

**State of North Carolina
Office of State Controller
Current Auditing Issues
June 3, 2014**

- **GERRY BOAZ, CPA, CGFM**
- **TECHNICAL MANAGER**
- **TENNESSEE DIVISION OF STATE AUDIT**
- JERRY.BOAZ@COT.TN.GOV

- **JERRY E. DURHAM, CPA, CGFM, CFE**
- **ASSISTANT DIRECTOR**
- **TENNESSEE DIVISION OF LOCAL GOVERNMENT AUDIT**
- JERRY.DURHAM@COT.TN.GOV

The Opinions expressed during this presentation are our own. They do not necessarily represent the views of the Comptroller, his representatives, or the Department of Audit.

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SAS 128 USING THE WORK OF INTERNAL AUDITORS

- THIS SAS DEFINES THE CONDITIONS NECESSARY FOR AN EXTERNAL AUDITOR TO BE ABLE TO USE THE WORK OF INTERNAL AUDITORS (**IA**)
- IT ALSO DEFINES THE AMOUNT OF EFFORT REQUIRED BY THE EXTERNAL AUDITOR TO DEMONSTRATE THAT SUFFICIENT APPROPRIATE AUDIT EVIDENCE HAS BEEN OBTAINED FROM USING THE WORK OF THE **IA**
- THE STANDARD WAS DESIGNED TO PREVENT OVER OR UNDUE USE OF THE **IA'S** WORK

SAS 128 USING THE WORK OF INTERNAL AUDITORS

- DOES NOT APPLY IF THE ENTITY DOES NOT HAVE AN INTERNAL AUDIT (**IA**) FUNCTION
- DOES NOT APPLY IF THE **IA** FUNCTION RESPONSIBILITIES AND ACTIVITIES ARE NOT RELEVANT TO THE AUDIT
- DOES NOT APPLY IF, AS A RESULT OF THE RISK ASSESSMENT PROCESS, THE EXTERNAL AUDITOR DOES NOT EXPECT TO USE THE WORK OF THE **IA** FUNCTION
- NOTHING IN THE STANDARD **REQUIRES** THE EXTERNAL AUDITOR TO USE THE WORK OF THE **IA** (WHETHER DIRECT OR INDIRECT – ALREADY PERFORMED)
- NOTHING IN THE STANDARD **REQUIRES** THE EXTERNAL AUDITOR TO USE THE WORK OF THE **IA** TO PERFORM “DIRECT TESTING PROCEDURES

SAS 128 USING THE WORK OF INTERNAL AUDITORS

- EXTERNAL AUDITOR MAY BE ABLE TO USE THE INTERNAL AUDIT FUNCTION (**IA**) DEPENDING ON:
 - LEVEL OF COMPETENCE OF **IA**
 - WHETHER THE **IA'S** ORGANIZATIONAL STATUS AND RELEVANT POLICIES AND PROCEDURES ADEQUATELY SUPPORT THE OBJECTIVITY OF THE **IA**
 - WHETHER THE **IA** FUNCTION APPLIES A SYSTEMATIC AND DISCIPLINED APPROACH, INCLUDING QUALITY CONTROL

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SAS 128 USING THE WORK OF INTERNAL AUDITORS

- TWO WAYS TO USE THE **IA** FUNCTION:
 - TO OBTAIN AUDIT EVIDENCE FROM PROCEDURES ALREADY PERFORMED BY THE **IA** THAT MODIFIES THE NATURE, TIMING, OR EXTENT OF NORMAL AUDIT PROCEDURES (I.E. INDIRECT)
 - TO OBTAIN AUDIT EVIDENCE BY PROVIDING DIRECT ASSISTANCE UNDER THE DIRECTION, SUPERVISION, AND REVIEW OF THE EXTERNAL AUDITORS
- UNDER EITHER APPROACH, THE **EXTERNAL AUDITOR** IS SOLELY RESPONSIBLE FOR THE AUDIT OPINION EXPRESSED
- THE EXTERNAL AUDITOR SHOULD COMMUNICATE TO THOSE CHARGED WITH GOVERNANCE HOW THE EXTERNAL AUDITOR PLANS TO USE THE WORK OF THE **IA** (DIRECT ASSISTANCE OR INDIRECT PROCEDURES)

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SAS 128 USING THE WORK OF INTERNAL AUDITORS

- THE EXTERNAL AUDITOR SHOULD USE LESS OF THE IA'S WORK:
 - WHEN MORE JUDGEMENT IS INVOLVED IN THE PROCEDURE OR EVALUATING THE RESULTS OF THE PROCEDURE PERFORMED BY **IA**
 - THE HIGHER THE ASSESSED RISK OF **MATERIAL MISSTATEMENTS** OR WHEN "SIGNIFICANT" RISKS ARE INVOLVED (DEFINE)
 - WHEN THE ORGANIZATIONAL STATUS OF THE **IA** FUNCTION PRESENTS EVIDENCE OF A LACK OF OBJECTIVITY
 - THE LOWER THE LEVEL OF COMPETENCE OF THE **IA** FUNCTION
- THE EXTERNAL AUDITOR SHOULD EVALUATE WHETHER, IN AGGREGATE, THE EXTERNAL AUDITOR HAS BEEN SUFFICIENTLY INVOLVED WITH THE WORK OF THE **IA** TO FORM AN OPINION

SAS 128 USING THE WORK OF INTERNAL AUDITORS

- THE PLANNED USE OF THE **IA'S** WORK SHOULD BE DISCUSSED WITH THE **IA**
- THE EXTERNAL AUDITOR SHOULD READ THE REPORTS AND FINDINGS OF THE **IA**
- THE EXTERNAL AUDITOR SHOULD REPERFORM SOME OF THE BODY OF WORK OF THE **IA** FUNCTION
 - EXAMINE ITEMS ALREADY EXAMINED BY **IA** OR SUFFICIENT NEW ITEMS
 - NOT NECESSARY TO TEST SOME OF ALL WORK BUT REPERFORMANCE IS REQUIRED ON THE **IA'S** BODY OF WORK AS A WHOLE

SAS 128 USING THE WORK OF INTERNAL AUDITORS

- BEFORE THE CONCLUSION OF THE AUDIT, THE EXTERNAL AUDITOR SHOULD EVALUATE WHETHER THE EXTERNAL AUDITOR'S CONCLUSIONS REGARDING THE **IA** FUNCTION REMAIN APPROPRIATE
 - MAKING INQUIRIES OF APPROPRIATE **IA** PERSONNEL
 - OBSERVING PROCEDURES PERFORMED BY **IA**
 - REVIEWING **IA'S** WORK PROGRAM AND WORKING PAPERS

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SAS 128 USING THE WORK OF INTERNAL AUDITORS

- IF USING **IA'S** FOR **DIRECT** ASSISTANCE:
 - ANY THREATS TO OBJECTIVITY. ANY SAFEGUARDS?
 - SHOULD NOT USE **IA** FOR DIRECT ASSISTANCE IF:
 - LACK OF **IA** OBJECTIVITY
 - LACK OF NECESSARY COMPETENCE
 - THE EXTERNAL AUDITOR SHOULD DIRECT, SUPERVISE, AND REVIEW THE DIRECT ASSISTANCE PERFORMED BY THE **IA** FUNCTION
 - PRIOR TO USING THE **IA** TO PERFORM DIRECT ASSISTANCE, THE EXTERNAL AUDITOR SHOULD OBTAIN WRITTEN ACKNOWLEDGEMENT FROM MANAGEMENT OR THOSE CHARGED WITH GOVERNANCE, AS APPROPRIATE, THAT **IA** WILL BE ALLOWED TO FOLLOW THE EXTERNAL AUDITOR'S INSTRUCTIONS AND WILL NOT INTERVENE IN THE WORK

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SAS 128 USING THE WORK OF INTERNAL AUDITORS

- IF USING **IA'S** FOR **DIRECT** ASSISTANCE (CONT'D):
 - DIRECTION, SUPERVISION, AND REVIEW SHOULD BE RESPONSIVE TO THE EXTERNAL AUDITOR'S INITIAL RISK ASSESSMENT (I.E. OBJECTIVITY, RISK OF MATERIAL MISSTATEMENT, AMOUNT OF JUDGEMENT INVOLVED)
 - THE EXTERNAL AUDITOR SHOULD INSTRUCT THE **IA'S** TO BRING ACCOUNTING AND AUDITING ISSUES IDENTIFIED DURING THE AUDIT TO THE ATTENTION OF THE EXTERNAL AUDITOR
 - THE EXTERNAL AUDITOR SHOULD TEST SOME OF THE WORK PERFORMED BY THE **IA**
 - REMAIN ALERT FOR INDICATIONS THAT THE AUDITOR'S EVALUATIONS ARE NO LONGER APPROPRIATE

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SAS 128 USING THE WORK OF INTERNAL AUDITORS

- DOCUMENTATION:
 - RESULTS OF EVALUATION OF **IA**
 - THE WORK USED AND BASIS FOR DECISIONS
 - EVALUATION PROCEDURES INCLUDING REPERFORMANCE PROCEDURES
 - HOW THE EXTERNAL AUDITOR DECIDED HE/SHE WAS SUFFICIENTLY INVOLVED IN THE AUDIT
 - FOR DIRECT ASSISTANCE:
 - ALL THE ABOVE, PLUS
 - THREATS TO OBJECTIVITY AND SAFEGUARDS
 - INCLUDE THE WORKING PAPERS PREPARED BY THE **IA**

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SAS 128 USING THE WORK OF INTERNAL AUDITORS

- QUIZ
- UNDER SAS 128, AUDITORS:
 - 1. SHOULD USE THE WORK OF THE IA FUNCTION
 - 2. ARE REQUIRED TO USE THE WORK OF THE INTERNAL AUDIT FUNCTION
 - 3. NONE OF THE ABOVE

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SAS 128 USING THE WORK OF INTERNAL AUDITORS

- QUIZ
- UNDER SAS 128, AUDITORS MAY:
 - 1. OBTAIN AUDIT EVIDENCE FROM IA INDIRECT PROCEDURES
 - 2. OBTAIN AUDIT EVIDENCE FROM IA DIRECT ASSISTANCE
 - 3. TREAT IA AS AN AUDIT SPECIALIST
 - 4. 1 AND 2 ABOVE

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SAS 128 USING THE WORK OF INTERNAL AUDITORS

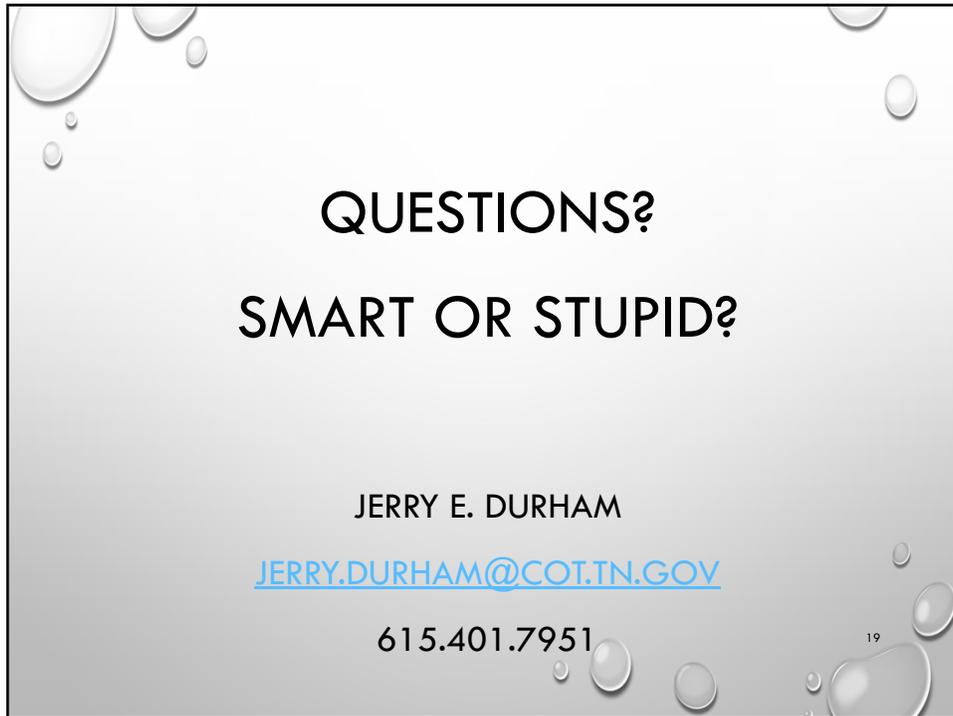
- QUIZ
- THE EXTERNAL AUDITOR SHOULD:
 - 1. REPERFORM AT LEAST 20% OF THE BODY OF WORK OF THE **IA** FUNCTION
 - 2. EXAMINE ITEMS ALREADY EXAMINED BY **IA** OR SUFFICIENT NEW ITEMS
 - 3. REPERFORM SUFFICIENT WORK ON THE **IA'S** BODY OF WORK AS A WHOLE
 - 4. ALL OF THE ABOVE.
 - 5. 2 AND 3 ABOVE.

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SAS 128 USING THE WORK OF INTERNAL AUDITORS

- QUIZ
- BEFORE THE CONCLUSION OF THE AUDIT, THE EXTERNAL AUDITOR SHOULD:
 - 1. MAKE INQUIRIES OF APPROPRIATE **IA** PERSONNEL
 - 2. OBSERVE PROCEDURES PERFORMED BY **IA**
 - 3. REVIEW **IA'S** WORK PROGRAM AND WORKING PAPERS
 - 4. OBTAIN WRITTEN REPRESENTATIONS FROM THE **IA**
 - 5. ALL OF THE ABOVE
 - 6. ALL BUT NUMBER 1
 - 7. ALL BUT NUMBER 4

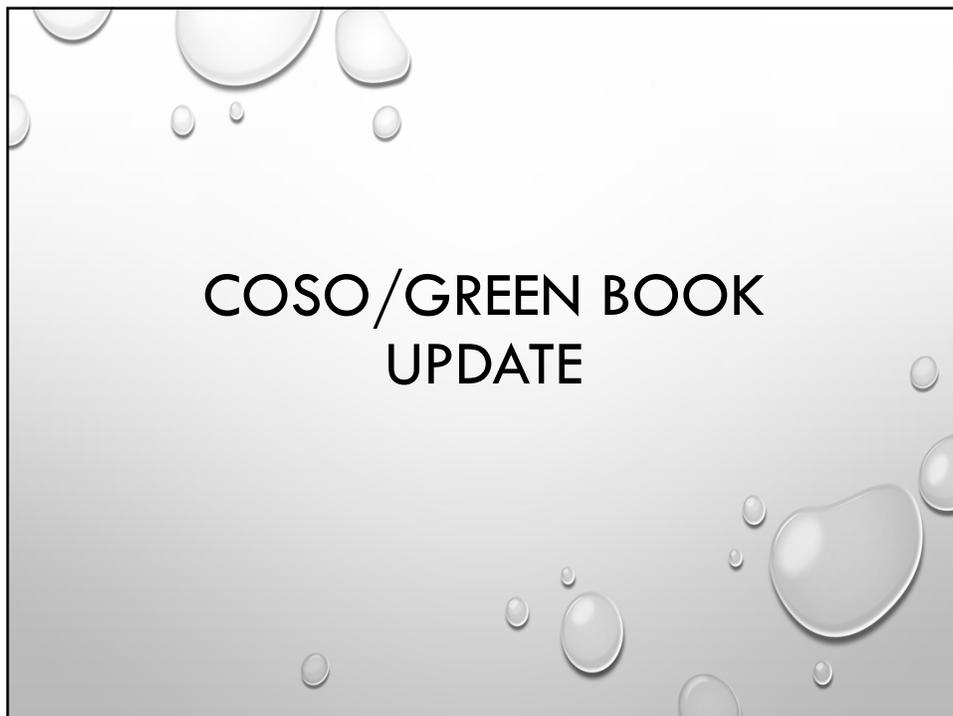
18

A decorative graphic consisting of several realistic water droplets of various sizes, scattered across the slide. The droplets are rendered with soft shadows and highlights, giving them a three-dimensional appearance. They are positioned around the text, with some near the top corners and others near the bottom corners.

QUESTIONS?
SMART OR STUPID?

JERRY E. DURHAM
JERRY.DURHAM@COT.TN.GOV
615.401.7951

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A decorative graphic consisting of several realistic water droplets of various sizes, scattered across the slide. The droplets are rendered with soft shadows and highlights, giving them a three-dimensional appearance. They are positioned around the text, with some near the top corners and others near the bottom corners.

**COSO/GREEN BOOK
UPDATE**

MISSION / GOALS OF COSO

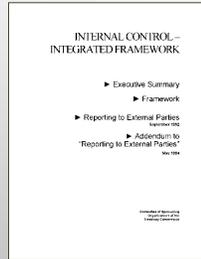
- PROVIDE THOUGHT LEADERSHIP THROUGH
 - DEVELOPMENT OF COMPREHENSIVE FRAMEWORKS
 - GUIDANCE ON ENTERPRISE RISK MANAGEMENT (ERM),
 - INTERNAL CONTROL AND FRAUD DETERRENCE
 - IMPROVE ORGANIZATIONAL PERFORMANCE AND GOVERNANCE
 - REDUCE THE EXTENT OF FRAUD IN ORGANIZATIONS



COMMON THEMES IN COSO SINCE 1992

- CONTINUOUS IMPROVEMENT ON INTERNAL CONTROL TESTING AND REPORTING
- CONTINUOUS UNDERSTANDING OF NEW RISKS IN THE ENVIRONMENT WITH REGARD TO AUDIT, TECHNOLOGY AND MANAGEMENT
- CONTINUOUS PROCESS IMPROVEMENT WITH REGARD TO CHANGES IN ORGANIZATIONAL STRUCTURE (GOOGLE DIDN'T EXIST 10 YEARS AGO)
- CONTINUOUS PROCESS IMPROVEMENT TO DETECT FRAUD
 - EACH ECONOMIC CYCLE BRINGS NEW CHALLENGES TO DETECT / DETER FRAUD

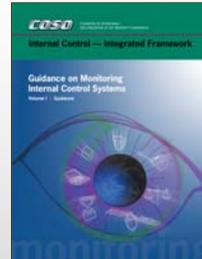
COSO – INTERNAL CONTROL PUBLICATIONS



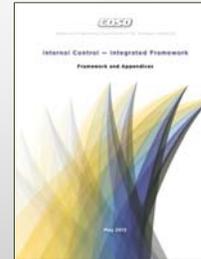
1992



2006



2009



2013

IT'S ALREADY WORKING...

- 2011 YELLOW BOOK –
 - ¶A.04 DISCUSSES THAT IN ADDITION TO THE COSO FRAMEWORK – *STANDARDS FOR INTERNAL CONTROL IN THE FEDERAL GOVERNMENT* (AKA THE GREEN BOOK) PROVIDES DEFINITIONS AND FUNDAMENTAL CONCEPTS PERTAINING TO INTERNAL CONTROL AT THE FEDERAL LEVEL AND MAY BE USEFUL TO AUDITORS AT OTHER LEVELS OF GOVERNMENT. THE RELATED “INTERNAL CONTROL MANAGEMENT AND EVALUATION TOOL” BASED ON FEDERAL INTERNAL CONTROL STANDARDS, PROVIDES A SYSTEMATIC, ORGANIZED, AND STRUCTURED APPROACH TO ASSESSING THE INTERNAL CONTROL STRUCTURE.

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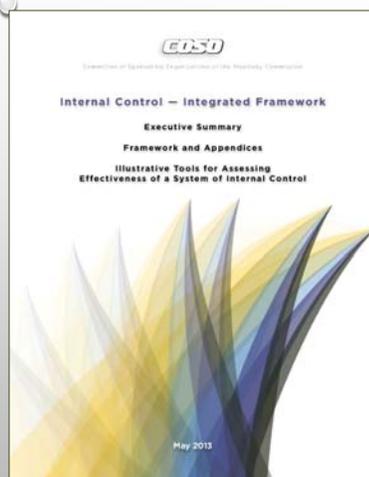
IT'S ALREADY WORKING...

