be in compliance (ex. Reconciliations/true up frequency, incorporate with payroll system, etc.)





# Top 5 Challenges about the UGG....and how to address them (continued)

- **#5 Compensation – personal services** – What are some key areas I should consider for my time and effort reporting process? (continued)
  - TIPS – Electronic time records by employees can be used if it is your policy and meets the “MUSTS” of the UGG. Make sure timesheets/records document the different methods of cost:
    - ◇ Direct costs – if employee’s work is specifically identifiable to specific grants **or** other (non-federal) programs or functions of the entity.
    - ◇ Indirect costs – staff charge 100% of their salary costs indirectly.
    - ◇ Mixed charges – employee might charge salary costs to both direct and indirect activities





**How OMB's Compliance Supplement and your grant agreements can help plan for your single audit and reduce findings!**

# OMB's Compliance Supplement...what is this?

- Compliance Supplement is based on requirements of the 1996 Single Audit Act Amendments and revisions to OMB Circular A-133/2 CFR part 200, subpart F (UGG), which provide for the issuance of a compliance supplement to assist auditors in performing the required audits.
- Contains Federal program objectives, procedures, and compliance requirements relevant to the audit, and audit objectives and suggested audit procedures.

Auditors use this for the single audit, so you should use it too! Just search for “OMB Compliance Supplement” in your internal browser and you can find it. 2015 version:  
[https://www.whitehouse.gov/omb/circulars/a133\\_compliance\\_supplement\\_2015](https://www.whitehouse.gov/omb/circulars/a133_compliance_supplement_2015)




# Layout of the OMB Compliance Supplement

- Part 1 – Background, Purpose, Applicability
- Part 2 – Matrix of Compliance Requirements
- Part 3 – Compliance Requirements
- Part 4 – Agency Program Requirements
- Part 5 – Clusters of Programs
- Part 6 – Internal Control
- Part 7 – Guidance for auditing programs not included in this compliance supplement
- Appendices



# Layout of the OMB Compliance Supplement (continued)



What sections  
do we really  
care about?

- **Matrix of compliance requirements** – Listed by CFDA #/Cluster, lists which of 12 requirements could apply
- **Compliance Requirements** – detailed information on the 12 areas and suggested audit procedures
- **Agency Compliance Requirements** – Listed by federal agency, then specific CFDA #/Cluster, includes specific program requirements and additional audit procedures

# How do auditors figure out what they are testing for federal programs?

**Review the compliance matrix against the actual expenditures** charged to the grant to see areas that could apply for testing as “direct and material” to the grant.

**Review grant agreements for other areas** that could apply as a “Special Test or Provision” compliance requirement, or other nuances of the grant to consider.

**Then go through analysis of the general compliance requirements and program specific compliance requirements** to determine specific areas to test internal controls and compliance.

# Suggestions to plan for your single audit to help reduce findings

Be proactive!

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graph TD; A[Be proactive!] --- B[Read through the compliance supplement, both parts 3 and 4, and grant agreements, for your federal programs. Discuss and document relevant areas for program staff and financial staff involved with grants.]; A --- C[Verify you have an identified control(s) over each relevant compliance requirement and that it is "auditable". Evidence of the control and that you are in compliance is key.]
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Read through the compliance supplement, both parts 3 and 4, and grant agreements, for your federal programs. Discuss and document relevant areas for program staff and financial staff involved with grants.

Verify you have an identified control(s) over each relevant compliance requirement and that it is “auditable”. Evidence of the control and that you are in compliance is key.



# Suggestions to plan for your single audit to help reduce findings (continued)

Meet internally with individuals involved all aspects of the single audit to define expectations/roles, key contacts, concerns, questions, etc.