- STATE OF CALIFORNIA JUST PASSED (SIGNED 10/1/13) AB 1248 (GOV.COD.§12422.5) WHICH REQUIRES INTERNAL CONTROL FRAMEWORK DEVELOPED BY SCO FOR ALL GOVERNMENTS BASED ON NEW COSO STANDARDS BY 1/1/15
 - ANY LOCAL GOVERNMENT / ORGANIZATION CAN PROVIDE INPUT ON FRAMEWORK
 - GOALS – SAFEGUARD ASSETS, PREVENT AND DETECT FINANCIAL ERRORS AND FRAUD
- TENNESSEE'S *FINANCIAL INTEGRITY ACT* OF 1983 REQUIRES AN INTERNAL CONTROL FRAMEWORK (TCA-9-18-101)
- OTHER STATES CONSIDERING, GETTING TRAINING...
- AICPA IN THE MIDDLE OF UPDATING AU-C 315, *UNDERSTANDING THE ENTITY AND ITS ENVIRONMENT AND ASSESSING THE RISKS OF MATERIAL MISSTATEMENT TO CONFORM TO COSO*
- *GREEN BOOK* SLATED TO BE USING IT (MORE LATER)

IMPACT

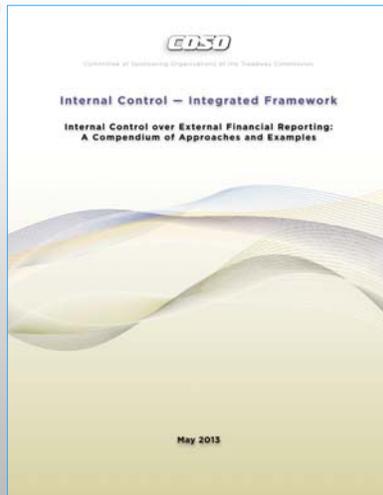
- USERS ARE ENCOURAGED TO TRANSITION APPLICATIONS AND RELATED DOCUMENTATION TO THE UPDATED FRAMEWORK AS SOON AS FEASIBLE
- **UPDATED FRAMEWORK WILL SUPERSEDE ORIGINAL FRAMEWORK AT THE END OF THE TRANSITION PERIOD (DECEMBER 15, 2014)**
- DURING THE TRANSITION PERIOD, EXTERNAL REPORTING SHOULD DISCLOSE WHETHER THE ORIGINAL OR UPDATED VERSION OF THE FRAMEWORK WAS USED
- IMPACT OF ADOPTING THE UPDATED FRAMEWORK WILL VARY BY ORGANIZATION
 - DOES YOUR SYSTEM OF INTERNAL CONTROL NEED TO ADDRESS CHANGES?
 - DOES YOUR SYSTEM OF INTERNAL CONTROL NEED TO BE UPDATED TO ADDRESS ALL PRINCIPLES?
 - **DOES THE GOVERNMENT APPLY AND INTERPRET THE ORIGINAL FRAMEWORK IN THE SAME MANNER AS COSO?**

TWO PARTS IN COSO UPDATE- PART #1 – INTERNAL CONTROL-INTEGRATED FRAMEWORK (2013 EDITION)



- CONSISTS OF THREE VOLUMES:
 - EXECUTIVE SUMMARY
 - FRAMEWORK AND APPENDICES
 - ILLUSTRATIVE TOOLS FOR ASSESSING EFFECTIVENESS OF A SYSTEM OF INTERNAL CONTROL
- SETS OUT:
 - DEFINITION OF INTERNAL CONTROL
 - CATEGORIES OF OBJECTIVES
 - COMPONENTS AND PRINCIPLES OF INTERNAL CONTROL
 - REQUIREMENTS FOR EFFECTIVENESS

**PART #2 – INTERNAL CONTROL OVER EXTERNAL FINANCIAL REPORTING:
A COMPENDIUM OF APPROACHES AND EXAMPLES**



- ILLUSTRATES APPROACHES AND EXAMPLES OF HOW PRINCIPLES ARE APPLIED IN PREPARING FINANCIAL STATEMENTS
- CONSIDERS CHANGES IN BUSINESS AND OPERATING ENVIRONMENTS DURING PAST TWO DECADES
- PROVIDES EXAMPLES FROM A VARIETY OF ENTITIES – PUBLIC, PRIVATE, NOT-FOR-PROFIT, **AND GOVERNMENT**
- ALIGNS-WITH THE UPDATED FRAMEWORK

**Internal Control–Integrated Framework
AKA – *the Rubik's Cube of COSO***

UPDATE INCREASES EASE OF USE AND BROADENS APPLICATION DUE TO MOVEMENT TO PRINCIPLES

The More Things Stay The Same...

- Core definition of internal control
- Three categories of objectives and five components of internal control
- **Each of the five components of internal control are required for effective internal control**
- Important role of judgment in designing, implementing and conducting internal control, and in assessing its effectiveness



The More Things Change....

- Changes in business and operating environments considered
- Operations and reporting objectives expanded
- Fundamental concepts underlying five components articulated as principles
- Additional approaches and examples relevant to operations, **compliance**, and **non-financial reporting objectives** added

Environment changes...

...have driven Framework updates

Expectations for governance oversight

- Globalization of markets and operations
- Changes and greater complexity in business

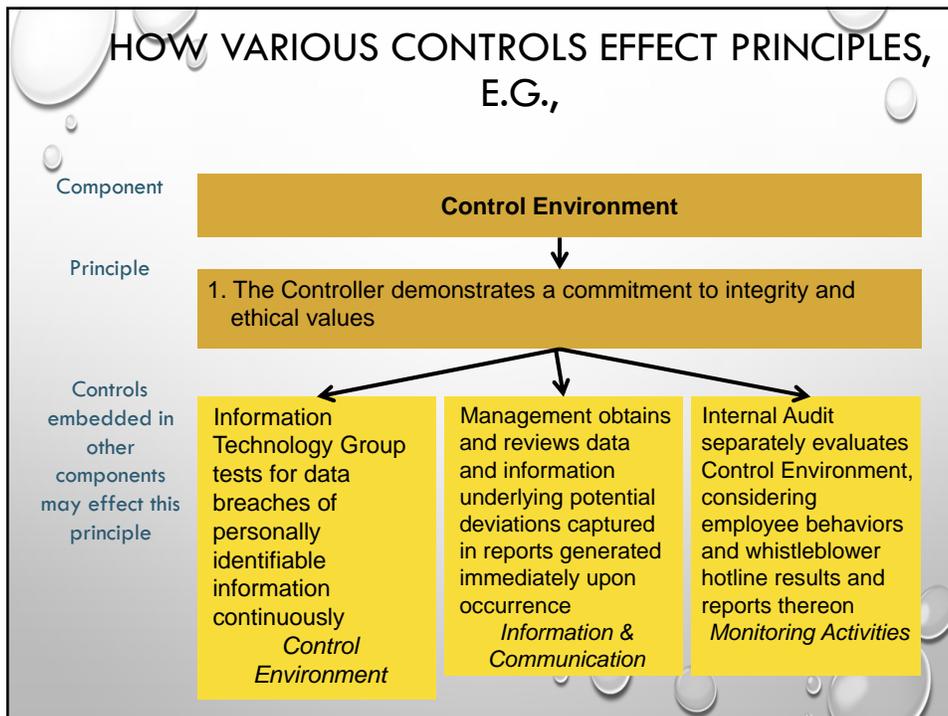
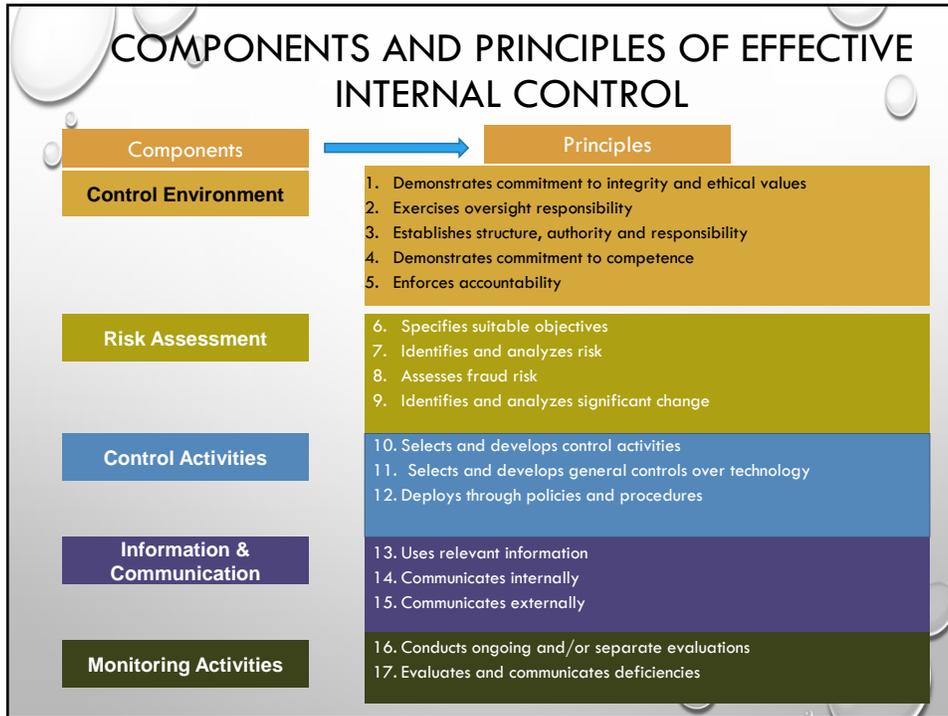
Demands and complexities in laws, rules, regulations, and standards

Expectations for competencies and accountabilities

- Use of, and reliance on, evolving technology
- Expectations relating to preventing and detecting fraud



COSO Cube (2013 Edition)



CONTROL ENVIRONMENT - PRINCIPLE 1 FURTHER EXAMPLE – COMMITMENT TO INTEGRITY AND ETHICAL VALUES

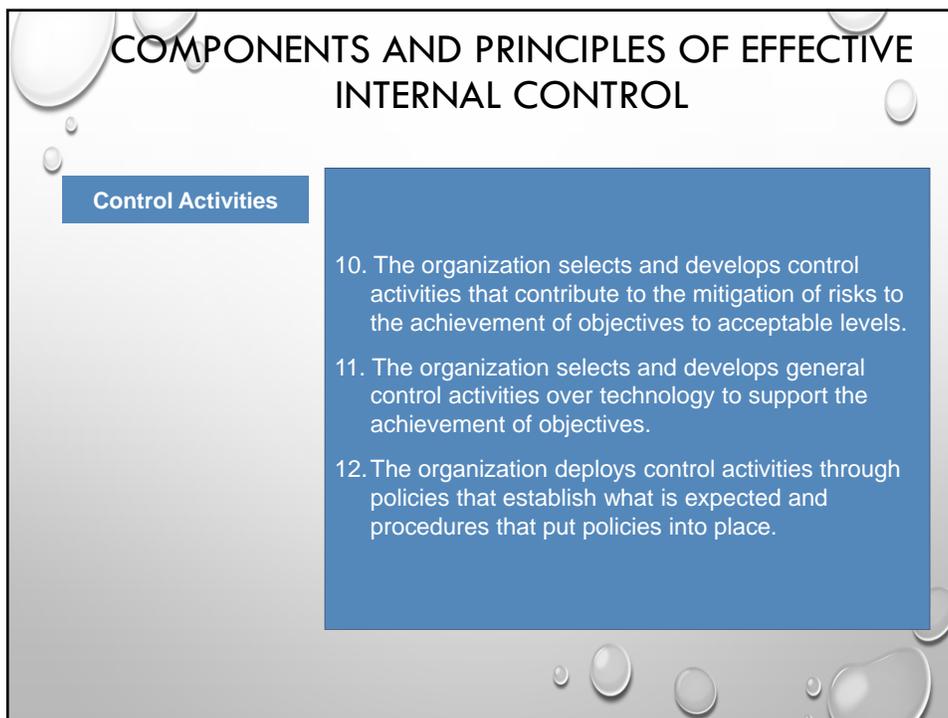
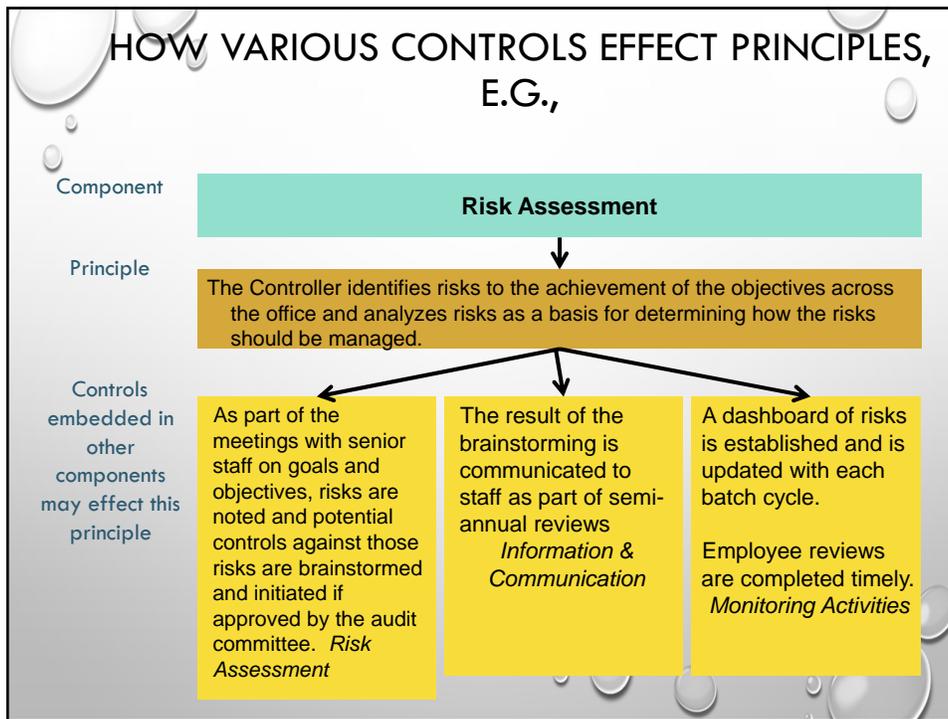
- THE STATE HAS CREATED, MAINTAINS, AND DISTRIBUTES A CODE OF CONDUCT AND ETHICAL STANDARDS
- DISTRIBUTED TO ALL EMPLOYEES AND EXTERNAL PARTIES ACTING ON BEHALF OF THE STATE, AND HAS POSTED IT ON THE STATE WEBSITE.
- CODE OF CONDUCT IS AVAILABLE IN ALL RELEVANT LANGUAGES FOR EASE OF ACCESS AND UNDERSTANDING BY CITIZENS.
- STATE REQUIRES ALL EMPLOYEES TO COMPLETE PERIODIC INTERACTIVE WEB-BASED TRAINING SESSIONS ON VARIOUS ASPECTS OF THE CODE AND ETHICAL STANDARDS.
- THE STATE PROVIDES A SUPPLIER CODE OF CONDUCT TO ITS VENDORS AS PART OF ITS CONTRACTING PROCESS, WHICH PROVIDE A BASIS FOR EVALUATION ALONGSIDE PRODUCT / SERVICE DELIVERY EVALUATION.

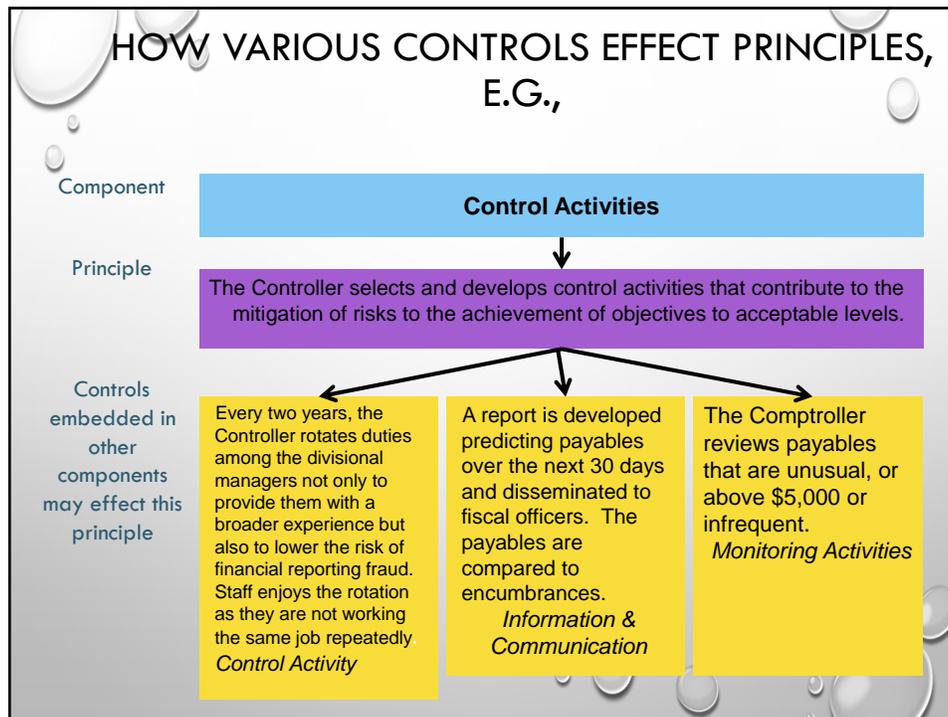
• HOW IS THIS EFFECTIVE?

COMPONENTS AND PRINCIPLES OF EFFECTIVE INTERNAL CONTROL

Risk Assessment

6. The organization specifies objectives with sufficient clarity to enable the identification and assessment of risks relating to objectives.
7. The organization identifies risks to the achievement of its objectives across the entity and analyzes risks as a basis for determining how the risks should be managed.
8. The organization considers the potential for fraud in assessing risks to the achievement of objectives.
9. The organization identifies and assesses changes that could significantly impact the system of internal control.





CONTROL ACTIVITIES - PRINCIPLE 11 EXAMPLE – GOVERNMENT SELECTS AND DEVELOPS GENERAL CONTROL ACTIVITIES OVER TECHNOLOGY

- AN AGENCY CFO RECENTLY EVALUATED THE USE OF **SPREADSHEETS** IN ITS FINANCIAL CLOSE PROCESS. IN DOING SO, IT IDENTIFIED THAT THE **SPREADSHEETS** SUPPORTING THE CALCULATION OF THE FAIR VALUES OF INVESTMENTS, THOSE SUPPORTING CAPITAL ASSETS, AND DEBT WERE OF HIGH RISK, BASED ON THEIR SUSCEPTIBILITY TO ERROR AND SIGNIFICANCE TO THE FINANCIAL STATEMENTS. THE CFO ALSO CLASSIFIED THE SPREADSHEETS AS HIGH IN COMPLEXITY BECAUSE THEY INCLUDED THE USE OF MACROS AND MULTIPLE SUPPORTING SPREADSHEETS TO WHICH CELLS AND VALUES WERE INTERLINKED. THE SPREADSHEETS WERE USED EITHER AS THE BASIS FOR JOURNAL ENTRIES INTO THE GENERAL LEDGER OR AS FINANCIAL STATEMENT DISCLOSURES.
- **HOW WOULD YOU SOLVE THIS?**

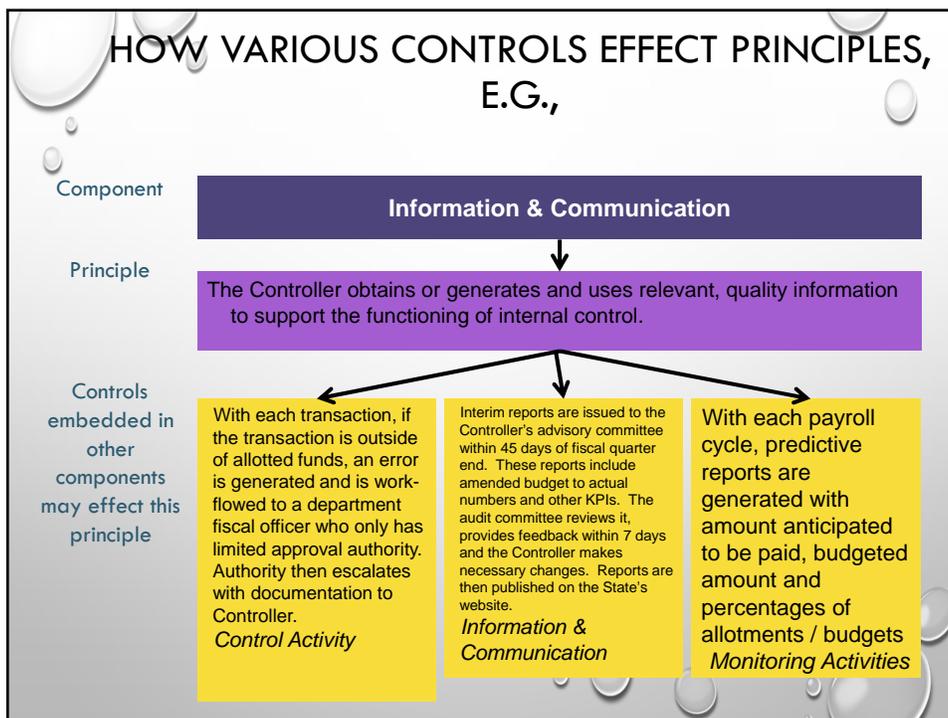
COMPONENTS AND PRINCIPLES OF EFFECTIVE INTERNAL CONTROL

Information & Communication

13. The organization obtains or generates and uses relevant, quality information to support the functioning of internal control.

14. The organization internally communicates information, including objectives and responsibilities for internal control, necessary to support the functioning of internal control.

15. The organization communicates with external parties regarding matters affecting the functioning of internal control.



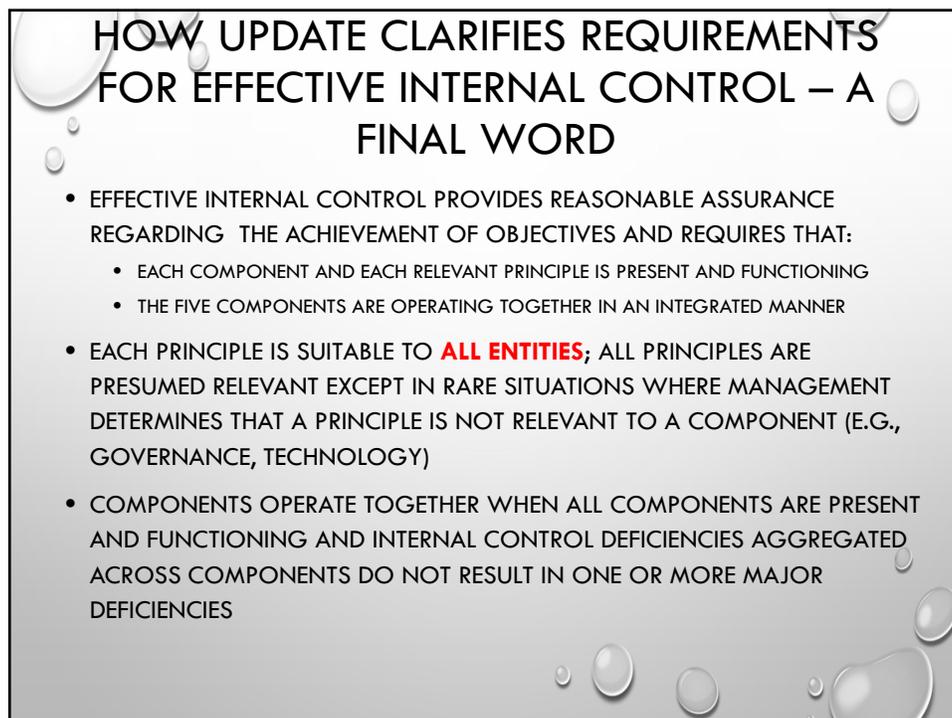
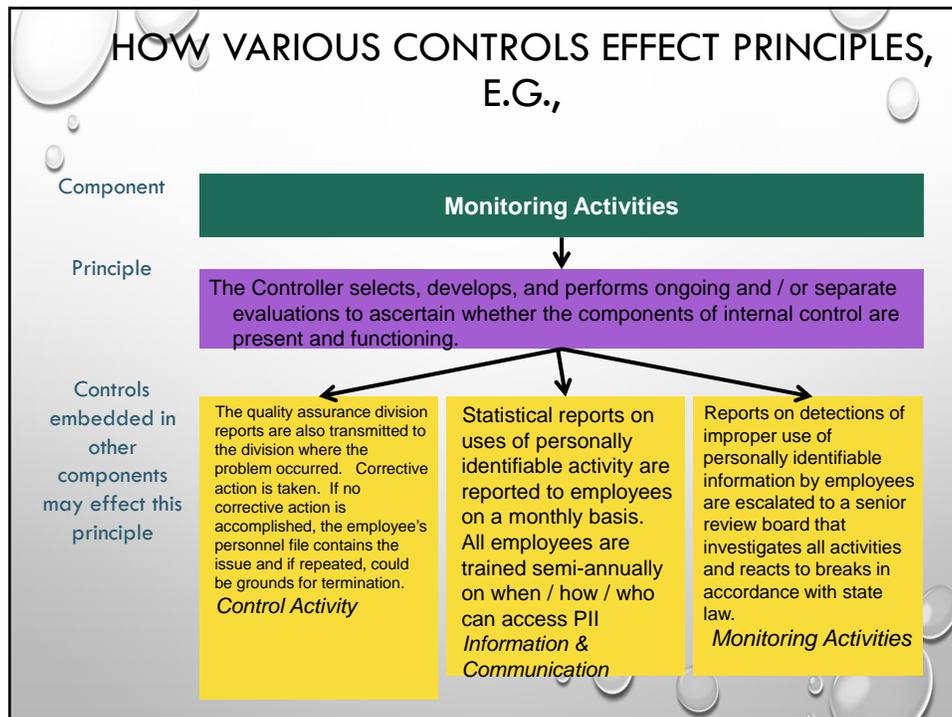
INFORMATION AND COMMUNICATION - PRINCIPLE 13 EXAMPLE –
GOVERNMENT OBTAINS OR GENERATES AND USES RELEVANT,
QUALITY INFORMATION TO SUPPORT THE FUNCTIONING OF
INTERNAL CONTROL

- THE AGENCY CFO RECEIVES A DAILY UPDATE AT 8 AM ON HER DESK COMPILED BY STAFF. THE UPDATE CONSISTS OF NEWSPAPER CLIPS, OTHER PUBLICATIONS, EVENT PRESS RELEASES, AND OTHER INFORMATION FROM EXTERNAL PARTIES (INCLUDING SOCIAL MEDIA) TO GATHER INFORMATION RELEVANT TO PERFORMING HER RESPONSIBILITIES.
- **DO YOU HAVE AN ISSUE WITH THIS?**

COMPONENTS AND PRINCIPLES OF EFFECTIVE
INTERNAL CONTROL

Monitoring Activities

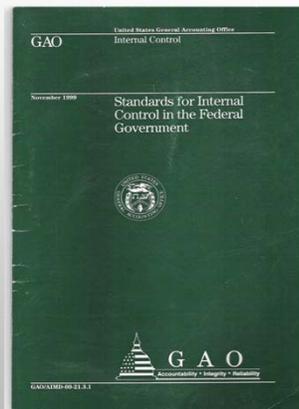
16. The organization selects, develops, and performs ongoing and/or separate evaluations to ascertain whether the components of internal control are present and functioning.
17. The organization evaluates and communicates internal control deficiencies in a timely manner to those parties responsible for taking corrective action, including senior management and those charged with governance, as appropriate.



REASONS FOR GREEN BOOK REVISION

- LAST ISSUED IN NOVEMBER 1999
- ADAPT TO A MORE GLOBAL, COMPLEX, AND TECHNOLOGICAL LANDSCAPE
- MAINTAIN RELEVANCY TO CHANGING STANDARDS
- HARMONIZE FEDERAL STANDARDS WITH THE UPDATED COMMITTEE OF SPONSORING ORGANIZATIONS OF THE TREADWAY COMMISSION (COSO) FRAMEWORK

STANDARDS FOR INTERNAL CONTROL IN THE GOVERNMENT



GOING **GREEN**

GAO GREEN BOOK

- *STANDARDS FOR INTERNAL CONTROL IN THE FEDERAL GOVERNMENT*
 - EXPOSURE DRAFT ISSUED SEPTEMBER 3, 2013
 - COMMENT PERIOD ENDED FEBRUARY 15, 2014
 - WWW.GAO.GOV/GREENBOOK
- HARMONIZES FEDERAL STANDARDS WITH COSO'S UPDATED FRAMEWORK
- MENTIONED ON OMB'S GRANT REFORMS

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WHAT'S IN GREEN BOOK FOR THE FEDERAL GOVERNMENT?

- REFLECTS FEDERAL INTERNAL CONTROL STANDARDS REQUIRED PER FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT (FMFIA)
- SERVES AS A BASE FOR OMB CIRCULAR A-123 (NOT A-133)
- WRITTEN FOR GOVERNMENT
 - LEVERAGES THE COSO FRAMEWORK
 - USES GOVERNMENT TERMS

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WHAT'S IN GREEN BOOK FOR STATE AND LOCAL GOVERNMENTS?

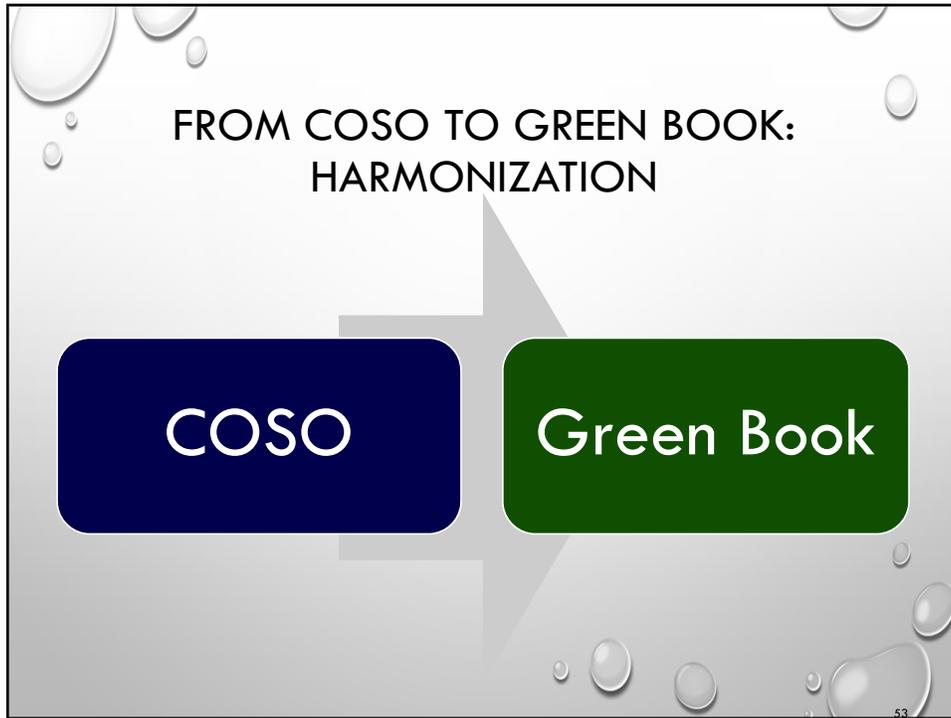
- **MAY BE AN ACCEPTABLE FRAMEWORK FOR INTERNAL CONTROL ON THE STATE AND LOCAL GOVERNMENT LEVEL UNDER OMB UNIFORM GUIDANCE FOR FEDERAL AWARDS SECTION 200.303 (SEE LATER)**

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WHAT'S IN GREEN BOOK FOR MANAGEMENT AND AUDITORS?

- PROVIDES A FRAMEWORK FOR MANAGEMENT
- PROVIDES CRITERIA FOR AUDITORS
- CAN BE USED IN CONJUNCTION WITH OTHER STANDARDS, E.G. YELLOW BOOK

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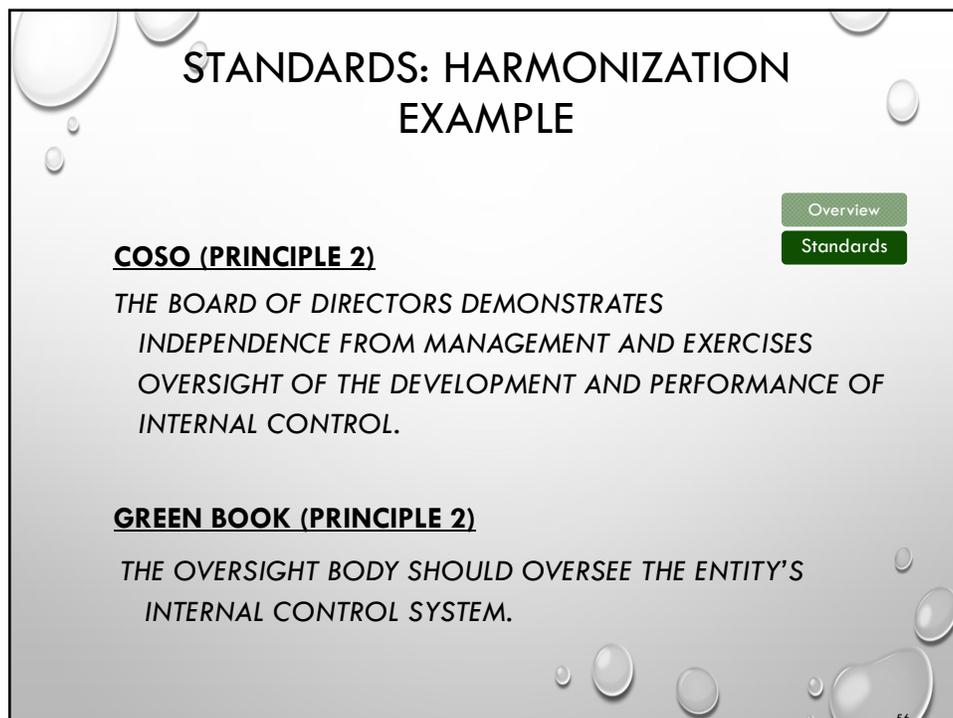


STANDARDS: COSO VS. GREEN BOOK

Component	COSO	Green Book
Control Environment	5 Principles 20 Points of Focus	5 Principles 14 Attributes
Risk Assessment	4 Principles 27 Points of Focus	4 Principles 10 Attributes
Control Activities	3 Principles 16 Points of Focus	3 Principles 11 Attributes
Information & Communication	3 Principles 14 Points of Focus	3 Principles 7 Attributes
Monitoring	2 Principles 10 Points of Focus	2 Principles 6 Attributes

Note: GAO combined COSO's points of focus into attributes

Overview
Standards



OTHER KEY DIFFERENCES

- CRITERIA VS. FRAMEWORK
- DOCUMENTATION REQUIREMENTS
 - 04.08 LISTS THE FIVE DOCUMENTATION REQUIREMENTS FOUND IN THE GREEN BOOK WHICH REPRESENT THE MINIMUM LEVEL OF DOCUMENTATION NECESSARY FOR AN EFFECTIVE INTERNAL CONTROL SYSTEM.
- EVALUATION INCLUDES THE ATTRIBUTE LEVEL
 - 03.09 DISCUSSES HOW MANAGEMENT CONSIDERS THE DESIGN, IMPLEMENTATION, AND OPERATING EFFECTIVENESS OF THE ATTRIBUTES FOR EACH PRINCIPLE

DOCUMENTATION REQUIREMENTS

- CONTROL ENVIRONMENT
 - 3.12: MANAGEMENT SHOULD DEVELOP AND MAINTAIN DOCUMENTATION OF ITS INTERNAL CONTROL SYSTEM.
- CONTROL ACTIVITIES
 - 12.03: MANAGEMENT SHOULD DOCUMENT IN POLICIES THE INTERNAL CONTROL RESPONSIBILITIES OF THE ORGANIZATION.

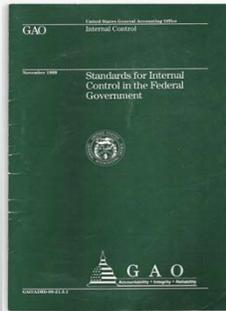
DOCUMENTATION REQUIREMENTS (CONT.)

- MONITORING
 - 16.12: MANAGEMENT SHOULD EVALUATE AND DOCUMENT THE RESULTS OF ONGOING MONITORING AND SEPARATE EVALUATIONS TO IDENTIFY INTERNAL CONTROL ISSUES.
 - 17.07: MANAGEMENT SHOULD EVALUATE AND DOCUMENT INTERNAL CONTROL ISSUES AND DETERMINE APPROPRIATE CORRECTIVE ACTIONS FOR INTERNAL CONTROL DEFICIENCIES ON A TIMELY BASIS.
 - 17.09: MANAGEMENT SHOULD COMPLETE AND DOCUMENT CORRECTIVE ACTIONS TO REMEDIATE INTERNAL CONTROL DEFICIENCIES ON A TIMELY BASIS.

THE GREEN BOOK IN ACTION

- RELATIONSHIP BETWEEN THE GREEN BOOK AND YELLOW BOOK
- AN INTERNAL CONTROL CASE STUDY ILLUSTRATING HOW THE GREEN BOOK COULD HELP MANAGERS AND AUDITORS ADDRESS IDENTIFIED ISSUES

GREEN BOOK AND YELLOW BOOK



- CAN BE USED BY MANAGEMENT TO UNDERSTAND REQUIREMENTS
- CAN BE USED BY AUDITORS TO UNDERSTAND CRITERIA



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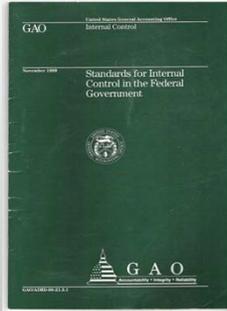
THE YELLOW BOOK: FRAMEWORK FOR AUDITS

- FINDINGS ARE COMPOSED OF
 - CONDITION (WHAT IS)
 - **CRITERIA (WHAT SHOULD BE)**
 - CAUSE
 - EFFECT (RESULT)
 - RECOMMENDATION (AS APPLICABLE)



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LINKAGE BETWEEN CRITERIA (YELLOW BOOK) AND INTERNAL CONTROL (GREEN BOOK)



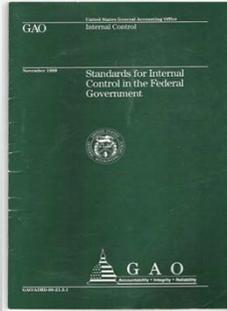
- GREEN BOOK PROVIDES CRITERIA FOR THE DESIGN, IMPLEMENTATION, AND OPERATING EFFECTIVENESS OF AN EFFECTIVE INTERNAL CONTROL SYSTEM

THE YELLOW BOOK: FRAMEWORK FOR AUDITS

- FINDINGS ARE COMPOSED OF
 - CONDITION (WHAT IS)
 - CRITERIA (WHAT SHOULD BE)
 - **CAUSE**
 - EFFECT (RESULT)
 - RECOMMENDATION (AS APPLICABLE)



LINKAGE BETWEEN FINDINGS (YELLOW BOOK) AND INTERNAL CONTROL (GREEN BOOK)



- FINDINGS MAY HAVE CAUSES THAT RELATE TO INTERNAL CONTROL DEFICIENCIES

•SINGLE AUDIT UPDATE



ARRA REPORTING

- **RATB & GATB NEWS UPDATE**
- **RATB**
- THE MISSION OF RATB IS “TO PROMOTE ACCOUNTABILITY BY COORDINATING AND CONDUCTING OVERSIGHT OF RECOVERY FUNDS TO PREVENT FRAUD, WASTE, AND ABUSE AND TO FOSTER TRANSPARENCY ON RECOVERY SPENDING BY PROVIDING THE PUBLIC WITH ACCURATE, USER-FRIENDLY INFORMATION.”
- UNDER THE CONSOLIDATED APPROPRIATIONS ACT OF 2012, THE BOARD'S AUTHORITY WAS EXPANDED TO INCLUDE OVERSIGHT OF ALL FEDERAL FUNDING. AND, UNDER THE DISASTER APPROPRIATIONS ACT OF 2013, THE BOARD WAS MANDATED BY CONGRESS TO USE ITS

ARRA REPORTING

- **RATB & GATB NEWS UPDATE**
- **RATB**
- IN JANUARY, PRESIDENT OBAMA SIGNED THE 2014 FEDERAL GOVERNMENT OMNIBUS SPENDING BILL. THE BILL INCLUDED A PROVISION ESSENTIALLY REPEALING SECTION 1512 OF THE AMERICAN RECOVERY AND REINVESTMENT ACT, WHICH MANDATED THAT RECIPIENTS OF ARRA CONTRACT, GRANT AND LOAN AWARDS REPORT QUARTERLY ON THE STATUS OF THOSE AWARDS. AS OF FEBRUARY 2014, RECIPIENTS ARE NO LONGER REQUIRED TO REPORT QUARTERLY. THE RECOVERY ACCOUNTABILITY AND TRANSPARENCY BOARD, IN COLLABORATION WITH THE U.S. OFFICE OF MANAGEMENT AND BUDGET, HAS POSTED THE FOLLOWING TIMELINE FOR RECIPIENTS AND

ARRA REPORTING

- **RATB & GATB NEWS UPDATE (CONT'D)**
- **JANUARY 30, 2014**
- FOURTH QUARTER 2013 DATA WAS POSTED ON RECOVERY.GOV
- **FEBRUARY 1 – MARCH 19, 2014**
- AGENCIES AND RECIPIENTS SHOULD REVIEW REPORTS ON FEDERALREPORTING.GOV AND MAKE CHANGES AND CORRECTIONS AS NEEDED. THOSE WITH QUESTIONS ABOUT HOW TO MAKE CHANGES SHOULD:
 - 1. READ THE FAQs ON FEDERALREPORTING.GOV FIRST
 - 2. DIRECT FURTHER QUESTIONS TO THE HELP DESK AT FEDERALREPORTINGHELPDESK@RATB.GOV
- AGENCIES AND RECIPIENTS CAN CONTINUE TO SUBMIT AUTOMATED DATA CHANGE (ADC) REQUESTS (SEE CHAPTER 16 OF THE USER GUIDE FOR INFORMATION) 71
- **FEBRUARY 12, 2014**

ARRA REPORTING

- **RATB & GATB NEWS UPDATE (CONT'D)**
- THE EXTENDED QUALITY ASSURANCE PERIOD ENDS FOR RECIPIENTS AND AGENCIES
- RECIPIENTS WILL NO LONGER BE ABLE TO LOG INTO FEDERALREPORTING.GOV
- THE HELP DESK WILL CLOSE FOR RECIPIENTS
- **MARCH 20 - MARCH 31, 2014**
- AGENCIES SHOULD REVIEW RECIPIENTS' ADCS, AND RECONCILE AND CLOSE OUT AWARDS
- **MARCH 31, 2014**
- THE HELP DESK WILL CLOSE FOR AGENCIES
- **MAY 1, 2014**
- **FINAL RECIPIENT DATA FROM FEDERALREPORTING.GOV IS POSTED ON RECOVERY.GOV. THE MAPS, CHARTS AND GRAPHS THAT DISPLAY THE RECIPIENT DATA WILL NOT BE UPDATED AGAIN.** 72
- ADDITIONALLY, THE RATB HAS ISSUED A FREQUENTLY ASKED QUESTIONS

GRANT REPORTING

- **GATB**
- THE **GOVERNMENT ACCOUNTABILITY AND TRANSPARENCY BOARD (GATB)** WAS CREATED BY EXECUTIVE ORDER IN JUNE 2011 TO “PROVIDE STRATEGIC DIRECTION FOR ENHANCING THE TRANSPARENCY OF FEDERAL SPENDING AND ADVANCE EFFORTS TO DETECT AND REMEDIATE FRAUD, WASTE, AND ABUSE IN FEDERAL PROGRAMS” AND TO BUILD ON THE LESSONS LEARNED FROM THE IMPLEMENTATION OF THE AMERICAN RECOVERY AND REINVESTMENT ACT. THE ELEVEN MEMBERS OF THE GATB WERE APPOINTED BY THE PRESIDENT FROM THE INSPECTORS GENERAL COMMUNITY, AGENCY CHIEF FINANCIAL OFFICERS OR DEPUTY SECRETARIES, AND THE OFFICE OF MANAGEMENT AND BUDGET.

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GRANT REPORTING

- **GATB**
- RECENTLY THE GATB HELD ITS FIRST PUBLIC HEARING IN (JANUARY) TO SOLICIT FEEDBACK FROM INTERESTED PARTIES REGARDING THE BOARD’S AGENDA FOR THE COMING YEAR AND THE ONGOING WORK TO MAKE GOVERNMENT SPENDING INFORMATION MORE TRANSPARENT AND AVAILABLE TO THE PUBLIC. THE BOARD’S MISSION IS:
- TO IDENTIFY IMPLEMENTATION GUIDELINES FOR INTEGRATING SYSTEMS THAT SUPPORT THE COLLECTION AND DISPLAY OF GOVERNMENT SPENDING DATA, ENSURING THE RELIABILITY OF THOSE DATA, AND BROADENING THE DEPLOYMENT OF FRAUD DETECTION TECHNOLOGIES, INCLUDING THOSE PROVEN SUCCESSFUL DURING THE IMPLEMENTATION OF THE RECOVERY ACT.

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GRANT REPORTING

BEGINNING!!!