- Accounting/finance, program personnel, procurement/purchasing, contract/legal, management and the Board could be on this list

Ask your external auditor if unsure on an issue





# Reminders – Changes to Single Audit under UGG

## Increased threshold for a Single Audit audit

- From \$500,000 to \$750,000

## Increased Type A threshold

- A new table simplifies the Type A / Type B determination. For those organizations with federal expenditures below \$25 million, the threshold is increased from \$300,000 to \$750,000

## Increased Type B threshold

- Programs that exceed 25% of the Type A threshold. For organizations with federal expenditures below \$25 million, threshold increased from \$100,000 to \$187,500



# Reminders – Changes to Single Audit under UGG (continued)

## High Risk A criteria

- Material weakness in I/C (was any control deficiency finding)
- Modified opinion on the program
- Known or likely questioned costs that exceed 5% of total program expenditures

## High Risk B's to be tested

- Auditor not required to identify more than at least  $\frac{1}{4}$  the number of low-risk Type A.
- No longer have two options to choose from



# Reminders – Changes to Single Audit under UGG (continued)

## Low-Risk Auditee Criteria

- Now includes that auditors report did not include a going concern
- Unmodified opinion on a major program

## Percentage of coverage rule

- 25 percent to 20 percent for low-risk auditees
- 50 percent to 40 percent for all others

## Questioned costs reporting

- Increases the threshold for reporting known or likely questioned costs from \$10,000 to \$25,000
- Requires more detailed information to be reported