DATA ACT

COLLECTION POINTS

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**SINGLE AUDIT UPDATE /
THE NEW “SUPER
CIRCULAR” OR
“UNIFORM GUIDANCE”**

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**COUNCIL ON FINANCIAL
ASSISTANCE REFORM
(COFAR)**

WWW.CFO.GOV/COFAR

CHANGES TO GUIDANCE

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[LINK TO OUR LETTER TO OMB](#)

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CHANGES TO GUIDANCE

- **REFORM OF FEDERAL POLICIES RELATING TO GRANTS AND COOPERATIVE AGREEMENTS; COST PRINCIPLES AND ADMINISTRATIVE REQUIREMENTS (INCLUDING SINGLE AUDIT ACT)**
- RELEASED IN THE FEDERAL REGISTER FEBRUARY 28, 2012
- RESULT OF OVER A YEAR OF WORK BY FEDERAL / STATE / LOCAL / IG TASK FORCE ORDERED BY E.O. 13520
 - **GOALS :**
 - REDUCE FRAUD, WASTE AND ABUSE
 - INCREASE CROSS-COLLABORATION
 - STREAMLINE REPORTING AND ADJUDICATION OF FINDINGS
 - CUT RULES THAT ARE BURDENSOME, INEFFECTIVE ETC.

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CHANGES TO GUIDANCE

- THE PROPOSALS FELL UNDER 3 SECTIONS:
- SECTION A – REFORMS TO A-133 AND THE SINGLE AUDIT ACT
- SECTION B – REFORMS TO COST ACCOUNTING PRINCIPLES – A-87 (ALSO A-21 / A-122)
- SECTION C- REFORMS TO THE COMMON RULE (A-102)

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OMB GRANT REFORM

- **UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS (“UNIFORM GUIDANCE”)**
 - FINAL RULE ISSUED ON DECEMBER 26, 2013
 - CONTAINED IN 2 CFR PART 200
 - EFFECTIVE DATES:
 - FEDERAL AGENCIES ON DECEMBER 26, 2014
 - SUBPART F AUDIT REQUIREMENTS ARE APPLICABLE TO FISCAL YEARS BEGINNING ON OR AFTER DECEMBER 26, 2014
 - RESOURCES:
 - [HTTP://WWW.WHITEHOUSE.GOV/OMB/GRANTS_DOCS/](http://www.whitehouse.gov/omb/grants_docs/)
 - [HTTPS://CFO.GOV/COFAR/](https://cfo.gov/cofar/)

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SUPERCIRCULAR OR UNIFORM GUIDANCE

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INDEX – PART 200 CFR

- SUBPART A – ACRONYMS AND DEFINITIONS
- SUBPART B – GENERAL PROVISIONS
- SUBPART C – PRE-AWARD REQUIREMENTS AND CONTENTS OF FEDERAL AWARDS
- SUBPART D - POST FEDERAL AWARD REQUIREMENTS
- SUBPART E – COST PRINCIPLES
- SUBPART F – AUDIT REQUIREMENTS

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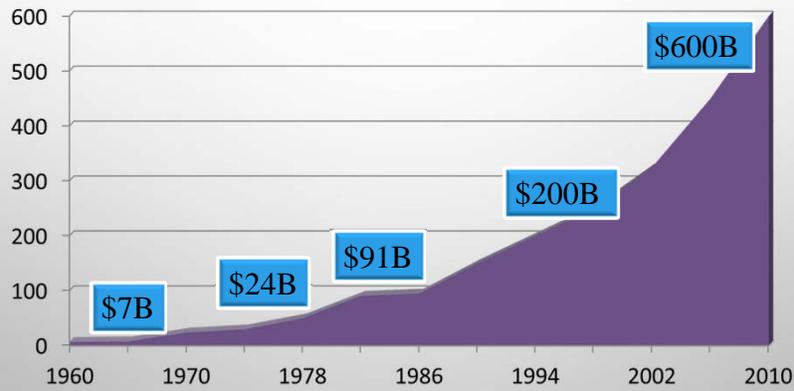
UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS

2 CFR CHAPTER 1, CHAPTER 2, PART 200,
ET AL.

January 27, 2014

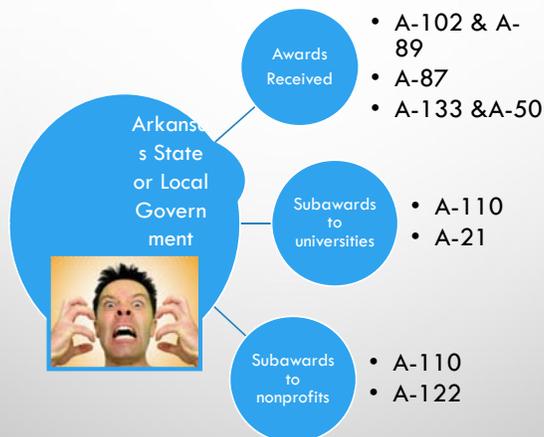
WHY DONE? - INCREASE IN FEDERAL GRANTS ACTIVITY

The Catalog of Federal Domestic Assistance lists over **2,000** Federal grant programs



ELIMINATED DUPLICATIVE AND CONFLICTING GUIDANCE

Then:



Now: All OMB guidance streamlined in 2 CFR 200.

AUDIT REQUIREMENTS

REFORMS TO CIRCULARS A-133 AND A-50

January 27, 2014

AUDIT REQUIREMENTS

THIS SECTION HIGHLIGHTS THE MAJOR POLICY CHANGES TO THE GOVERNMENT-WIDE REQUIREMENTS FOR AUDIT OF FEDERAL AWARDS UNDER THE SINGLE AUDIT ACT AMENDMENTS OF 1996. THESE AUDIT REQUIREMENTS ARE CURRENTLY FOUND IN OMB CIRCULAR A-133, "AUDITS OF STATES, LOCAL GOVERNMENTS, AND NON-PROFIT ORGANIZATIONS AND WILL BE REPLACED BY SUBPART F-AUDIT REQUIREMENTS IN 2 CFR PART 200 WHICH WAS PUBLISHED IN THE FEDERAL REGISTER ON DECEMBER 26, 2013.

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TARGETING AUDIT REQUIREMENTS ON RISK OF WASTE, FRAUD, AND ABUSE

The final guidance **right-sizes the footprint** of oversight and Single Audit requirements to strengthen oversight and focus audits where there is greatest risk of waste, fraud, and abuse of taxpayer dollars.

It improves transparency and accountability by making single audit reports available to the public online, and encourages Federal agencies to take a more cooperative approach to audit resolution in order to more conclusively resolve underlying weaknesses in internal controls.

REVISIONS FOCUS AUDIT ON RISK

- INCREASES AUDIT THRESHOLD.
- STRENGTHENS RISK-BASED APPROACH TO DETERMINE MAJOR PROGRAMS.
- PROVIDES FOR GREATER TRANSPARENCY OF AUDIT RESULTS.
- STRENGTHENS AGENCY USE OF THE SINGLE AUDIT PROCESS.
- PROVIDES FOR PUBLIC OUTREACH TO FOCUS COMPLIANCE SUPPLEMENT ON REQUIREMENTS OF HIGHEST RISK.

BASIC STRUCTURE OF SINGLE AUDIT PROCESS UNCHANGED

- AUDIT THRESHOLD (200.501).
- SUBRECIPIENT VS. CONTRACTOR (200.501(F) & 200.330).
- BIENNIAL (200.504) & PROGRAM-SPECIFIC (200.507) AUDITS.
- NON-FEDERAL ENTITY SELECTS AUDITOR (200.509).
- AUDITEE PREPARES FINANCIAL STATEMENTS & SEFA(200.510).
- AUDIT FOLLOW-UP & CORRECTIVE ACTION(200.511 & 200.521).
- 9 MONTH DUE DATE (SET IN LAW) (200.512(A)).
- REPORTING TO FEDERAL AUDIT CLEARINGHOUSE (200.512).
- MAJOR PROGRAMS DETERMINED BASED ON RISK (200.518).
- COMPLIANCE SUPPLEMENT OVERALL FORMAT.

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AUDIT THRESHOLD (200.501)

- THE COFAR CONSIDERED THAT RAISING THE THRESHOLD WOULD ALLOW FEDERAL AGENCIES TO FOCUS THEIR AUDIT RESOLUTION RESOURCES ON THE FINDINGS THAT PUT HIGHER AMOUNTS OF TAXPAYER DOLLARS AT RISK, THUS BETTER MITIGATING OVERALL RISKS OF WASTE, FRAUD, AND ABUSE ACROSS THE GOVERNMENT.
- FURTHER, THE COFAR NOTES THAT PROVISIONS THROUGHOUT THE GUIDANCE, INCLUDING PRE-AWARD REVIEW OF RISKS, STANDARDS FOR FINANCIAL AND PROGRAM MANAGEMENT, SUBRECIPIENT MONITORING AND MANAGEMENT, AND REMEDIES FOR NONCOMPLIANCE PROVIDE A STRENGTHENED LEVEL OF OVERSIGHT FOR NON-FEDERAL ENTITIES THAT WOULD FALL BELOW THE NEW THRESHOLD.

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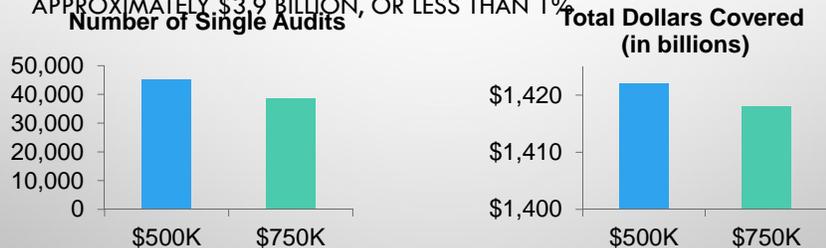
AUDIT THRESHOLD

- INCREASES AUDIT THRESHOLD FROM \$500,000 TO \$750,000.
- MAINTAINS OVERSIGHT OVER 99.7% OF THE DOLLARS CURRENTLY SUBJECT SINGLE AUDIT AND REDUCES AUDIT BURDEN FOR APPROXIMATELY 6,300 ENTITIES.
- INCREASE OF \$250,000 IS IN LINE WITH PREVIOUS THRESHOLD INCREASE IN 2003.

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SINGLE AUDIT THRESHOLD CHANGE

- INCREASE AUDIT THRESHOLD FROM \$500,000 TO \$750,000
- BASED ON SINGLE AUDITS SUBMITTED TO THE FAC FOR 2011, THERE WOULD BE APPROXIMATELY 6,300 FEWER ENTITIES SUBJECT TO A SINGLE AUDIT, BUT THERE WOULD ONLY BE A REDUCTION IN DOLLARS COVERED OF APPROXIMATELY \$3.9 BILLION, OR LESS THAN 1%.



OMB's goal is to concentrate audit resolution and oversight resources on higher dollar and higher risk awards.

MAJOR PROGRAM DETERMINATION

200.518 Major Program Determination focuses audits on the areas with internal control deficiencies that have been identified as material weaknesses. Future updates to the Compliance Supplement will reflect this focus as well.

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TYPE A/B THRESHOLD – STEP 1

- PROGRAMS ARE GROUPED BASED ON DOLLARS.
 - TYPE A PROGRAMS ARE THOSE ABOVE THE THRESHOLD.
 - TYPE B ARE THOSE BELOW THE THRESHOLD.
- TYPE A/B THRESHOLD IS A SLIDING SCALE WITH MINIMUM.
 - MINIMUM INCREASES FROM **\$300,000 TO \$750,000**.
 - THRESHOLD PRESENTED IN TABLE TO BE MORE EASILY UNDERSTOOD.
- AUDIT THRESHOLD AND TYPE A/B MINIMUM THRESHOLD WILL BE THE SAME AT \$750,000.

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Total Federal awards expended	Type A/B threshold
Equal to \$750,000 but less than or equal to \$25 million	\$750,000.
Exceed \$25 million but less than or equal to \$100 million	Total Federal awards expended times .03.
Exceed \$100 million but less than or equal to \$1 billion	\$3 million.
Exceed \$1 billion but less than or equal to \$10 billion	Total Federal awards expended times .003.
Exceed \$10 billion but less than or equal to \$20 billion	\$30 million.
Exceed \$20 billion	Total Federal awards expended times .0015.

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TYPE A/B THRESHOLD – TABLE (200.518(B)(1))

Type A/B Threshold	Total Federal Awards Expended (FAE)
\$750,000	Equal to \$750,000 but LT or EQ to \$25 M
Total FAE times .03	Exceed \$25M but LT or EQ to \$100M
\$3,000,000	Exceed \$100M but LT or EQ to \$1B
Total FAE times .003	Exceed \$1B but LT or EQ to \$10B
\$30M	Exceed \$10B but LT or EQ to \$20B
Total FAE times .0015	Exceed \$20B

M means Million Dollars and B means Billion Dollars.
 LT means Less Than.
 EQ means Equal To.

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TYPE A THRESHOLD CHANGE

■ GROUPINGS ARE BASED ON DOLLARS — TYPE A PROGRAMS ARE THOSE ABOVE THE DOLLAR THRESHOLD, TYPE B ARE THOSE BELOW

- THE MINIMUM THRESHOLD FOR TYPE A PROGRAMS IS INCREASED FROM \$300,000 TO \$500,000.

If total federal awards expended is:	Then Type A programs are those with federal awards expended of the greater of
\$1 million	\$500,000 or 3% (.03) of total awards expended
\$100 million	\$3 million or .3% (.003) of total awards expended
\$10 billion	\$30 million or .15% (.0015) of total awards expended

HIGH-RISK TYPE A PROGRAM (200.518(C)) (STEP 2)

CURRENT A-133 CRITERIA:

- NOT AUDITED AS MAJOR PROGRAM IN 1 OF 2 MOST RECENT AUDIT PERIODS.
- IN MOST RECENT PERIOD HAD **ANY AUDIT FINDING.**
 - PROVIDED FOR AUDITOR JUDGMENT IN LIMITED CASES, E.G., VERY SMALL QUESTIONED COSTS.
 - OTHER – AUDITOR JUDGMENT - OVERSIGHT EXERCISED BY FEDERAL AGENCIES OR PASS-THROUGH ENTITIES, AUDIT FOLLOW-UP, OR CHANGES IN

UNIFORM GUIDANCE:

- SAME.
- In most recent period had a **HIGH- RISK AUDIT FINDING:**
 - Modified opinion.
 - Material weakness in internal control.
 - Known or likely questioned costs exceeding 5% of total program expenditures.
 - Other – Auditor judgment.
 - ✖ Basically unchanged.

Key PERSONNEL OR SYSTEMS WITH internal controls and few audit findings will have less high-risk Type A program INCREASED RISK.

HIGH-RISK TYPE A PROGRAMS CHANGES

OLD DEFAULT CRITERIA:

- NOT AUDITED AS A MAJOR PROGRAM IN 1 OF 2 MOST RECENT AUDIT PERIODS
- IN MOST RECENT PERIOD, HAD ANY OF THE FOLLOWING FOR PROGRAM:
 - SIGNIFICANT DEFICIENCY IN INTERNAL CONTROL
 - MATERIAL WEAKNESS IN INTERNAL CONTROL
 - MATERIAL NONCOMPLIANCE FINDING
- HAS ARRA EXPENDITURES IN CURRENT YEAR
- WRITTEN REQUEST BY FEDERAL AWARDING AGENCY TO AUDIT AS MAJOR (180 DAYS NOTICE)

NEW DEFAULT CRITERIA:

- NOT AUDITED AS A MAJOR PROGRAM IN 1 OF 2 MOST RECENT AUDIT PERIODS
- IN MOST RECENT PERIOD, HAD ANY OF THE FOLLOWING FOR PROGRAM:
 - OTHER THAN AN UNQUALIFIED OPINION
 - MATERIAL WEAKNESS IN INTERNAL CONTROL
 - KNOWN OR LIKELY QUESTIONED COSTS THAT EXCEED 5% OF THE TOTAL EXPENDITURES OF THE PROGRAM
 - N/A
- WRITTEN REQUEST BY FEDERAL AWARDING AGENCY TO AUDIT AS MAJOR (180 DAYS NOTICE)

This change puts the focus of risk assessment on whether the program received a qualified opinion or material weakness over internal control, as opposed to whether the program received less significant findings that are not essential to the financial integrity of the program.

HIGH-RISK TYPE A PROGRAMS

OLD - if none of default criteria met, auditors use professional judgment of listed risk factors to determine if Type A program is considered low or high risk

NEW - less clear as to whether the auditors continue to use professional judgment although there is a reference to the risk factors

The notion of professional judgment appears to be inconsistent with the concept of focusing on programs which had more significant findings.

HIGH-RISK TYPE B PROGRAM (200.518(D)) (STEP 3)

CURRENT A-133 CRITERIA:

- CURRENTLY THERE ARE TWO TYPE B RISK ASSESSMENT OPTIONS:
 - OPTION 1 – PERFORM RISK ASSESSMENTS ON **ALL** TYPE B PROGRAMS AND SELECT AT LEAST **50%** OF TYPE B PROGRAMS* IDENTIFIED AS HIGH RISK UP TO NUMBER OF LOW-RISK TYPE A PROGRAMS
 - OPTION 2 – PERFORM RISK ASSESSMENTS ON ALL TYPE B PROGRAMS* UNTIL AS MANY HIGH-RISK TYPE B PROGRAMS HAVE BEEN IDENTIFIED AS THERE ARE LOW-RISK TYPE A PROGRAMS.
 - *subject to de minimus threshold

NEW CRITERIA:

- **PERFORM RISK ASSESSMENTS ON TYPE B PROGRAMS UNTIL HIGH-RISK TYPE B PROGRAMS HAVE BEEN IDENTIFIED UP TO AT LEAST 25% OF NUMBER OF LOW-RISK TYPE A PROGRAMS**
- **ARE YOU STILL HOLDING THAT THOUGHT??**

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PERCENTAGE OF COVERAGE RULE (200.518(F)) (STEP 4)

- GUIDANCE REDUCES THE MINIMUM COVERAGE AS FOLLOWS:

Type of Auditee	Current	New
Not low-risk	50%	40%
Low-risk	25%	20%

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EFFECT OF LARGE LOAN PROGRAMS

- CIRCULAR INCORPORATES THE GUIDANCE ON THE INCLUSION OR EXCLUSION OF LARGE LOAN OR LOAN GUARANTEE PROGRAMS IN DETERMINING THE TYPE A THRESHOLD THAT IS CURRENTLY IN THE COMPLIANCE SUPPLEMENT
- CIRCULAR MODIFIES THE GUIDANCE RELATED TO A CLUSTER OF PROGRAMS
 - RULE – LARGE LOAN PROGRAM EXCEEDS FOUR (4) TIMES THE LARGEST NON-LOAN PROGRAM. EXCLUDE ALL LARGE LOAN PROGRAMS WHEN DETERMINING TYPE A MAJOR PROGRAMS. (200.518)
 - A CLUSTER OF PROGRAMS IS TREATED AS ONE PROGRAM IN DETERMINING TYPE A PROGRAMS. FOR THE PURPOSES OF EXCLUDING LARGE LOAN PROGRAMS IN THE DETERMINATION OF OTHER TYPE A PROGRAMS, A CLUSTER OF PROGRAMS IS NOT CONSIDERED TO BE A LOAN PROGRAM IF THE INDIVIDUAL LOAN PROGRAMS WITHIN THE CLUSTER COMPRISE LESS THAN 50% OF THE EXPENDITURES OF THE CLUSTER (200.518, 200.502)

LOW-RISK AUDITEE

200.520 CRITERIA FOR A LOW-RISK AUDITEE

MEMBERS OF THE AUDIT COMMUNITY AND STATES COMMENTED ON THE CRITERIA FOR A LOW-RISK AUDITEE THAT INCLUDES WHETHER THE FINANCIAL STATEMENTS WERE PREPARED IN ACCORDANCE WITH GAAP. MEMBERS OF THE AUDIT COMMUNITY NOTE THAT GAAP IS THE PREFERRED METHOD, AND STATES NOTE THAT STATE LAW SOMETIMES PROVIDES FOR OTHER METHODS OF PREPARATION. THE COFAR CONSIDERED THIS AND RECOMMENDED REVISED LANGUAGE TO ALLOW FOR EXCEPTIONS WHERE STATE LAW REQUIRES OTHERWISE.

LOW-RISK AUDITEE (200.520)

CURRENT (2 PRIOR YEARS)

- ANNUAL SINGLE AUDITS
- UNMODIFIED OPINION ON FINANCIAL STATEMENTS IN ACCORDANCE WITH GAAP
- UNMODIFIED SEFA IN RELATION TO OPINION.
- NO GAGAS MATERIAL WEAKNESSES
- IN EITHER OF PRECEDING TWO YEARS, NONE OF TYPE A PROGRAMS HAD:
 - MATERIAL WEAKNESS.
 - MATERIAL NONCOMPLIANCE.
 - QUESTIONED COSTS THAT EXCEED 5%.
- TIMELY FILING WITH FAC.
- AUDITOR REPORTING GOING CONCERN NOT PRECLUDE LOW-RISK.
- WAIVERS.