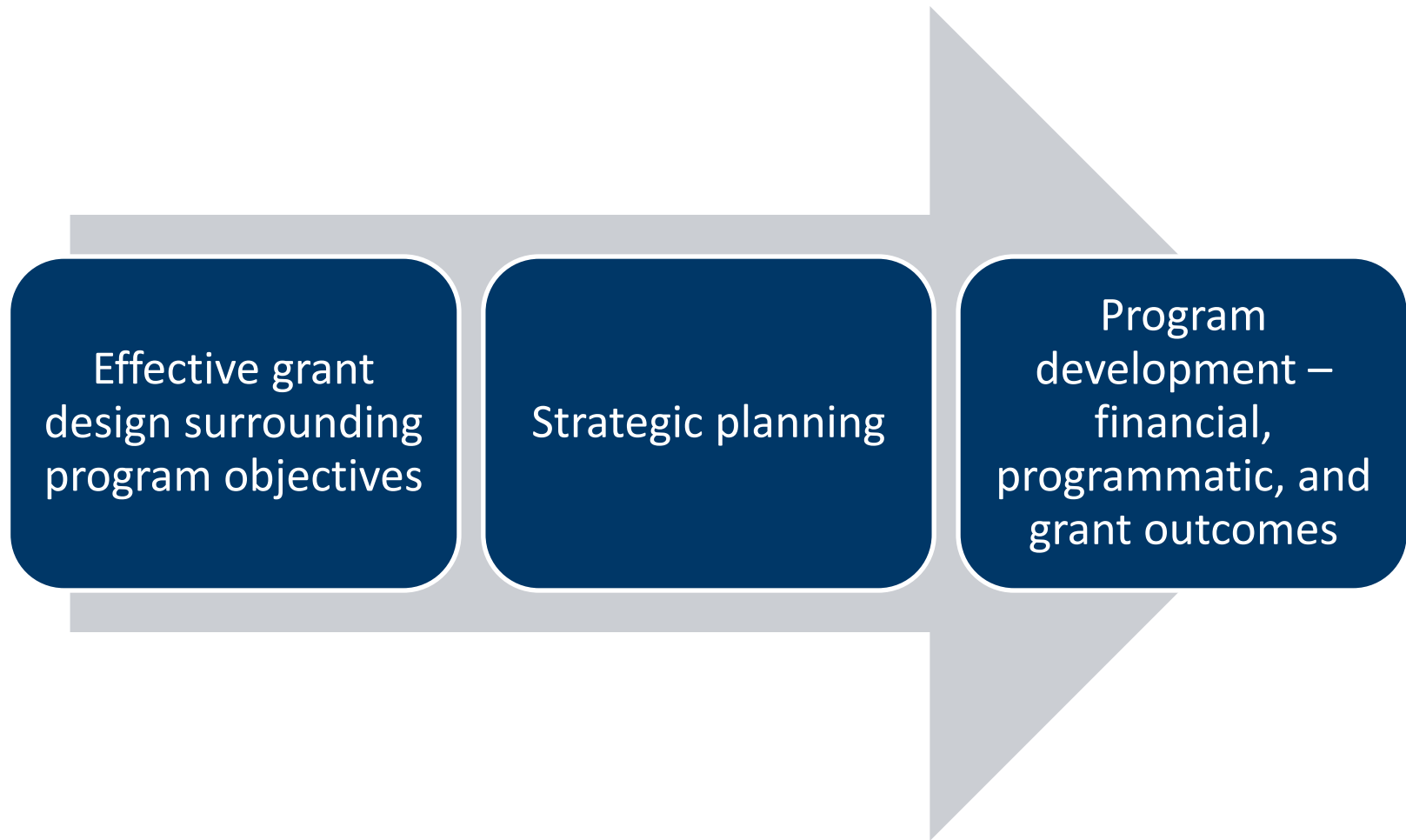


# **Grants Management Best Practices To Consider**

# Grant Compliance – Everyone is Involved!



# Grants Management is a year-round process



# Policy review and revisions

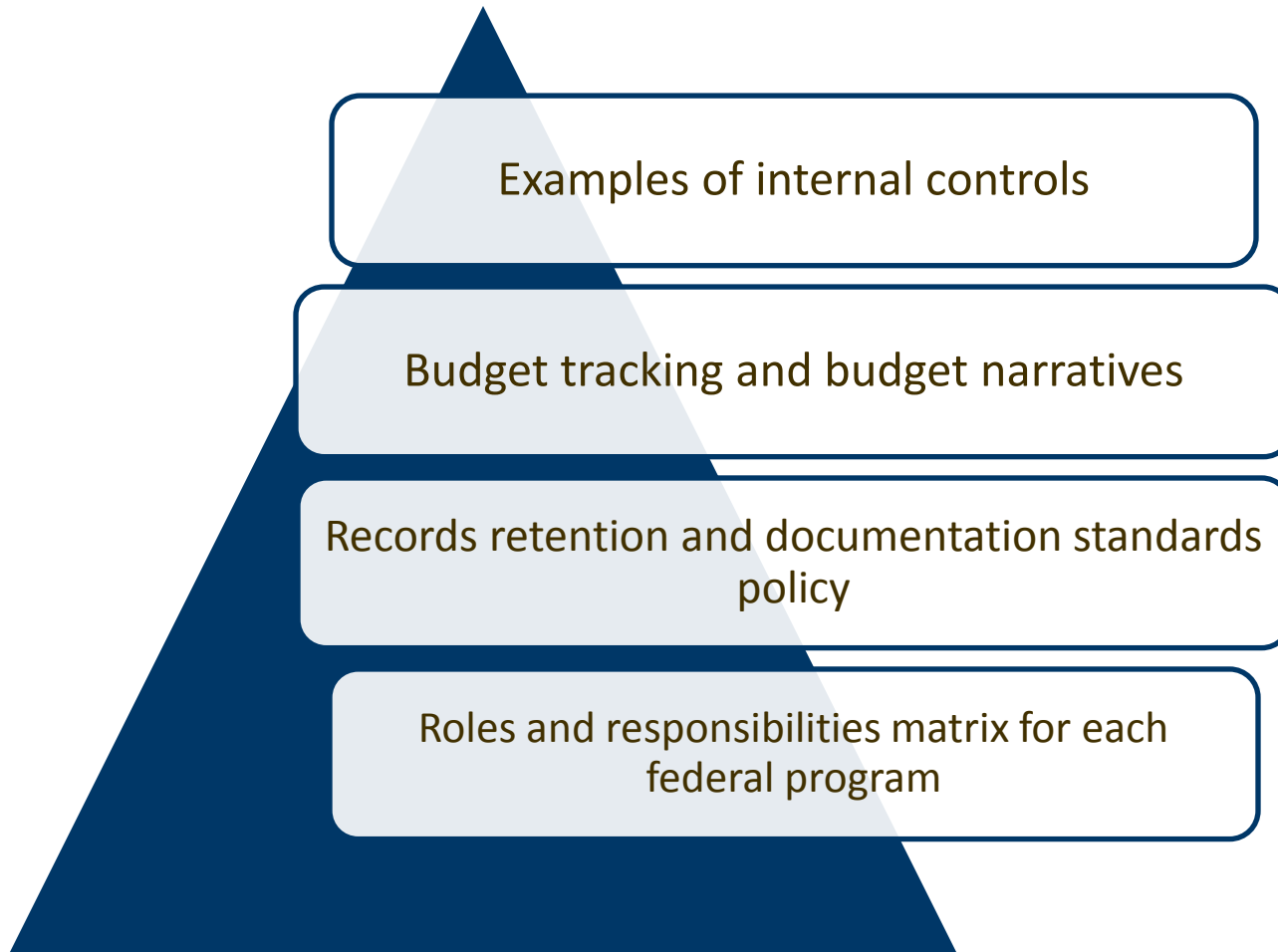
Designate key individual or team to monitor your policies over federal programs.