NEW (2 PRIOR YEARS)

- SAME.
- Unmodified opinions on statements in accordance with GAAP or basis of accounting required by state law.
- SAME.
- SAME.
- SAME
- SAME.
- **NO AUDIT REPORTING OF GOING CONCERN.**
- **NO WAIVERS.**

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AUDIT REQUIREMENTS – SINGLE AUDITS

- STREAMLINING TYPES OF COMPLIANCE (CONT.)
 - TENTATIVE “KEEPERS” (7)
 - ACTIVITIES ALLOWED OR UNALLOWED
 - INCLUDING “MATCHING” AND “PERIOD OF AVAILABILITY” TO VERIFY ALLOWABILITY
 - ALLOWABLE COSTS/ COST PRINCIPLES
 - CASH MANAGEMENT
 - ELIGIBILITY
 - REPORTING
 - SUBRECIPIENT MONITORING
 - SPECIAL TESTS AND PROVISIONS

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AUDIT REQUIREMENTS – SINGLE AUDITS

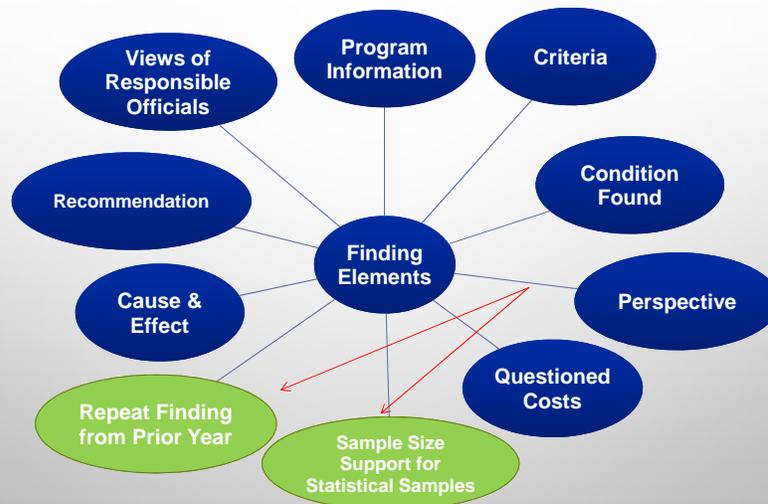
- STREAMLINING TYPES OF COMPLIANCE (CONT.)
 - TENTATIVE ELIMINATIONS (7)
 - DAVIS BACON
 - EQUIPMENT AND REAL PROPERTY MANAGEMENT
 - MATCHING, LEVEL OF EFFORT, AND EARMARKING
 - PERIOD OF AVAILABILITY OF FEDERAL FUNDS (EXCEPT WHERE TESTED TO VERIFY ALLOWABLE/UNALLOWABLE COSTS)
 - PROCUREMENT AND SUSPENSION AND DEBARMENT
 - PROGRAM INCOME
 - REAL PROPERTY ACQUISITION & RELOCATION ASSISTANCE

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STREAMLINING COMPLIANCE REQUIREMENTS

Compliance Requirements	Current	Proposed
A. Activities Allowed or Unallowed	✓	✓
B. Allowable Costs/Cost Principles	✓	Incorporated into A.
C. Cash Management	✓	✓
D. Davis – Bacon Act	✓	Agency could request to be part of N.
E. Eligibility	✓	✓
F. Equipment	✓	Agency could request to be part of N.
G. Matching, Level of Effort, Earmarking	✓	Matching incorporated in A. Agency could request the remainder be part of N.
H. Period of Availability of Federal Funds	✓	Incorporated into A.
I. Procurement, Suspension, Debarment	✓	Agency could request to be part of N.
J. Program Income	✓	Agency could request to be part of N.
K. Real Property	✓	Agency could request to be part of N.
L. Reporting	✓	✓
M. Subrecipient Monitoring	✓	✓
N. Special Tests and Provisions	✓	✓

FINDING ELEMENTS – CARRIED ALSO TO NEW DCF (200.516)



SINGLE AUDIT REPORT SUBMISSION

200.512 Report Submission

requires publication of Single Audit Reports online with safeguards for protected personally identifiable information and an exception for Indian tribes in order to reduce the administrative burden on non-Federal entities associated with transmitting these reports to all interested parties.

SINGLE AUDIT REPORT SUBMISSION (CONT'D)

- ALL AUDITEES MUST SUBMIT THE REPORTING PACKAGE AND THE DATA COLLECTION FORM ELECTRONICALLY TO THE FEDERAL AUDIT CLEARINGHOUSE (FAC) (200.512(D)).
- FAC SUBMISSION PROCESS WILL BE CHANGED TO REQUIRE THAT SUBMISSIONS BE IN TEXT-BASED PDF AND UNLOCKED TO IMPROVE ACCESSIBILITY.
- FAC RESPONSIBLE TO MAKE THE REPORTS AVAILABLE ON A WEB SITE (200.512(G)).
 - EXCEPTION FOR INDIAN TRIBES WILL BE DISCUSSED LATER.

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SINGLE AUDIT REPORTS ON THE WEB - PPII

- AUDITORS AND AUDITEES MUST ENSURE REPORTS DO NOT INCLUDE PROTECTED PERSONALLY IDENTIFIABLE INFORMATION (PPII) (200.82 & 200.512(A)(2)).
- AUDITEE MUST SIGN STATEMENT THAT (200.512(B)(1)):
 - REPORTS DO NOT INCLUDE PPII.
 - AUTHORIZES FAC TO MAKE REPORTS PUBLICALLY AVAILABLE ON A WEB SITE.
 - EXCEPTION FOR INDIAN TRIBES AS DEFINED IN 200.54.
 - NO EXCEPTION FOR TRIBAL ORGANIZATION NOT MEETING THE 200.54 DEFINITION.

114

EXCEPTION FOR INDIAN TRIBES (200.512(B)(2))

- TRIBAL REPORTS MAY INCLUDE CONFIDENTIAL BUSINESS INFORMATION THAT WOULD BE REDACTED UNDER THE FREEDOM OF INFORMATION ACT.
- MAY ELECT TO NOT AUTHORIZE THE FAC TO MAKE REPORTING PACKAGE PUBLICALLY AVAILABLE ON THE A WEB SITE.
- IF ELECTED, INDIAN TRIBE MUST:
 - SUBMIT REPORTING PACKAGE DIRECTLY TO PASS-THROUGH ENTITIES.
 - MAKE REPORTING PACKAGE AVAILABLE FOR PUBLIC INSPECTION AS REQUIRED BY THE SINGLE AUDIT ACT.

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REVISED DATA COLLECTION FORM (SF-SAC)

- NEW SF-SAC
 - FINAL FORM RELEASED NOVEMBER 19, 2013
 - [HTTP://WWW.WHITEHOUSE.GOV/OMB/GRANTS_FORMS/](http://www.whitehouse.gov/omb/grants_forms/)
 - NEW FORM REPLACES THE CURRENT FORM FOR AUDIT PERIODS ENDING 2013, 2014 AND 2015
- REVISES SOME EXISTING DATA ELEMENTS AND ADDS OTHER DATA ELEMENTS
 - PURPOSE IS TO ALLOW FEDERAL AGENCIES TO IDENTIFY THE TYPES OF AUDIT FINDINGS REPORTED
- DOES ANYONE KNOW WHAT **SF** STANDS FOR??

116

NEW 2013 - 2015 DATA COLLECTION FORM ITEMS

- NEW TERMINOLOGY- REPLACE “QUALIFIED” WITH “MODIFIED”
- PAGE 1- AUDITOR’S EIN
- PAGE 2- FEDERAL PROGRAMS
 - REMOVE PART III, ITEM 4, “IS A SIGNIFICANT DEFICIENCY DISCLOSED FOR ANY MAJOR PROGRAM? (§.510(A)(1))”
 - REMOVE PART III, ITEM 5, “IS A MATERIAL WEAKNESS DISCLOSED? (§.510(A)(1))”
 - REMOVE PART III, ITEM 6 “ARE ANY KNOWN QUESTIONED COSTS REPORTED? (§.510(A)(3) OR (4))”
- PAGE 3, FEDERAL AWARDS- ADD LOAN/LOAN GUARANTEE COLUMN
- PAGE 3, FEDERAL AWARDS- ADD “NUMBER OF FINDINGS” FOR EACH FEDERAL AWARD

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NEW 2013 - 2015 FORM ITEMS (CON’T)

- PAGE 3-
 - MOVE TYPE(S) OF COMPLIANCE REQUIREMENT(S) TO NEW PAGE 4
 - MOVE AUDIT FINDING REFERENCE NUMBER(S) TO NEW PAGE 4
- NEW “PAGE 4”- FEDERAL AWARD FINDINGS SUMMARY: FINDING-SPECIFIC
 - STANDARDIZED AUDIT FINDING REFERENCE NUMBERS:
YYYY-###, (EX. 2013-001, 2013-002)
 - TYPE(S) OF COMPLIANCE REQUIREMENTS
 - “TYPE(S) OF DEFICIENCY(IES)”
 - MODIFIED OPINION, OTHER NONCOMPLIANCE, MATERIAL WEAKNESS, SIGNIFICANT DEFICIENCY, OTHER (NINE ALLOWABLE

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FORM SF-SAC (2010 VERSION)

9. FEDERAL AWARDS EXPENDED DURING FISCAL YEAR								10. AUDIT FINDINGS		
Federal Agency Prefix (a)	Extension 2 (b)	Research and development (c)	A R R A J (d)	Name of Federal program (e)	Amount expended (f)	Direct award (g)	Major program (h)	If yes, type of audit report 4 (i)	Type(s) of compliance requirement(s) 5 (a)	Audit finding reference number(s) 6 (b)
9	3	123	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	HHS PROGRAM NAME	\$ 500,000.00	1 <input checked="" type="checkbox"/> Y 2 <input type="checkbox"/> N	1 <input checked="" type="checkbox"/> Y 2 <input type="checkbox"/> N	A	ABCDEFGH	12-1, 12-2, 12-3
8	4	456	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	ED PROGRAM NAME	\$ 1,000,000.00	1 <input checked="" type="checkbox"/> Y 2 <input type="checkbox"/> N	1 <input checked="" type="checkbox"/> Y 2 <input type="checkbox"/> N	D	ABCDEF	2012-1, 2012-2
1	0	789	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	ARRA - AGRICULTURE PROGRAM NAME	\$ 2,525,252.00	1 <input checked="" type="checkbox"/> Y 2 <input type="checkbox"/> N	1 <input checked="" type="checkbox"/> Y 2 <input type="checkbox"/> N	Q	AB	2012-3, 2012-4
8	1	012	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	ENERGY PROGRAM NAME	\$ 363,636,363.00	1 <input checked="" type="checkbox"/> Y 2 <input type="checkbox"/> N	1 <input checked="" type="checkbox"/> Y 2 <input type="checkbox"/> N	Q	ABC	12-1

- WHICH COMPLIANCE REQUIREMENT IS RELATED TO WHICH FINDING?
- WHICH FINDING CAUSED THE MODIFIED OPINION?
- NON-STANDARD AUDIT FINDING REFERENCE NUMBERS¹¹⁹

FORM SF-SAC (2013 -2015 VERSION)

Federal Agency Prefix	Extension	Name of Federal Program	Amount Expended	R&D	Loan/Loan Guarantee	ARRA	Direct Award	Major Program	If MP, type of audit report	Number of Findings
10	789	ARRA - AGRICULTURE PROGRAM NAME	\$2,525,252	N	N	Y	Y	Y	Q	0
84	456	ED PROGRAM NAME	\$1,000,000	N	N	N	Y	Y	D	0
81	012	ENERGY PROGRAM NAME	\$363,636,363	N	N	N	Y	Y	Q	0
93	123	HHS PROGRAM NAME	\$500,000	N	N	N	Y	Y	A	3

"Federal Awards Findings" Page

Federal Agency Prefix	Extension	Name of Federal Program	Finding Reference No.	Type(s) of Compliance Requirement	Modified Opinion	Other NonCompliance	Material Weakness	Significant Deficiency	Other	Questioned Costs
93	123	HHS PROGRAM NAME	2013-001	ABCE	Y	N	Y	N	N	N
93	123	HHS PROGRAM NAME	2013-002	FGH	N	Y	N	N	N	N
93	123	HHS PROGRAM NAME	2013-003	AC	N	N	N	Y	N	N

Automatically filled from "Federal Awards" Page for each Federal award with findings

- IDENTIFIES THE COMPLIANCE REQUIREMENTS THAT CORRESPOND TO EACH FINDING
- GIVES DETAIL OF HOW EACH FINDING AFFECTED EACH FEDERAL AWARD

REVISED DATA COLLECTION FORM (SF-SAC)

- NEW SF-SAC
 - FINAL FORM RELEASED NOVEMBER 19, 2013
 - [HTTP://WWW.WHITEHOUSE.GOV/OMB/GRANTS_FORMS/](http://www.whitehouse.gov/omb/grants_forms/)
 - NEW FORM REPLACES THE CURRENT FORM FOR AUDIT PERIODS ENDING 2013, 2014 AND 2015
- REVISES SOME EXISTING DATA ELEMENTS AND ADDS OTHER DATA ELEMENTS
 - PURPOSE IS TO ALLOW FEDERAL AGENCIES TO IDENTIFY THE TYPES OF AUDIT FINDINGS REPORTED

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2013 FORM CHANGES

- WHAT'S NEW
 - AUDITOR EIN REQUIRED IN PART I, ITEM 6
 - WAS THE AWARD A LOAN OR LOAN GUARANTEE (Y/N) IN PART III, ITEM 6
 - NUMBER OF FINDINGS ON EACH AWARD REPORTED IN NEW COLUMN PART III, ITEM 6K
 - EACH AUDIT FINDING ON EACH AWARD MUST BE LISTED ON THE NEW "FEDERAL AWARDS FINDINGS" PAGE, PART III, ITEM 7

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ILLUSTRATION OF NEW ITEMS IN PART III: FEDERAL PROGRAMS

FORM SF-SAC		REPORT ID: VERSION:									
PART III: FEDERAL PROGRAMS - Continued											
6. FEDERAL AWARDS EXPENDED DURING FISCAL YEAR											
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
	CFDA Number		Name of Federal program	Amount expended (\$)	Research & Development Y/N	Loan/Loan Guarantee Y/N	ARRA 3 Y/N	Direct award Y/N	MAJOR PROGRAM		Number of Audit Findings If yes, type of audit report on Major Program 4
Row Number	Federal Agency Prefix 1	CFDA Extension 2							Major program	Major program	

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2013 FORM CHANGES

- WHAT'S NEW (CONT.)
 - AUDIT FINDINGS MUST BE NUMBERED USING A NEW STANDARD FORMAT
 - FOUR DIGIT AUDIT YEAR, A HYPHEN AND A THREE DIGIT SEQUENCE NUMBER (E.G., 2013-001)
 - REQUESTED FOR AY 2013; REQUIRED FOR AY 2014.
 - AUDIT FINDING REFERENCE NUMBER USED ON SF-SAC SHOULD MATCH THOSE REPORTED IN THE SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND APPLICABLE AUDITOR'S REPORTS

124

2013 FORM CHANGES

- PART III, ITEM 7: FEDERAL AWARDS FINDINGS SUMMARY
 - COLUMNS (A)-(C) ARE AUTOMATICALLY POPULATED BASED ON “NUMBER OF FINDINGS” ON PREVIOUS PAGE
 - EACH AUDIT FINDING DESCRIBED SEPARATELY
 - TYPE OF COMPLIANCE REQUIREMENT
 - TYPE OF FINDING
 - COMPLIANCE FINDING (MODIFIED OPINION OR OTHER MATTERS)
 - INTERNAL CONTROL FINDING (MATERIAL WEAKNESS OR SIGNIFICANT DEFICIENCY)
 - OTHER
 - QUESTIONED COSTS (YES/NO)

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NEW AUDIT FINDING DETAILS

Federal Agency Prefix	CFDA Extension	Name of Federal program	Amount expended (\$)	Research & Development (Y/N)	Loan/Loan Guarantee (Y/N)	ARRA (Y/N)	Direct award (Y/N)	Major program (Y/N)	If yes, Type of audit report on Major Program	Number of Audit Findings
10	789	ARRA- Agriculture Program Name	\$2,525,252	N	N	Y	Y	Y	U	0
84	456	ED Program Name	\$1,000,000	N	N	N	Y	Y	U	0
81	12	Energy Program Name	\$363,636,363	N	N	N	Y	Y	U	0
93	123	HHS Program Name	\$500,000	N	Y	N	Y	Y	U	3

Federal Agency Prefix	CFDA Extension	Name of Federal program	Audit Finding Reference Number (YYYY-###)	Type(s) of Compliance Requirement (s)	Compliance Findings		Internal Control Findings		Other Findings	Questioned Costs (Y/N)
					Modified Opinion (Y/N)	Other Matters (Y/N)	Material Weakness (Y/N)	Significant Deficiency (Y/N)		
93	123	HHS Program Name	2013-001	ABCE	Y	N	N	N	N	N
93	123	HHS Program Name	2013-002	FGH	N	N	Y	N	N	N
93	123	HHS Program Name	2013-003	AC	N	N	Y	N	N	N

Automatically filled from “Federal Awards” Page for each Federal award with findings

- IDENTIFIES THE COMPLIANCE REQUIREMENTS THAT CORRESPOND TO EACH FINDING
- GIVES DETAIL OF HOW EACH FINDING AFFECTED EACH FEDERAL AWARD

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ILLUSTRATION OF PART III, ITEM 7

New Standard Format for 2014

New information for Compliance, Internal Control and Other Findings

New Questioned Costs

FORM SF-SAC		REPORT ID: _____ VERSION: _____									
Part III: FEDERAL PROGRAMS - Continued											
7. FEDERAL AWARD FINDINGS											
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	
Page 3 Row Number	Federal Agency Prefix	CFDA Extension	Name of Federal program	Audit Finding Reference Number (YYY-###)	Type(s) of Compliance Requirement(s) ¹	Compliance Findings ²		Internal Control Findings ²		Other Findings ²	Questioned Costs
						Modified Opinion	Other Matters	Material Weakness	Significant Deficiency		
These columns are populated automatically from Part III, Item 6, columns a, b, and c on rows with findings.											
For each award with findings, one row is created for each finding reported on Part III, Item 6k.											
This page is not required if no findings are reported on Part III, Item 6k.											
											127

2013 FORM CHANGES

- FEDERAL AWARDS FINDINGS SUMMARY
 - 9 VALID COMBINATIONS OF "COMPLIANCE FINDINGS," "INTERNAL CONTROL FINDINGS," AND "OTHER FINDINGS"

	(f)	(g)	(h)	(i)	(j)
	Compliance Findings		Internal Control Findings		Other Findings
	Modified Opinion	Other Matters	Material Weakness	Significant Deficiency	
	(Y/N)	(Y/N)	(Y/N)	(Y/N)	(Y/N)
1	Y	N	N	N	N
2	Y	N	Y	N	N
3	Y	N	N	Y	N
4	N	Y	N	N	N
5	N	Y	Y	N	N
6	N	Y	N	Y	N
7	N	N	Y	N	N
8	N	N	N	Y	N
9	N	N	N	N	Y

SUBMISSION TO FAC – PDF REQUIREMENTS

- AY 2014 AUDITS MUST BE:
 - UNLOCKED
 - UNENCRYPTED TO ALLOW COPYING AND PASTING
 - 85% OF PAGES MUST BE TEXT-SEARCHABLE (I.E., DON'T SCAN!)
- WILL ALLOW FEDERAL AGENCIES TO ANALYZE FINDINGS ELECTRONICALLY

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REPORTING PACKAGE CHANGES

- NO MORE SCAN AND SEND STARTING WITH 2014 SUBMISSIONS
 - FILES MUST BE TEXT SEARCHABLE, ACCESSIBLE, NOT PASSWORD PROTECTED PDFS
 - DO NOT SEND CAFRS WITH PICTURES – FILE MAY BE REJECTED
 - AUDIT SIGNATURES WILL NEED TO BE CONSIDERED = *LEAP OF FAITH...*

130

FAC REPOSITORY OF RECORD FOR REPORTING PACKAGES (200.36 & 200.512(B))

- FEDERAL AGENCIES, PASS-THROUGH ENTITIES, AND OTHERS OBTAIN COPIES BY ACCESSING FAC WEBSITE.
- SUBRECIPIENT ONLY REQUIRED TO SUBMIT REPORT TO FAC AND NO LONGER REQUIRED TO SUBMIT TO PASS-THROUGH ENTITY.
- PASS-THROUGH ENTITY NO LONGER REQUIRED TO RETAIN COPY OF SUBRECIPIENT REPORT AS AVAILABLE ON THE WEB.

131

SINGLE AUDIT ACCOUNTABLE OFFICIAL (200.513(C)(5))

- ENSURE AGENCY EFFECTIVELY USES THE SINGLE AUDIT PROCESS.
- DEVELOP A BASELINE, METRICS, AND TARGETS TO TRACK, OVER TIME, THE EFFECTIVENESS OF:
 - THE AGENCY'S PROCESS TO FOLLOW-UP ON AUDIT FINDINGS.
 - SINGLE AUDITS IN:
 - IMPROVING NON-FEDERAL ENTITY ACCOUNTABILITY FOR FEDERAL AWARDS.
 - USE BY THE AGENCY IN MAKING AWARD DECISIONS.
- DESIGNATE THE AGENCY'S KEY MANAGEMENT SINGLE AUDIT LIAISON.

132

AGENCY KEY MANAGEMENT SINGLE AUDIT LIAISON (200.513(C)(6))

- AGENCY MANAGEMENT'S POINT OF CONTACT FOR SINGLE AUDIT.
- PROMOTE INTERAGENCY COORDINATION.
- OVERSEE TRAINING FOR AGENCY'S PROGRAM MANAGEMENT PERSONNEL RELATED TO THE SINGLE AUDIT PROCESS.
- PROMOTE USE OF COOPERATIVE AUDIT RESOLUTION.
- COORDINATE AGENCY'S AUDIT FOLLOW-UP TO ENSURE TIMELY CORRECTIVE ACTION ON AUDIT FINDINGS.
- ORGANIZE COGNIZANT AGENCY FOR AUDIT FOLLOW-UP.
- ENSURE AGENCY PROVIDES ANNUAL UPDATES TO THE COMPLIANCE SUPPLEMENT.
- SUPPORT THE SENIOR AUDIT ACCOUNTABLE OFFICIAL.

133

COOPERATIVE AUDIT RESOLUTION

200.513(c)(3)(iii) Responsibilities encourages Federal awarding agencies to make effective use of cooperative audit resolution practices in order to reduce repeat audit findings.