Regularly review policies for compliance and educate employees on changes to policies. Encourage open dialogue regarding questions and decision making.

Make sure policies are easily accessible for all employees involved and they know that they are responsible for reviewing these.

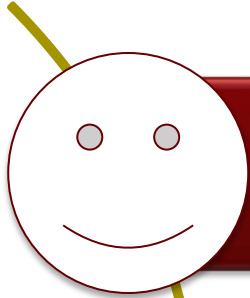


# Develop tips and tools for your programs to help program and financial staff





# Documentation of Compliance



Document compliance requirements



Document proper internal controls over compliance



Know how the specific compliance requirements apply to your grants

## Checklists – usually always help!

Develop checklists for all aspects of the grant process, such as:

Grant application process

Preparation for the single audit

Subrecipient risk assessment and monitoring

Submission of financial and program reports

Grant close-out



# CLA Resources - Checklists:

## Implementation Checklist:

<http://claconnect.com/Nonprofit/Uniform-Grant-Guidance-Implementation-Checklist.aspx>

## Subrecipient Risk Assessment Matrix Workbook:

<http://claconnect.com/Nonprofit/Uniform-Grant-Guidance-Workbook-Subrecipient-Risk-Assessment.aspx>



# CLA Resources - Checklists:



## Grant Reform and Uniform Guidance Planning and Implementation Checklist

For those topics that have expanded information indicated, click on the hyperlink to the "Additional Guidance" tab.

For those cell that have red triangles in the top right corner, hover over the cell to view the additional guidance in the comment.

Action Item	Expected Completion Date	Comments
<b>Initial Implementation / Planning (Nonfederal Entities)</b>		
1) New awards or additional funding received after December 26, 2014, are subject to new regulations. It is possible that there will be overlap, with some grants subject to previous circulars while others are subject to new guidance.		
a) Has your organization identified grants that will be subject to superseded guidance?		
b) Has your organization identified grants that will be subject to newer guidance?		
2) Have proper individuals attended training to understand new changes?		
3) Has your organization discussed with its auditors the impact to the compliance audit beginning in the applicable fiscal year — those that begin on or after December 26, 2014 (December 31, 2015, June 30, 2016, or September 30, 2016, fiscal year-ends)?		
<b>Subpart B — General Provisions</b>		
<b><u>Integrity Rules (Section 200.112-113)</u></b>		
1) <b>Conflicts of interest for nonfederal entities</b> — Has your organization disclosed in writing any potential conflicts of interest to the federal awarding agency of pass-through entity in accordance with the applicable federal awarding agency policy?		
2) <b>Mandatory disclosures for non-federal entities</b> — Has your organization considered and disclosed all violations of federal criminal law involving fraud, bribery, or gratuity violations potentially affecting the federal award? (Note: Failure to do so can result in suspension and/or debarment.)		