134

COOPERATIVE AUDIT RESOLUTION (200.25)

135

COOPERATIVE AUDIT RESOLUTION MEANS THE USE OF AUDIT FOLLOW-UP TECHNIQUES WHICH PROMOTE PROMPT CORRECTIVE ACTION BY IMPROVING COMMUNICATION, FOSTERING COLLABORATION, PROMOTING TRUST, AND DEVELOPING AN UNDERSTANDING BETWEEN THE FEDERAL AGENCY AND THE NON-FEDERAL ENTITY. THIS APPROACH IS BASED UPON:

- (A) A STRONG COMMITMENT BY FEDERAL AGENCY AND NON-FEDERAL ENTITY LEADERSHIP TO PROGRAM INTEGRITY;
- (B) FEDERAL AGENCIES STRENGTHENING PARTNERSHIPS AND WORKING COOPERATIVELY WITH NON-FEDERAL ENTITIES AND THEIR AUDITORS; AND NON-FEDERAL ENTITIES AND THEIR AUDITORS WORKING COOPERATIVELY WITH FEDERAL AGENCIES;
- (C) A FOCUS ON CURRENT CONDITIONS AND CORRECTIVE ACTION GOING FORWARD;
- (D) FEDERAL AGENCIES OFFERING APPROPRIATE RELIEF FOR PAST NONCOMPLIANCE WHEN AUDITS SHOW PROMPT CORRECTIVE ACTION HAS OCCURRED; AND
- (E) FEDERAL AGENCY LEADERSHIP SENDING A CLEAR MESSAGE THAT CONTINUED

APPENDIX XI - COMPLIANCE SUPPLEMENT

WHILE MOST COMMENTERS WERE IN FAVOR OF THE PROPOSED REDUCTION OF THE NUMBER OF TYPES OF COMPLIANCE REQUIREMENTS, MANY VOICED CONCERN ABOUT THE PROCESS TO IMPLEMENT SUCH CHANGES. COMMENTS QUESTIONED WHETHER FEDERAL AGENCIES ADDING BACK PROVISIONS UNDER SPECIAL TESTS AND PROVISIONS WOULD RESULT IN INCREASED ADMINISTRATIVE BURDEN.

SINCE THE SUPPLEMENT IS PUBLISHED AS PART OF A SEPARATE PROCESS, THE COFAR RECOMMENDED THAT ANY FUTURE CHANGES TO ITS STRUCTURE BE BASED ON AVAILABLE EVIDENCE OF IMPACT ON PAST FINDINGS AND INCLUDE FURTHER PUBLIC OUTREACH TO MITIGATE POTENTIAL RISKS OF AN INADVERTENT INCREASE IN ADMINISTRATIVE BURDEN.

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COMPLIANCE SUPPLEMENT

- SUPPLEMENT IS PUBLISHED AS SEPARATE PROCESS SO THE FINAL CHANGES ARE NOT INCLUDED IN THE GUIDANCE.
- FUTURE CHANGES WILL BE BASED ON AVAILABLE EVIDENCE OF PAST AUDIT FINDINGS & POTENTIAL IMPACT OF NON-COMPLIANCE.
- FURTHER PUBLIC OUTREACH WILL BE CONDUCTED PRIOR TO MAKING STRUCTURAL CHANGES TO SUPPLEMENT FORMAT.
 - 2014 SUPPLEMENT WILL PREVIEW THE IMPLEMENTATION OF CHANGES.
 - CHANGES WILL NOT BE EFFECTIVE UNTIL THE 2015 SUPPLEMENT.
 - 2014 SUPPLEMENT EXPECTED IN APRIL 2014.

137

AUDIT FINDINGS (200.516)

- INCREASES THE THRESHOLD FOR REPORTING KNOWN AND LIKELY QUESTIONED COSTS FROM \$10,000 TO \$25,000 (200.516(A)(3) & (4)).
- REQUIRES THAT QUESTIONED COSTS BE IDENTIFIED BY CFDA NUMBER AND APPLICABLE AWARD NUMBER (200.516(B)(6)).
- REQUIRES IDENTIFICATION OF WHETHER AUDIT FINDING IS A REPEAT FROM THE IMMEDIATELY PRIOR AUDIT AND IF SO THE PRIOR YEAR AUDIT FINDING NUMBER (200.516(B)(8)).
- PROVIDES THAT AUDIT FINDING NUMBERS BE IN THE FORMAT PRESCRIBED BY THE DATA COLLECTION FORM (200.516(C)).

138

ADDITIONAL AUDIT REQUIREMENTS

- LIST OF PROGRAM SPECIFIC AUDIT GUIDES WILL BE PROVIDED BEGINNING WITH THE 2014 SUPPLEMENT INCLUDING (200.517(A)):
 - AGENCY CONTACT INFORMATION.
 - WEB SITE WHERE COPY OF GUIDE IS AVAILABLE.
- CLARIFIED THAT IF REPORT DUE DATE IS ON A SATURDAY, SUNDAY, OR FEDERAL LEGAL HOLIDAY, REPORT SUBMISSION IS DUE THE NEXT BUSINESS DAY (200.512(A)).
- PROVIDES FOR A GOVERNMENT-WIDE AUDIT QUALITY PROJECT ONCE EVERY 6 YEARS BEGINNING IN 2018 (200.513(A)(3)(II)).
- MADE TECHNICAL EDITS TO ALIGN WITH CURRENT AUDITING STANDARDS.

139

ADDITIONAL AUDIT REQUIREMENTS – FUTURE CHANGES

- INCLUDED LANGUAGE TO ALLOW FOR FUTURE COMBINING OF THE AUDIT REPORTING AND THE DATA COLLECTION FORM IF PERMITTED UNDER AUDITING STANDARDS AND THE APPROVED FAC DATA COLLECTION (200.515(E)).
- SINGLE AUDIT RESOLUTION PROJECT CURRENTLY UNDER SUPERVISION OF COFAR IS AIMED AT IMPROVING COORDINATION FOR CROSS-CUTTING FINDINGS AND IMPROVING TRANSPARENCY OF MANAGEMENT DECISIONS.

140

EFFECTIVE DATE FOR AUDIT REQUIREMENTS (200.110(B))

- SUBPART F WILL BE EFFECTIVE FOR NON-FEDERAL ENTITY FISCAL YEARS (FY) OR BIENNIAL PERIODS BEGINNING ON OR AFTER DECEMBER 26, 2014.
- FIRST YEAR EXAMPLES:
 - FY BEGINNING JANUARY 1, 2015 AND ENDING DECEMBER 31, 2015, OR
 - JULY 1, 2015 TO JUNE 30, 2016.
 - BIENNIAL PERIOD BEGINNING JANUARY 1, 2015 AND ENDING DECEMBER 31, 2017.
- EARLY IMPLEMENTATION OF SUBPART F IS **NOT** PERMITTED.

141

AUDIT REQUIREMENTS

QUESTIONS??

142

ADMINISTRATIVE REQUIREMENTS

REFORMS TO A-102,
CIRCULAR A-110, AND
CIRCULAR A-89

January 27, 2014

UNIFORM ADMINISTRATIVE REQUIREMENTS,
AUDIT REQUIREMENTS, AND COST
PRINCIPLES

2 CFR CHAPTER 1, CHAPTER 2, PART 200,
ET AL.

January 27, 2014

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

- The section highlights changes to the governmentwide common rule implementing Circular A-102 on Grants and Cooperative Agreements with State and Local Governments; Circular A-110 on Uniform Administrative Requirements for Grants and Other Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations (2 CFR part 215); and Circular A-89 on Catalog of Federal Domestic Assistance
- The following are major changes included in the final guidance

145

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

146

KEY DEFINITIONS

- 200.38, **FEDERAL AWARD** (DEPENDING ON THE CONTEXT, MEANS THE \$ OR THE DOCUMENT)
- 200.40, **FEDERAL FINANCIAL ASSISTANCE** (NO CHANGE IN MEANING FROM PREVIOUS DEFINITIONS FOR ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS)
- 200.69, **NON-FEDERAL ENTITY** (STATE, LOCAL GOVERNMENT, INDIAN TRIBE, INSTITUTION OF HIGHER EDUCATION, OR NONPROFIT THAT IS THE RECIPIENT OR SUBRECIPIENT)
- 200.74, **PASS-THROUGH ENTITY** (NON-FEDERAL ENTITY THAT SUBAWARDS TO A SUBRECIPIENT)
- 200.90, **STATE** NO LONGER INCLUDES **INDIAN TRIBE** (200.54)
 - NO EFFECT ON FUNDING BECAUSE ELIGIBLE APPLICANTS ARE BASED ON THE FEDERAL PROGRAM, NOT PART 200

147

DEFINITIONS – SUBRECIPIENT AND CONTRACTOR

- 200.93, **SUBRECIPIENT**
- *SUBRECIPIENT* MEANS A NON-FEDERAL ENTITY THAT RECEIVES A SUBAWARD FROM A PASS-THROUGH ENTITY TO CARRY OUT PART OF A FEDERAL PROGRAM
- 200.23, **CONTRACTOR** IS USED RATHER THAN “VENDOR” (USED IN A-133)
- *CONTRACTOR* MEANS AN ENTITY THAT RECEIVES A CONTRACT AS DEFINED IN 200.22 CONTRACT
- LOOK AT THE NATURE OF THE RELATIONSHIP RATHER THAN WHAT THE AGREEMENT IS CALLED; SEE 200.330

148

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
 - REQUIREMENT BASED ON FEDERAL STATUTE, REGULATION, OR EXECUTIVE ORDER,
 - OMB PERMITS AN EXCEPTION IN ACCORDANCE WITH 200.102, OR
 - OMB APPROVES INFORMATION IN THE FEDERAL AWARD IN ACCORDANCE WITH 200.210

149

“SHOULD” VS “MUST”

- THROUGHOUT, BOTH “SHOULD” AND “MUST” ARE USED
- “MUST” MEANS “REQUIRED”
- “SHOULD” INDICATES BEST PRACTICES OR RECOMMENDED APPROACH

150

APPLICABILITY

- 200.101 APPLICABILITY: DESCRIBES THE APPLICABILITY OF EACH SUBPARTS TO TYPES OF FEDERAL AWARDS
- A TABLE IS INCLUDED, BUT MUST BE READ ALONG WITH THE ENTIRE APPLICABILITY SECTION
- THE FEDERAL AWARDING AGENCY WILL DETERMINE APPLICABILITY AND STATE THE APPLICABLE REQUIREMENTS IN THE TERMS AND CONDITIONS OF THE FEDERAL AWARD
- LIKEWISE, THE PASS-THROUGH ENTITY MUST STATE THE APPLICABLE REQUIREMENTS FOR ITS SUBRECIPIENTS IN THE TERMS AND CONDITION OF EACH SUBAWARD

151

EXCEPTIONS

- 200.102, EXCEPTIONS
 - NO EXCEPTIONS FROM ANY AUDIT REQUIREMENTS
 - ONLY OMB MAY ALLOW EXCEPTIONS FOR CLASSES OF FEDERAL AWARDS OR NON-FEDERAL ENTITIES, BUT
 - IN THE INTEREST OF MAXIMUM UNIFORMITY, OMB WILL PERMIT EXCEPTIONS ONLY IN UNUSUAL CIRCUMSTANCES
 - EXCEPTIONS (INDIRECT COSTS) ON A CASE-BY-CASE BASIS MAY BE AUTHORIZED BY THE FEDERAL AWARDING AGENCY
 - THE FEDERAL AWARDING AGENCY MAY APPLY MORE RESTRICTIVE REQUIREMENTS WHEN APPROVED BY OMB, OR REQUIRED BY FEDERAL STATUTES OR REGULATIONS
 - IF YOU HAVE QUESTIONS ABOUT YOUR AWARD, CONTACT THE FEDERAL AWARDING AGENCY

152

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
- ADMINISTRATIVE REQUIREMENTS AND COST PRINCIPLES WILL APPLY TO **NEW** AWARDS AND TO ADDITIONAL FUNDING (FUNDING INCREMENTS) TO EXISTING AWARDS MADE AFTER DEC 26.
- **EXISTING** FEDERAL AWARDS WILL CONTINUE TO BE GOVERNED BY THE TERMS AND CONDITIONS OF THE FEDERAL AWARD, EXCEPT FOR AUDIT AS SUBPART F WILL BE EFFECTIVE FOR FISCAL YEARS BEGINNING ON OR AFTER DECEMBER 26, 2014 (I.E.,¹⁵³ 1/1/15 OR JULY 1, 2015).

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

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SUBPART C: PRE-FEDERAL AWARD REQUIREMENTS AND CONTENTS OF FEDERAL AWARDS

SECTIONS HIGHLIGHTED:

200.201, USE OF GRANT AGREEMENTS, COOPERATIVE AGREEMENTS & CONTRACTS

200.203, NOTICES OF FUNDING OPPORTUNITIES

200.204, FEDERAL AGENCY REVIEW OF MERIT

200.205, FEDERAL AGENCY REVIEW OF RISK

200.206, STANDARD APPLICATION REQUIREMENTS

200.210, INFORMATION CONTAINED IN A FEDERAL AWARD

155

USE OF GRANT AGREEMENTS, COOPERATIVE AGREEMENTS & CONTRACTS

- 200.201, USE OF GRANT AGREEMENTS (INCLUDING FIXED AMOUNT AWARDS), COOPERATIVE AGREEMENTS, AND CONTRACTS:
 - FEDERAL AWARDING AGENCIES MUST DETERMINE APPROPRIATE AWARD INSTRUMENT
 - INCORPORATES NEW COVERAGE ON **FIXED** AMOUNT AWARDS:
 - PAYMENTS ARE BASED ON MEETING SPECIFIC REQUIREMENTS OF THE FEDERAL AWARD
 - ACCOUNTABILITY IS BASED ON PERFORMANCE AND RESULTS
 - AWARD AMOUNT IS NEGOTIATED USING COST PRINCIPLES AS A GUIDE
 - NO GOVERNMENTAL REVIEW OF THE ACTUAL COSTS INCURRED
 - CHANGES (I.E., PRINCIPAL INVESTIGATOR, PROJECT PARTNER OR SCOPE) MUST RECEIVE PRIOR AWARDING AGENCY WRITTEN APPROVAL

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NOTICES OF FUNDING OPPORTUNITIES

- 200.203, NOTICES OF FUNDING OPPORTUNITIES:
 - NOTICE OF THE FUNDING OPPORTUNITY
 - FOR **COMPETITIVE** GRANTS AND COOPERATIVE AGREEMENTS, FEDERAL AWARDING AGENCIES MUST ANNOUNCE SPECIFIC FUNDING OPPORTUNITIES BY POSTING A PUBLIC NOTICE ON THE OMB-DESIGNATED GOVERNMENTWIDE WEB SITE
 - SPECIFIES A SET OF SIX DATA ELEMENTS THAT MUST BE INCLUDED IN THE PUBLIC NOTICE

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NOTICES OF FUNDING OPPORTUNITIES (CONT'D)

- FULL TEXT OF FUNDING OPPORTUNITIES
 - IDENTIFIES REQUIRED INFORMATION THAT MUST BE INCLUDED IN THE FULL TEXT OF EACH FEDERAL FUNDING OPPORTUNITY
 - DETAILED INSTRUCTIONS FOR THE FULL TEXT OF THE NOTICE OF FUNDING OPPORTUNITY IS INCLUDED IN APPENDIX 1.
 - THIS COVERAGE WAS ORIGINALLY PUBLISHED BY OMB AT 68 FR 58146 (OCTOBER 8, 2003)
- ESTABLISHES MINIMUM TIMEFRAMES FEDERAL AWARDING AGENCIES MUST GENERALLY MAKE ALL FUNDING OPPORTUNITIES AVAILABLE FOR APPLICATION (GENERALLY AT LEAST 60 DAYS)

158

FEDERAL AGENCY REVIEW OF MERIT

- 200.204, FEDERAL AWARDING AGENCY REVIEW OF MERIT OF PROPOSALS:
 - **NEW REQUIREMENT**
 - FOR **COMPETITIVE** GRANTS OR COOPERATIVE AGREEMENTS, FEDERAL AWARDING AGENCIES MUST DESIGN AND EXECUTE A **MERIT** REVIEW PROCESS FOR APPLICATIONS
 - PROCESS MUST BE DESCRIBED (OR INCORPORATED BY REFERENCE) IN FUNDING OPPORTUNITY

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FEDERAL AGENCY REVIEW OF RISK

- 200.205, FEDERAL AWARDING AGENCY REVIEW OF RISK POSED BY APPLICANTS:
 - IN ADDITION TO USE OF THE OMB-DESIGNATED REPOSITORIES OF GOVERNMENT-WIDE ELIGIBILITY INFORMATION, FEDERAL AWARDING AGENCIES **MUST HAVE A FRAMEWORK FOR EVALUATING THE RISKS POSED BY APPLICANTS PRIOR TO RECEIPT OF A FEDERAL AWARD**
 - ITEMS THAT MAY BE CONSIDERED BY FEDERAL AWARDING AGENCIES INCLUDE:
 - FINANCIAL STABILITY
 - QUALITY OF MANAGEMENT SYSTEMS
 - HISTORY OF PERFORMANCE
 - REPORTS AND FINDINGS FROM AUDITS PERFORMED UNDER SUBPART F
 - APPLICANT'S ABILITY TO EFFECTIVELY IMPLEMENT STATUTORY, REGULATORY OR OTHER REQUIREMENTS

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FEDERAL AGENCY REVIEW OF RISK (CONT'D)

- SPECIAL CONDITIONS THAT CORRESPOND TO THE DEGREE OF RISK MAY BE APPLIED, IF APPROPRIATE (SEE **200.207**, SPECIAL CONDITIONS.)
- FEDERAL AWARDING AGENCIES MUST CONTINUE TO COMPLY WITH THE GUIDELINES ON GOVERNMENTWIDE SUSPENSION AND DEBARMENT AND MUST REQUIRE NON-FEDERAL ENTITIES TO COMPLY WITH THESE PROVISIONS

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STANDARD APPLICATION REQUIREMENTS

- 200.206, STANDARD APPLICATION REQUIREMENTS:
 - REQUIRES FEDERAL AWARDING AGENCIES TO USE OMB-APPROVED APPLICATION STANDARD INFORMATION COLLECTIONS TO SOLICIT APPLICATIONS
 - USE OF STANDARD OMB-APPROVED COLLECTIONS IS A CONSISTENT THEME THROUGHOUT 2 CFR 200
 - CURRENTLY APPROVED OMB GRANTS MANAGEMENT FORMS (AND FORMATS) ARE AVAILABLE ON THE OMB WEB SITE AT:
 - [HTTP://WWW.WHITEHOUSE.GOV/OMB/GRANTS STANDARD REPORT FORMS/](http://www.whitehouse.gov/omb/grants_standard_report_forms/)

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INFORMATION CONTAINED IN A FEDERAL AWARD

- 200.210, INFORMATION CONTAINED IN A FEDERAL AWARD:
 - PROVIDES A STANDARD SET OF **15 DATA ELEMENTS WHICH MUST BE PROVIDED** IN ALL FEDERAL AWARDS
 - IDENTIFIES COVERAGE WHICH MUST BE INCLUDED IN THE GENERAL TERMS AND CONDITIONS
 - PROVIDES GUIDANCE ON FEDERAL AWARDING AGENCY, PROGRAM, OR AWARD SPECIFIC TERMS AND CONDITIONS
 - REQUIRES FEDERAL AWARDING AGENCIES TO INCLUDE AN INDICATION OF THE TIMING AND SCOPE OF EXPECTED PERFORMANCE AS RELATED TO THE OUTCOMES INTENDED TO BE ACHIEVED
 - IN SOME INSTANCES, (E.G., DISCRETIONARY RESEARCH AWARDS) THIS MAY BE LIMITED TO SUBMISSION OF TECHNICAL PERFORMANCE REPORTS

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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**

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

SECTIONS HIGHLIGHTED (CONT'D):

200.317-326	PROCUREMENT STANDARDS
200.327,	FINANCIAL REPORTING
200.328,	MONITORING AND REPORTING PROGRAM PERFORMANCE
200.329,	REPORTING ON REAL PROPERTY
200.330-332	SUBRECIPIENT MONITORING & MANAGEMENT
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

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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 (WHEN APPLICABLE) TO DEMONSTRATE COST EFFECTIVE PRACTICES.**

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PERFORMANCE MANAGEMENT (CONT'D)

- AS DISCUSSED IN MORE DETAIL IN 200.328, FOR THE RESEARCH COMMUNITY, WHERE THERE IS A STANDARD OMB-APPROVED INFORMATION COLLECTION FOR PERFORMANCE (I.E., THE RESEARCH PERFORMANCE PROGRESS REPORT) THAT DOES NOT RELATE FINANCIAL INFORMATION TO PERFORMANCE DATA, THERE IS NO SUCH REQUIREMENT
- **THE FEDERAL AWARDING AGENCIES ARE REQUIRED TO PROVIDE RECIPIENTS WITH CLEAR PERFORMANCE GOALS, INDICATORS, AND MILESTONES**

167

INTERNAL CONTROLS

200.303, INTERNAL CONTROLS. FOR FEDERAL AWARDS, NON-FEDERAL ENTITIES MUST:

- MOVED FROM OMB CIRCULAR A-133
 - **ESTABLISH AND MAINTAIN EFFECTIVE INTERNAL CONTROLS (IN COMPLIANCE WITH COSO AND GAO GREENBOOK)**
 - COMPLY WITH FEDERAL STATUTES, REGULATIONS, & TERMS AND CONDITIONS
 - EVALUATE AND MONITOR COMPLIANCE
 - TAKE PROMPT ACTION ON AUDIT FINDINGS
 - **SAFEGUARD PROTECTED PERSONALLY IDENTIFIABLE INFORMATION**

168

PAYMENTS

- 200.305, PAYMENTS:
 - PAYMENTS TO STATES ARE GOVERNED BY TREASURY-STATE CMIA AGREEMENTS CODIFIED AT 31 CFR PART 205
 - COVERAGE LARGELY REPLICATES EXISTING PAYMENT COVERAGE FROM OMB CIRCULAR A-110
 - EXTENDS TO NON-FEDERAL ENTITIES PREVIOUSLY COVERED BY OMB CIRCULAR A-102 THE EXISTING FLEXIBILITY IN OMB CIRCULAR A-110 TO PAY INTEREST EARNED ON FEDERAL FUNDS ANNUALLY TO THE DEPARTMENT OF HEALTH AND HUMAN SERVICES, RATHER THAN “PROMPTLY” TO EACH FEDERAL AWARDING AGENCY
 - **INTEREST AMOUNTS UP TO \$500 PER YEAR MAY BE RETAINED BY THE NON-FEDERAL ENTITY FOR ADMINISTRATIVE EXPENSES**

169

COST SHARING OR MATCHING

- 200.306, COST SHARING OR MATCHING:
 - CLARIFIES POLICIES ON VOLUNTARY COMMITTED COST SHARING
 - STIPULATES THAT VOLUNTARY COMMITTED COST SHARING IS NOT EXPECTED UNDER FEDERAL RESEARCH PROPOSALS AND CANNOT BE USED AS A FACTOR DURING THE MERIT REVIEW OF THE PROPOSAL
 - COST SHARING MAY ONLY BE CONSIDERED WHEN REQUIRED BY REGULATION AND TRANSPARENT IN THE NOTICE OF FUNDING OPPORTUNITY

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COST SHARING OR MATCHING (CONT'D)

- ONLY MANDATORY COST SHARING OR COST SHARING INCLUDED ON THE PROJECT BUDGET MUST BE INCLUDED IN THE ORGANIZED RESEARCH BASE FOR COMPUTING THE INDIRECT COST RATE OR REFLECTED IN THE ALLOCATION OF INDIRECT COSTS
- OMB MEMORANDUM 01-06, CLARIFICATION OF OMB A-21 TREATMENT OF VOLUNTARY UNCOMMITTED COST SHARING AND TUITION REMISSION COSTS CONTINUES TO APPLY.
- SEE: [HTTP://WWW.WHITEHOUSE.GOV/OMB/MEMORANDA_M01-06](http://www.whitehouse.gov/omb/memoranda_m01-06)
- VALUATION OF COST SHARING REMAINS LARGELY UNCHANGED FROM OMB CIRCULAR A-110

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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 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 PASS THROUGH ENTITY
 - FEDERAL AWARDING AGENCIES MAY AUTHORIZE NO-COST EXTENSIONS OF THE PERIOD OF PERFORMANCE (SEE ALSO 200.308, REVISION OF BUDGET AND PROGRAM PLANS)

172

PROPERTY STANDARDS & EQUIPMENT

- COVERAGE IN PROPERTY STANDARDS (SECTIONS 200.310-200.316) LARGELY DERIVED FROM EXISTING COVERAGE IN A-110
- **MAJOR EXCEPTION IS 200.313, EQUIPMENT**
 - STATES MUST USE, MANAGE, AND DISPOSE OF EQUIPMENT ACQUIRED UNDER A FEDERAL AWARD IN ACCORDANCE WITH STATE LAWS AND PROCEDURES
 - OTHER NON-FEDERAL ENTITIES MUST FOLLOW THE REQUIREMENTS SPECIFIED

173

SUPPLIES & INTANGIBLE PROPERTY

- 200.314, SUPPLIES:
 - THE DEFINITION OF SUPPLIES IN EXISTING GUIDANCE INCLUDES ALL TANGIBLE PERSONAL PROPERTY THAT FALL BELOW THE THRESHOLD FOR EQUIPMENT. SINCE, AS TECHNOLOGY IMPROVES, **COMPUTING DEVICES** (INCLUSIVE OF ACCESSORIES) INCREASINGLY FALL BELOW THIS THRESHOLD, THE GUIDANCE MAKES EXPLICIT THAT WHEN THEY DO, THEY **SHALL BE TREATED CONSISTENTLY WITH ALL OTHER ITEMS BELOW THIS LEVEL. SEE 200.94, DEFINITION OF "SUPPLIES". (LESS THAN \$5,000 OR CAPITALIZATION THRESHOLD REGARDLESS OF USEFUL LIFE)**
- 200.315, INTANGIBLE PROPERTY:
 - CONTENT OF 200.315 IS LARGELY FROM OMB CIRCULAR A-110, HOWEVER, THE SECTION HAS BEEN REORGANIZED FOR READABILITY AND CLARITY

174

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 AND INDIAN TRIBES, WITH MODIFICATIONS
- **STATES USE THEIR OWN POLICIES AND PROCEDURES**
- **ALL OTHER NON-FEDERAL ENTITIES, INCLUDING SUBRECIPIENTS OF A STATE, MUST HAVE AND FOLLOW WRITTEN PROCUREMENT PROCEDURES THAT REFLECT THE PROCUREMENT STANDARDS**

175

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

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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 (THAT IS NOT A STATE, LOCAL GOVERNMENT, OR INDIAN TRIBE), THE NON-FEDERAL ENTITY MUST ALSO MAINTAIN WRITTEN STANDARDS OF CONDUCT COVERING ORGANIZATIONAL CONFLICTS OF INTEREST

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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(E) TO FOSTER GREATER ECONOMY AND EFFICIENCY AND TO PROMOTE COST-EFFECTIVE USE OF SHARED SERVICES, THE NON-FEDERAL ENTITY IS ENCOURAGED TO ENTER INTO STATE AND LOCAL INTERGOVERNMENTAL AGREEMENTS OR INTER-ENTITY AGREEMENTS WHERE APPROPRIATE FOR PROCUREMENT OR USE OF COMMON OR SHARED GOODS AND SERVICES
- 200.318(F) THE NON-FEDERAL ENTITY IS ENCOURAGED TO USE FEDERAL EXCESS AND SURPLUS PROPERTY IN LIEU OF PURCHASING NEW

METHODS OF PROCUREMENT

- 200.320, METHODS OF PROCUREMENT TO BE FOLLOWED
- **THE NON-FEDERAL ENTITY MUST USE ONE OF THE 5 METHODS:**
 - (1) **MICRO-PURCHASES FOR ACQUISITION OF SUPPLIES OR SERVICES IF AGGREGATE AMOUNT DOES NOT EXCEED \$3,000 [NEW METHOD]**
 - A MICRO-PURCHASE MAY BE AWARDED WITHOUT SOLICITING COMPETITIVE QUOTATIONS IF THE NON-FEDERAL ENTITY CONSIDERS THE PRICE TO BE REASONABLE
 - (2) **SMALL PURCHASE PROCEDURES (SIMPLIFIED ACQUISITION THRESHOLD OF \$150,000, 200.88) = MUST OBTAIN PRICE OR RATE QUOTES.**
 - (3) **SEALED BIDS (FORMAL ADVERTISING)**
 - (4) **COMPETITIVE PROPOSALS**

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METHODS OF PROCUREMENT (CONT'D)

- (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:**
 - **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**

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PRE-PROCUREMENT REVIEW OF TECHNICAL SPECIFICATIONS

- 200.324, FEDERAL AWARDING AGENCY OR PASS-THROUGH ENTITY REVIEW
- **UPON REQUEST OF THE FEDERAL AWARDING AGENCY (OR PASS-THROUGH ENTITY), THE NON-FEDERAL ENTITY MUST MAKE AVAILABLE:**
 - THE TECHNICAL SPECIFICATIONS ON PROPOSED PROCUREMENTS WHERE THE FEDERAL AWARDING AGENCY (OR PASS-THROUGH ENTITY) BELIEVES THE REVIEW IS NEEDED TO ENSURE THAT THE ITEM OR SERVICE SPECIFIED IS THE ONE BEING PROPOSED FOR ACQUISITION

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PRE-PROCUREMENT REVIEW

- UPON REQUEST OF THE FEDERAL AWARDING AGENCY (OR PASS-THROUGH ENTITY), THE NON-FEDERAL ENTITY MUST MAKE THE PROCUREMENT DOCUMENTS (E.G., REQUESTS FOR PROPOSALS, INVITATIONS FOR BIDS, OR INDEPENDENT COST ESTIMATES) AVAILABLE FOR PRE-PROCUREMENT REVIEW WHEN:
 - THE NON-FEDERAL ENTITY'S PROCUREMENT PROCEDURES OR OPERATIONS FAIL TO COMPLY WITH THE PROCUREMENT STANDARDS IN PART 200
 - THE PROCUREMENT IS EXPECTED TO EXCEED THE SIMPLIFIED ACQUISITION THRESHOLD [CURRENTLY \$150,000] AND
 - **THE PROCUREMENT IS TO BE AWARDED WITHOUT COMPETITION OR ONLY ONE BID/OFFER IS RECEIVED IN RESPONSE TO A SOLICITATION**
 - **THE PROCUREMENT SPECIFIES A "BRAND NAME" PRODUCT**
 - **THE PROPOSED CONTRACT IS TO BE AWARDED TO OTHER THAN THE APPARENT LOW BIDDER UNDER A SEALED BID PROCUREMENT**
 - **A PROPOSED CONTRACT MODIFICATION CHANGES THE SCOPE OF A CONTRACT OR INCREASES THE CONTRACT AMOUNT BY MORE THAN THE SIMPLIFIED ACQUISITION THRESHOLD.**

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PRE-PROCUREMENT REVIEW (CONT'D)

- THE NON-FEDERAL ENTITY IS EXEMPT FROM THE PRE-PROCUREMENT REVIEW:
 - IF THE FEDERAL AWARDING AGENCY (OR PASS-THROUGH ENTITY) DETERMINES THAT ITS PROCUREMENT SYSTEMS COMPLY WITH THE STANDARDS OF PART 200
 - THE NON-FEDERAL ENTITY SELF CERTIFIES ITS PROCUREMENT SYSTEM (BUT THE SELF-CERTIFICATION DOES NOT LIMIT THE FEDERAL AWARDING AGENCY'S RIGHT TO SURVEY THE SYSTEM)

183

PROCUREMENT CONTRACT PROVISIONS

- 200.326, CONTRACT PROVISIONS
- REFERS TO APPENDIX II FOR PROVISIONS THAT MUST BE INCLUDED IN CONTRACTS OF NON-FEDERAL ENTITIES
- THE APPENDIX PROVIDES A DESCRIPTION OF EACH PROVISION (AND GENERALLY GIVES THE LEGAL BASIS OF THE PROVISION) SO THAT THE NON-FEDERAL ENTITY CAN DETERMINE WHETHER THE PROVISION IS APPLICABLE TO A CONTRACT

184

FINANCIAL REPORTING

- **200.327, FINANCIAL REPORTING:**
 - EXISTING COVERAGE FROM A-102 AND A-110 ON THE REPORT OF FEDERAL CASH TRANSACTIONS AND THE FINANCIAL STATUS REPORT HAS BEEN DELETED AND REPLACED WITH THE REQUIREMENT THAT FEDERAL AWARDING AGENCIES ONLY USE THE OMB-APPROVED GOVERNMENT-WIDE DATA ELEMENTS FOR COLLECTION OF FINANCIAL INFORMATION -- CURRENTLY THE FEDERAL FINANCIAL REPORT
 - SUBMISSION FREQUENCY REQUIREMENTS GENERALLY REMAIN UNCHANGED
 - NO LESS FREQUENTLY THAN ANNUALLY, NOR MORE FREQUENTLY THAN QUARTERLY.
 - NEW LANGUAGE ADDED, HOWEVER, WHICH PERMITS MORE THE FEDERAL AWARDING AGENCY TO REQUIRE MORE FREQUENT REPORTING WHERE NECESSARY FOR THE EFFECTIVE MONITORING OF THE FEDERAL AWARD OR COULD SIGNIFICANTLY AFFECT PROGRAM OUTCOMES.

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MONITORING AND REPORTING PROGRAM PERFORMANCE

- **200.328, MONITORING AND REPORTING PROGRAM PERFORMANCE:**
 - SPECIFIES THAT PERFORMANCE REPORTS ARE SUBJECT TO THE PAPERWORK REDUCTION ACT REQUIREMENTS
 - FEDERAL AWARDING AGENCIES SHOULD UTILIZE OMB-APPROVED STANDARD GOVERNMENTWIDE INFORMATION COLLECTIONS (SEE ALSO 200.206)
 - SUBMISSION FREQUENCY REQUIREMENTS REMAIN LARGELY UNCHANGED
 - NO LESS FREQUENTLY THAN ANNUALLY, NOR MORE FREQUENTLY THAN QUARTERLY.
 - NEW LANGUAGE ADDED, HOWEVER, WHICH PERMITS MORE THE FEDERAL AWARDING AGENCY TO REQUIRE MORE FREQUENT REPORTING WHERE NECESSARY FOR THE EFFECTIVE MONITORING OF THE FEDERAL AWARD OR COULD SIGNIFICANTLY AFFECT PROGRAM OUTCOMES.

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REPORTING ON REAL PROPERTY

- **200.329, REPORTING ON REAL PROPERTY:**
 - THE LANGUAGE IN THIS SECTION IS BASED ON THE SUPPLEMENTARY INFORMATION PROVIDED IN THE PURPOSE SECTION OF THE FINAL NOTICE OF THE REAL PROPERTY STATUS REPORT (RPSR) FORM SF-429, AVAILABLE AT 75 FR 56540, PUBLISHED SEPTEMBER 16, 2010

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SUBRECIPIENT MONITORING AND MANAGEMENT

- SECTION 200.330 EXPLAINS THE ROLES OF SUBRECIPIENTS AND CONTRACTORS SO THAT THE NON-FEDERAL ENTITY CAN DETERMINE THE RELATIONSHIP AND THE APPLICABLE REQUIREMENTS
- **A NON-FEDERAL ENTITY PROVIDES A SUBAWARD TO A SUBRECIPIENT FOR THE PURPOSE OF CARRYING OUT A PORTION OF A FEDERAL AWARD AND CREATES A FEDERAL ASSISTANCE RELATIONSHIP BETWEEN THE NON-FEDERAL ENTITY AND THE SUBRECIPIENT**
- **A NON-FEDERAL ENTITY PROVIDES A CONTRACT TO A CONTRACTOR FOR THE PURPOSE OF OBTAINING GOODS AND SERVICES FOR THE NON-FEDERAL ENTITY'S OWN USE AND CREATES A PROCUREMENT RELATIONSHIP BETWEEN THE NON-FEDERAL ENTITY AND THE CONTRACTOR**
- **WHAT THE DOCUMENT IS CALLED DOES NOT MATTER; THE RELATIONSHIP IS THE BASIS FOR DETERMINING WHICH REQUIREMENTS ARE APPLICABLE**

SUBRECIPIENTS MONITORING AND OVERSIGHT REQUIREMENTS FOR PASS-THROUGH ENTITIES

- 200.331, REQUIREMENTS FOR PASS-THROUGH ENTITIES
- INCLUDES AUDIT RESPONSIBILITIES THAT WERE IN A-133
- **THE PASS-THROUGH ENTITY MUST:**
 - **PUT SPECIFIC INFORMATION IN THE SUBAWARD, INCLUDING INDIRECT COST RATE**
 - **DO A RISK ASSESSMENT TO DETERMINE APPROPRIATE SUBRECIPIENT MONITORING AND MUST MONITOR SUBRECIPIENTS**
 - **CONSIDER IF SPECIFIC SUBAWARD CONDITIONS ARE NEEDED**
 - **VERIFY SUBRECIPIENTS HAVE AUDITS IN ACCORDANCE WITH SUBPART F**
 - **MAKE ANY NECESSARY ADJUSTMENT TO THE PASS-THROUGH ENTITY'S RECORDS BASED ON REVIEWS AND AUDITS OF SUBRECIPIENTS**
 - **CONSIDER ACTIONS TO ADDRESS SUBRECIPIENT NONCOMPLIANCE**

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INFORMATION CONTAINED IN A SUBAWARD

- **FOLLOWING INFORMATION MUST BE IDENTIFIED TO SUBRECIPIENT AT TIME OF AWARD AND PUT IN THE SUBAWARD (AND WHEN CHANGES ARE MADE TO THE SUBAWARD) (200.331(A)):**
 - **FEDERAL AWARD IDENTIFICATION, E.G., DUNS NUMBER, ETC.**
 - **INDIRECT COST RATE FOR THE FEDERAL AWARD (INCLUDING IF THE DE MINIMUS RATE IS CHARGE PER 200.414 INDIRECT (F&A) COSTS) REQUIREMENTS IMPOSED BY THE PASS-THROUGH ENTITY**
 - **REQUIREMENT TO PROVIDE ACCESS TO RECORDS FOR AUDIT**

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EVALUATING SUBRECIPIENT RISK TO DETERMINE APPROPRIATE MONITORING

- **THE PASS-THROUGH ENTITY MUST EVALUATE EACH SUBRECIPIENT'S RISK OF NONCOMPLIANCE WITH FEDERAL STATUTES, REGULATIONS, AND THE TERMS AND CONDITIONS OF THE SUBAWARD FOR THE PURPOSE OF DETERMINING APPROPRIATE SUBRECIPIENT MONITORING, WHICH MAY INCLUDE CONSIDERATION OF FACTORS SUCH AS (200.331(B)):**
 - **PRIOR EXPERIENCE WITH SAME OR SIMILAR SUBAWARDS**
 - **RESULTS OF PREVIOUS AUDITS**
 - **WHETHER NEW OR SUBSTANTIALLY CHANGED PERSONNEL OR SYSTEMS**
 - **EXTENT AND RESULTS OF FEDERAL AWARDING AGENCY MONITORING**

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REQUIRED SUBRECIPIENTS MONITORING PROCEDURES

- **WHEN MONITORING OF SUBRECIPIENTS, THE PASS-THROUGH ENTITY MUST (200.331(D)):**
 - **REVIEW REPORTS REQUIRED BY THE PASS-THROUGH ENTITY**
 - **FOLLOW-UP TO ENSURE SUBRECIPIENT TAKES APPROPRIATE ACTION ON ALL DEFICIENCIES PERTAINING TO THE SUBAWARD FROM THE PASS-THROUGH ENTITY IDENTIFIED THROUGH AUDITS, ON-SITE REVIEWS, AND OTHER MEANS**
 - **ISSUE A MANAGEMENT DECISION FOR AUDIT FINDINGS PERTAINING TO SUBAWARDS MADE BY THE PASS-THROUGH ENTITY**
- **NOT NEW REQUIREMENT – TAKEN FROM A-133**

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ADDITIONAL SUBRECIPIENT MONITORING TOOLS

- FOLLOWING TOOLS MAY BE USEFUL, DEPENDING UPON THE RISK ASSESSMENT (200.331 (E))
 - PROVIDING SUBRECIPIENT TRAINING AND TECHNICAL ASSISTANCE
 - PERFORMING ON-SITE REVIEWS
 - ARRANGING FOR AGREED-UPON-PROCEDURES ENGAGEMENTS UNDER 200.425, AUDIT SERVICES [IN COST PRINCIPLES]
- NO LISTED TOOL IS REQUIRED NOR IS THE LIST OF TOOLS ALL INCLUSIVE
- DETERMINATION ON WHICH TOOLS IS A MATTER OF JUDGMENT FOR THE PASS-THROUGH ENTITY BASED UPON ITS ASSESSMENT OF RISK

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SUBRECIPIENTS: FIXED AMOUNT SUBAWARDS

- 200.332, FIXED AMOUNT SUBAWARDS
 - PERMITS A NON-FEDERAL ENTITY TO MAKE SUBAWARDS BASED ON FIXED AMOUNTS (IN ACCORDANCE WITH 200.201) NOT EXCEEDING THE SIMPLIFIED ACQUISITION THRESHOLD (CURRENTLY \$150,000)
 - THE PRIOR WRITTEN APPROVAL OF THE FEDERAL AWARDDING AGENCY IS REQUIRED

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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
 - SUPPLEMENTS TO THE LISTING OF 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

195

METHODS FOR COLLECTION, TRANSMISSION AND STORAGE OF INFORMATION

- **200.335, METHODS FOR COLLECTION, TRANSMISSION AND STORAGE OF INFORMATION:**
 - IN LIEU OF ADDRESSING THE ISSUE THROUGHOUT THE DOCUMENT, 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**

196

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.

197

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 AWARDDING AGENCY

198

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

199

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)

200

REMEDIES FOR NONCOMPLIANCE: TERMINATION

- THE FEDERAL AWARD MAY BE TERMINATED BY THE NON-FEDERAL ENTITY BY SENDING TO THE FEDERAL AWARDING AGENCY (OR PASS-THROUGH ENTITY) WRITTEN NOTIFICATION SETTING FORTH THE REASONS FOR TERMINATION, THE EFFECTIVE DATE, AND, IN THE CASE OF PARTIAL TERMINATION, THE PORTION TO BE TERMINATED.
- WHEN THE FEDERAL AWARD IS TERMINATED, THE FEDERAL AWARDING AGENCY (OR PASS-THROUGH ENTITY) AND THE NON-FEDERAL ENTITY REMAIN RESPONSIBLE FOR CLOSEOUT, POST-CLOSEOUT ADJUSTMENTS AND CONTINUING RESPONSIBILITIES

201

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

202

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

203

ADMINISTRATIVE REQUIREMENTS

QUESTIONS??

204

COST PRINCIPLES

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

OMB COST PRINCIPLES – CONSOLIDATION

■ CONSOLIDATE COST PRINCIPLES INTO SINGLE DOCUMENT WITH:

- OMB CIRCULAR A-21 – EDUCATIONAL INSTITUTIONS
- OMB CIRCULAR A-87 – GOVERNMENTS
- OMB CIRCULAR A-122 – NONPROFIT ORGANIZATIONS

■ **HEALTH AND HUMAN SERVICES AT 45 CFR PART 74 APPENDIX E – HOSPITALS WAS NOT INCORPORATED IN THE PROPOSAL**

- OMB WILL CONDUCT FURTHER REVIEW OF THE COST PRINCIPLES FOR HOSPITALS AND MAKE A FUTURE DETERMINATION ABOUT THE EXTENT TO WHICH THEY SHOULD BE ADDED TO THIS GUIDANCE

These reforms above are aimed at providing uniformity in documentation requirements across different types of entities.

UNIFORM ADMINISTRATIVE REQUIREMENTS,
AUDIT REQUIREMENTS, AND COST
PRINCIPLES

2 CFR CHAPTER 1, CHAPTER 2, PART 200,
ET AL.

January 27, 2014

COST PRINCIPLES

- 2 CFR CHAPTER II,

- PART 200 - - "UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS"
- 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.

COST PRINCIPLES

- QUESTION WE HEAR FREQUENTLY -
 - SHOULD WE CONTINUE USING 2 CFR 220, 225, AND 230 UNTIL DECEMBER 2014, EVEN THOUGH THESE REGULATIONS HAVE NOW BEEN REMOVED FROM THE CFR?
 - MORE GUIDANCE TO COME.