# CLA Resources - Checklists:



## Subrecipient Entity Wide Subaward Risk Assessment

**Subaward Applicant** \_\_\_\_\_  
**Recipient Unique Entity Identifier** \_\_\_\_\_  
**Date Prepared** \_\_\_\_\_

### Instructions:

Fill out this tab once for each entity that is applying for pass-through funding. This information will aid in determining the specific risks imposed by passing through Federal funds to this entity. Fill out the "Award Specific" tab for each individual award being passed through to be in compliance with the Uniform Guidance section 200.331

### Control Environment

Provide a brief description of the subrecipient's tone at the top.

Items to consider are whether management displays integrity and ethical values, whether there is an organization-wide focus on adherence to policies and controls, etc.

Has the subrecipient taken appropriate and timely action to remedy prior findings?

### Risk Assessment

Has the subrecipient had an audit (financial statement or single) in both of the preceding two years?

# CLA Resources – Whitepapers and Articles:

## Personal Services and Fringe Benefits Whitepapers:

**State and Local Government** - <http://www.claconnect.com/State-and-Local-Government/Uniform-Federal-Grant-Guidance-Personal-Services-and-Fringe-Benefits.aspx>

**Nonprofit** - <http://www.claconnect.com/Nonprofit/Uniform-Federal-Grant-Guidance-Nonprofits-Personal-Services-and-Fringe-Benefits.aspx>

**Higher Ed** - <http://www.claconnect.com/Higher-Education/Uniform-Guidance-on-Personal-Services-and-Fringe-Benefits.aspx>

## Articles:

<http://www.claconnect.com/State-and-Local-Government/Hidden-Costs-of-Grant-Noncompliance-for-Governments.aspx>

<http://www.claconnect.com/Nonprofit/OMB-Uniform-Grant-Guidance-Will-Impact-Your-Nonprofit-Single-Audit.aspx>



# Helpful Websites:

## **Council on Financial Assistance Reform (COFAR) –**

**<https://cfo.gov/cofar>:** Uniform Grant Guidance Links and real-time full version of UGG

## **Office of Management and Budget (OMB) –**

**<https://www.whitehouse.gov/omb/grants>:** UGG crosswalk documents, Compliance Supplement

## **Committee of Sponsoring Organizations of the Treadway**

**Commission (COSO) – <http://www.coso.org>:** internal control framework and resources

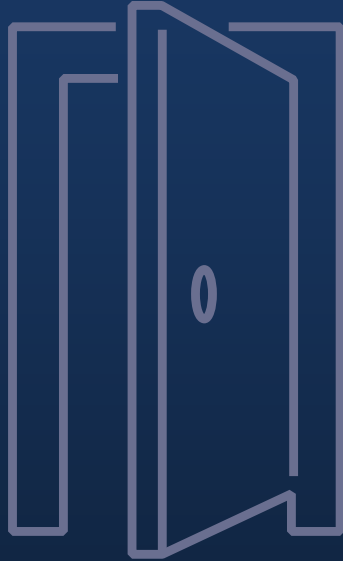


# Questions?





# Thank you!



**Allison Slife, CPA**  
**CliftonLarsonAllen LLP**  
**Manager, State and Local Government**  
**303-439-6018**  
**[Allison.Slife@claconnect.com](mailto:Allison.Slife@claconnect.com)**

**[CLAconnect.com](http://CLAconnect.com)**