SIGNIFICANT CHANGES IN THE COST PRINCIPLES

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

APPLICABILITY

- **200.401 – APPLICATION**
 - **NO CHANGE IN EXCLUSIONS**
 - **CLARIFICATION - COST ACCOUNTING STANDARDS**

SUBPART E – COST PRINCIPLES GENERAL PROVISIONS

- 200.400 - POLICY GUIDE
 - RECOGNIZES THE DUAL ROLE OF STUDENTS
 - **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.**

COST PRINCIPLES

- 200.407 - PRIOR WRITTEN APPROVAL
 - PROVIDES A ONE-STOP COMPREHENSIVE LIST OF THE CIRCUMSTANCES UNDER WHICH NON-FEDERAL ENTITIES SHOULD SEEK PRIOR APPROVAL OF COSTS FROM THE FEDERAL AWARDING AGENCY.

COST PRINCIPLES

- 200.413 – ADMINISTRATIVE COSTS AS DIRECT COSTS
 - DIRECT CHARGING ADMINISTRATIVE SUPPORT COSTS
 - EVEN SOME UNALLOWABLE COSTS MUST BE IN THE IDC BASE

COST PRINCIPLES

- 200.414 - INDIRECT FACILITIES AND ADMINISTRATION (F&A) COSTS
 - FEDERAL ACCEPTANCE OF APPROVED IDC RATE(S)
 - NEW DE MINIMIS RATE
 - ONE TIME EXTENSION OF UP TO 4 YEARS

COST PRINCIPLES

- 200.414 - INDIRECT (F&A) COSTS (CONTINUED)
- **FEDERAL AWARDING AGENCIES MUST ACCEPT APPROVED NEGOTIATED INDIRECT COST RATES UNDER 200.414 (C)(1)** UNLESS A DIFFERENT RATE IS REQUIRED BY FEDERAL STATUTE OR REGULATION, OR WHEN APPROVED BY A FEDERAL AWARDING AGENCY HEAD OR DELEGATE BASED ON DOCUMENTED JUSTIFICATION AS DESCRIBED IN PARAGRAPH (C)(3) OF THIS SECTION.

COST PRINCIPLES

- 200.414 - INDIRECT (F&A) COSTS (CONTINUED)

A 10% DE MINIMIS IDC RATE AVAILABLE IS NOW AVAILABLE UNDER §200.414 (F) – IT SAYS, “ ANY NON-FEDERAL ENTITY THAT HAS NEVER RECEIVED A NEGOTIATED INDIRECT COST RATE, EXCEPT FOR THOSE NON-FEDERAL ENTITIES DESCRIBED IN APPENDIX VII TO PART 200 . . . MAY ELECT TO CHARGE A DE MINIMIS RATE OF 10% OF MODIFIED TOTAL DIRECT COSTS (MTDC) WHICH MAY BE USED INDEFINITELY. IMPORTANTLY, IF CHOSEN, THE NON-FEDERAL ENTITY MUST USE THE 10% RATE ON ALL FEDERAL AWARDS UNTIL THE ENTITY NEGOTIATES AN APPROVED RATE WITH THEIR COGNIZANT AGENCY.

COST PRINCIPLES

- 200.414 - INDIRECT (F&A) COSTS (CONTINUED)
- **(G) ANY NON-FEDERAL ENTITY THAT HAS A FEDERALLY NEGOTIATED INDIRECT COST RATE MAY APPLY FOR A ONE-TIME EXTENSION OF A CURRENT NEGOTIATED INDIRECT COST RATES FOR A PERIOD OF UP TO FOUR YEARS. THIS EXTENSION WILL BE SUBJECT TO THE REVIEW AND APPROVAL OF THE COGNIZANT AGENCY FOR INDIRECT COSTS. IF AN EXTENSION IS GRANTED THE NON-FEDERAL ENTITY MAY NOT REQUEST A RATE REVIEW UNTIL THE EXTENSION PERIOD ENDS.**

COST PRINCIPLES

- **QUESTION:**

“CAN NON-FEDERAL ENTITIES EXTEND FOR 4 YEARS? WHAT ABOUT 3 YEARS OR 2 YEARS?”

ANSWER - YES. UP TO 4 YEARS. (200.414)

COST PRINCIPLES

- APPENDIX LISTING

- APPENDIX I TO PART 200 – FULL TEXT OF NOTICE OF FUNDING OPPORTUNITY
- APPENDIX II TO PART 200 – CONTRACT PROVISIONS FOR NON-FEDERAL ENTITY CONTRACTS UNDER FEDERAL AWARDS
- APPENDIX III TO PART 200 – **INDIRECT (F&A) COSTS** IDENTIFICATION AND ASSIGNMENT, AND RATE DETERMINATION FOR **INSTITUTIONS OF HIGHER EDUCATION (IHE)**

COST PRINCIPLES

- APPENDIX LISTING (CONTINUED)

- APPENDIX IV TO PART 200 – **INDIRECT (F&A) COSTS** IDENTIFICATION AND ASSIGNMENT, AND RATE DETERMINATIONS FOR **NONPROFIT ORGANIZATIONS**
- APPENDIX V TO PART 200 – **STATE/LOCAL GOVERNMENT AND INDIAN TRIBE- WIDE CENTRAL SERVICE COST ALLOCATION PLANS**
- APPENDIX VI TO PART 200 – PUBLIC ASSISTANCE COST ALLOCATION PLANS
- APPENDIX VII TO PART 220 – **STATE AND LOCAL GOVERNMENT AND INDIAN TRIBE INDIRECT COST PROPOSALS**

COST PRINCIPLES

- **APPENDIX LISTING (CONTINUED)**
 - APPENDIX VIII TO PART 200 – NONPROFIT ORGANIZATIONS EXEMPTED FROM SUBPART E – COST PRINCIPLES OF PART 200
 - APPENDIX IX TO PART 200 – HOSPITAL COST PRINCIPLES
 - APPENDIX X TO PART 200 – DATA COLLECTION FORM (FORM SF-SAC)
 - APPENDIX XI PART 220 – COMPLIANCE SUPPLEMENT

COST PRINCIPLES

- **200.415 - REQUIRED CERTIFICATIONS**
 - SIGNED BY OFFICIAL WHO CAN LEGALLY BIND ORGANIZATION
 - PENALTIES UNDER THE FALSE CLAIMS ACT

COST PRINCIPLES

- 200.419 - COST ACCOUNTING STANDARDS AND DISCLOSURE STATEMENT
 - IHE THRESHOLD FOR CAS RAISED TO \$50M
 - STREAMLINED REVIEW FOR CHANGES TO REDUCE THE RISK OF NON-COMPLIANCE AND AUDIT FINDINGS

2 CFR PART 200 SUBPART E

GENERAL PROVISIONS FOR SELECTED ITEMS
OF COST

SELECTED ITEMS OF COST

- 200.421 - ADVERTISING AND PUBLIC RELATIONS
- ALLOWABILITY OF ADVERTISING AND PUBLIC RELATIONS COSTS (NO CHANGE)

SELECTED ITEMS OF COST

- 200.428 COLLECTIONS OF IMPROPER PAYMENTS (NEW)
THE COSTS INCURRED BY A NON-FEDERAL ENTITY TO RECOVER IMPROPER PAYMENTS ARE ALLOWABLE AS EITHER DIRECT OR INDIRECT COSTS, AS APPROPRIATE.

SELECTED ITEMS OF COST

- 200.430 – COMPENSATION – PERSONAL SERVICES
 - **STRENGTHEN INTERNAL CONTROLS (RULES LOOSENED FOR TIME AND ATTENDANCE RECORDS. 100% RULE STILL IN EFFECT.)**
 - REMOVED EXAMPLES
 - FEDERAL AGENCIES MAY APPROVE METHODS FOR BLENDED/BRAIDED FUNDS
 - USE OF INSTITUTIONAL BASE SALARY FOR IHE

SELECTED ITEMS OF COST

- 200.431 – COMPENSATION – FRINGE BENEFITS
 - **GAAP FOR ACCRUAL BASED ACCOUNTING**
 - **MASS SEVERANCE (NO ACCRUALS)**
 - **EXCESSIVE SEVERANCE PAY**
 - **FAMILY FRIENDLY LEAVE**

SELECTED ITEMS OF COST

- **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” LOCAL DEPENDENT CARE**

SELECTED ITEMS OF COST

- **200.446 - IDLE FACILITIES AND IDLE CAPACITY**
 - **ALLOWS FOR THE COSTS OF IDLE FACILITIES WHEN THEY ARE NECESSARY TO FLUCTUATIONS IN WORKLOAD, SUCH AS THOSE WHICH MAY BE TYPICAL OF DEVELOPING SHARED SERVICE ARRANGEMENTS.**

SELECTED ITEMS OF COST

- 200.474 – TRAVEL COSTS
 - **PROVIDES THAT TEMPORARY DEPENDENT CARE COSTS THAT RESULT DIRECTLY FROM TRAVEL TO CONFERENCES AND MEET SPECIFIED STANDARDS ARE ALLOWABLE.**

SELECTED ITEMS OF COST

- 200.422 - ADVISORY COUNCILS
 - THESE COSTS ARE STILL ALLOWABLE IF AUTHORIZED BY STATUTE OR WITH PRIOR APPROVAL FROM THE FEDERAL AWARDDING AGENCY.

SELECTED ITEMS OF COST

- 200.425 AUDIT SERVICES
- FINANCIAL STATEMENT AUDITS
 - PARAGRAPH (B) ALLOWS THE COSTS OF A FINANCIAL STATEMENT AUDIT FOR A NON-FEDERAL ENTITY **THAT DOES NOT CURRENTLY HAVE A FEDERAL AWARD** WHEN INCLUDED IN THE INDIRECT COST POOL AS PART OF A COST ALLOCATION PLAN OR INDIRECT COST PROPOSAL. THESE AUDITS MAY BE USEFUL TO THE FEDERAL AGENCY NEGOTIATING AN INDIRECT COST RATE, AND THEY ARE NOT IN CONFLICT WITH THE SINGLE AUDIT ACT.

SELECTED ITEMS OF COST

- 200.433 – CONTINGENCY PROVISIONS
 - PARAGRAPH (B) REQUIREMENTS TO CHARGE
 - ACCEPTED ESTIMATING METHODOLOGY
 - MUST BE EXPLICITLY SUBJECT TO AGENCY APPROVAL AT TIME OF AWARD
 - COSTS MUST BE ALLOWABLE
 - AMOUNTS MUST BE INCLUDED IN AWARD
 - MUST RETAIN RECORDS TO VERIFY COSTS

SELECTED ITEMS OF COST

- 200.434 - CONTRIBUTIONS AND DONATIONS
 - NO MAJOR CHANGES – LANGUAGE IS STRENGTHENED TO ALIGN WITH COST SHARING SECTION 200.306

SELECTED ITEMS OF COST

- 200.435 -DEFENSE AND PROSECUTION OF CRIMINAL AND CIVIL PROCEEDINGS, CLAIMS, APPEALS AND PATENT INFRINGEMENTS.
 - LANGUAGE HAS BEEN STREAMLINED FOR CONSISTENCY PURPOSES AND NOW SPECIFICALLY MENTIONS WHISTLEBLOWER PROTECTION ACT.

SELECTED ITEMS OF COST

- 200.436 – DEPRECIATION
 - SHIFT FROM GASBS # 51 TO GAAP
 - DONATED ASSETS VALUED AT TIME OF DONATION
 - DONATED ASSETS MAY BE DEPRECIATED OR CLAIMED AS MATCHING BUT NOT BOTH.

COST PRINCIPLES

- 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 AWARDDING 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

- 200.440 – EXCHANGE RATES (NEW)

ALLOWS FOR COST INCREASES FROM FLUCTUATIONS IN EXCHANGE RATES WITH CERTAIN CONDITIONS BEING MET AND OF COURSE, THE AVAILABILITY OF FUNDS.

SELECTED ITEMS OF COST

- 200.441 – FINES, PENALTIES, DAMAGES AND OTHER SETTLEMENTS

- INCLUDES TRIBAL LAW VIOLATIONS
- 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 AWARING AGENCY.

SELECTED ITEMS OF COST

- 200.449 – INTEREST
 - PARAGRAPH (B)(2) ESTABLISHES THE DATE OF JANUARY 1, 2016, AS THE DATE THAT NON-FEDERAL ENTITIES WHOSE FISCAL YEAR STARTS ON OR THEREAFTER MAY BE REIMBURSED FOR FINANCING COSTS ASSOCIATED WITH PATENTS AND COMPUTER SOFTWARE .

SELECTED ITEMS OF COST

- 200.453 – MATERIALS AND SUPPLIES COSTS, INCLUDING COSTS OF COMPUTING DEVICES
 - PARAGRAPH (C) MAY BE CHARGED DIRECT
 - DEFINITION OF COMPUTING DEVICES 200.20
 - DEFINITION OF SUPPLIES 200.94

SELECTED ITEMS OF COST

- 200.455 - ORGANIZATION COSTS
 - NOW UNALLOWABLE 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
 - PROPOSAL COST CHANGES THE LANGUAGE THAT ALLOWED FOR OTHER THAN INDIRECT TREATMENT OF THESE COSTS.
 - ALLOCABLE ONLY TO CURRENT ACCOUNTING PERIOD

SELECTED ITEMS OF COST

- 200.461 – PUBLICATION AND PRINTING COSTS
 - PARAGRAPH (C) RESOLVES A LONG-STANDING ISSUE WITH CHARGES NECESSARY TO PUBLISH RESEARCH RESULTS, WHICH TYPICALLY OCCUR AFTER EXPIRATION, BUT ARE OTHERWISE ALLOWABLE COSTS OF AN AWARD.

SELECTED ITEMS OF COST

- **200.463 – RECRUITING COSTS**

- PARAGRAPH (B) OF SECTION 200.463 – RECRUITING COSTS, MAKES CLEAR THAT “SPECIAL EMOLUMENTS, FRINGE BENEFITS, AND SALARY ALLOWANCES” THAT DO NOT MEET THE TEST OF REASONABLENESS OR DO NOT CONFORM WITH ESTABLISHED PRACTICES OF THE ENTITY ARE UNALLOWABLE.

SELECTED ITEMS OF COST

- **200.463 – RECRUITING COSTS**

- PARAGRAPH (C) PROVIDES THAT WHEN RELOCATION COSTS ARE INCURRED WITH THE RECRUITMENT OF A NEW EMPLOYEE AND HAVE BEEN FUNDED IN WHOLE OR IN AS A DIRECT COST TO THE FEDERAL AWARD, AND THE NEWLY HIRED EMPLOYEE RESIGNS FOR REASONS WITHIN THE EMPLOYEE’S CONTROL WITHIN 12 MONTHS AFTER HIRE, THE NON-FEDERAL ENTITY WILL BE REQUIRED TO REFUND OR CREDIT ONLY THE FEDERAL SHARE OF SUCH RELOCATION COSTS TO THE FEDERAL GOVERNMENT.

SELECTED ITEMS OF COST

- 200.463 – RECRUITING COSTS

- TO MEET THE NEEDS ASSOCIATED WITH OBTAINING CRITICAL FOREIGN RESEARCH SKILLS, NEW LANGUAGE AND STANDARDS FOR SHORT TERM TRAVEL VISA COSTS HAVE BEEN ADDED UNDER PARAGRAPH (D).

SELECTED ITEMS OF COST

- 200.464 – RELOCATION COSTS OF EMPLOYEES

- LIMITS THE PREVIOUSLY UNLIMITED AMOUNT OF TIME FOR WHICH A FEDERAL AWARD MAY BE CHARGED FOR THE COSTS OF AN EMPLOYEE'S VACANT HOME TO UP TO SIX MONTHS.

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”
 - HOME OFFICE SPACE

SELECTED ITEMS OF COST

- 200.469 - STUDENT ACTIVITY COSTS
 - STUDENT ACTIVITIES ARE PRIMARILY APPLIES TO IHES, APPLICABILITY IS EXPANDED TO ALL ENTITIES TO FURTHER MITIGATE RISKS OF WASTE, FRAUD, AND ABUSE.

SELECTED ITEMS OF COST

- 200.470 - TAXES (INCLUDING VALUE ADDED TAX)
 - PARAGRAPH (A) – STATES, LOCAL GOVERNMENT AND INDIAN TRIBES
 - PARAGRAPH (B) NONPROFITS AND IHES
 - ADDS PARAGRAPH (C) – VALUE ADDED TAXES – FOREIGN TAXES

COST PRINCIPLES

QUESTIONS??

SUMMARY

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IMPACT OF NEW UNIFORM GUIDANCE

- ELIMINATES DUPLICATIVE AND CONFLICTING GUIDANCE
- FOCUS ON PERFORMANCE AND INTERNAL CONTROLS OVER DIRECTIVE COMPLIANCE FOR ACCOUNTABILITY
- PROVIDES FRAMEWORK FOR STANDARD BUSINESS PROCESSES & DATA DEFINITIONS
- PROMOTES EFFICIENT USE OF IT AND SHARED SERVICES
- REQUIRES CONSISTENT AND TRANSPARENT TREATMENT OF COSTS
- ENCOURAGES FAMILY-FRIENDLY POLICIES
- STRONGER OVERSIGHT & TARGET AUDITS ON RISK OF WASTE, FRAUD, AND ABUSE
- INCREASED ACCOUNTABILITY FOR EFFECTIVE RESOLUTION OF WEAKNESSES

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ADMINISTRATIVE REQUIREMENTS FOR RECIPIENTS

- CONSOLIDATION OF ADMINISTRATIVE REQUIREMENTS OF OMB CIRCULARS A-102 AND A-110 INTO A UNIFORM SET OF ADMINISTRATIVE REQUIREMENTS FOR ALL GRANT RECIPIENTS
 - BASIS APPEARS TO BE A-110 EXCEPT FOR PROCUREMENT WHICH ALIGNS WITH A-102
- CLARIFICATION FEDERAL EXPECTATIONS FOR PASS-THROUGH ENTITIES
 - CONSOLIDATES AND CLARIFIES SUBRECIPIENT MONITORING
 - INDICATES THAT ALL SUBAWARDS SHALL INCLUDE A PROVISION FOR INDIRECT COSTS
 - EITHER NEGOTIATED OR A DE MINIMIS RATE OF 10%

FEDERAL AGENCY REQUIREMENTS

- USE STANDARD FORMAT TO ANNOUNCE FUNDING OPPORTUNITIES, INCLUDING:
 - ELIGIBILITY OR QUALIFICATION INFORMATION
 - CLEAR DESCRIPTION OF ALL CRITERIA USED IN AGENCY REVIEW OF APPLICATIONS
 - DISCLOSURE OF SPECIAL TERMS AND CONDITIONS
- MAKE ALL SOLICITATIONS AVAILABLE FOR APPLICATION FOR AT LEAST 30 DAYS UNLESS REQUIRED BY STATUE OR UNLESS EXIGENT CIRCUMSTANCES DICTATE OTHERWISE
- CONSIDER RISK (FINANCIAL STABILITY, MANAGEMENT SYSTEMS AND HISTORY OF PERFORMANCE) ASSOCIATED WITH EACH APPLICANT PRIOR TO MAKING AWARD
 - RISK ASSESSMENT MAY IMPACT TERMS AND CONDITIONS
- DESIGNATE "SINGLE AUDIT ACCOUNTABLE OFFICIAL" TO OVERSEE SINGLE

PERFORMANCE OVER COMPLIANCE FOR ACCOUNTABILITY

- EMPHASIS ON STRONG INTERNAL CONTROLS AND REDUCTION IN SPECIFIC COMPLIANCE REQUIREMENTS
 - EXAMPLE: SPECIFIC EXAMPLES OF JUSTIFICATION FOR SALARIES AND WAGES ELIMINATED FOR MORE FLEXIBILITY IN IMPLEMENTING A STRONG SYSTEM OF INTERNAL CONTROLS
- ALIGNMENT WITH M-13-17 ENCOURAGING INNOVATIVE PROGRAM DESIGN BASED ON EVIDENCE
- PERFORMANCE MEASUREMENT AIMED AT DEVELOPING LESSONS LEARNED
- FIXED AMOUNT AWARDS AIMED AT PERFORMANCE MILESTONES

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CONSISTENT AND TRANSPARENT TREATMENT OF COSTS

- VOLUNTARY COMMITTED COST SHARING IS NOT EXPECTED UNDER RESEARCH AWARDS
- PASS-THROUGH ENTITIES MUST PROVIDE AN INDIRECT COST RATE FOR SUBAWARDS
- STANDARDS FOR TREATING ADMIN COSTS AS DIRECT
- HIGH BAR FOR CIRCUMSTANCES WHERE AGENCIES MAY DEVIATE FROM FEDERALLY NEGOTIATED RATES
- OPTION TO EXTEND RATE FOR UP TO 4 YEARS
- DE MINIMIS RATE OF 10% OF MTDC FOR ENTITIES WITHOUT A FEDERALLY NEGOTIATED RATE

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STANDARD BUSINESS PROCESSES & DATA DEFINITIONS

- SETS FRAMEWORK FOR STANDARDIZING DATA DEFINITIONS IN ALL GRANTS-RELATED FORMS GOVERNMENT-WIDE
- STANDARDIZES FORMAT FOR NOTICES OF FUNDING OPPORTUNITIES W/60 DAYS TO APPLY
- STANDARDIZES INFORMATION TO BE PROVIDED IN ALL FEDERAL AWARDS AND SUBAWARDS
- HIGHLIGHTS AREAS WHERE SPECIFIC AGENCY APPROVAL IS NEEDED

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FAMILY-FRIENDLY POLICIES

- WHERE CONSISTENT WITH NON-FEDERAL ENTITY POLICY:
 - ALLOWS COSTS OF CONFERENCE HOSTS TO IDENTIFY LOCALLY AVAILABLE CHILD CARE
 - ALLOWS TEMPORARY DEPENDENT CARE COSTS THAT MEET SPECIFIED STANDARDS FOR TRAVEL
 - ALLOWS FAMILY LEAVE AS A FRINGE BENEFIT

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STRONGER OVERSIGHT

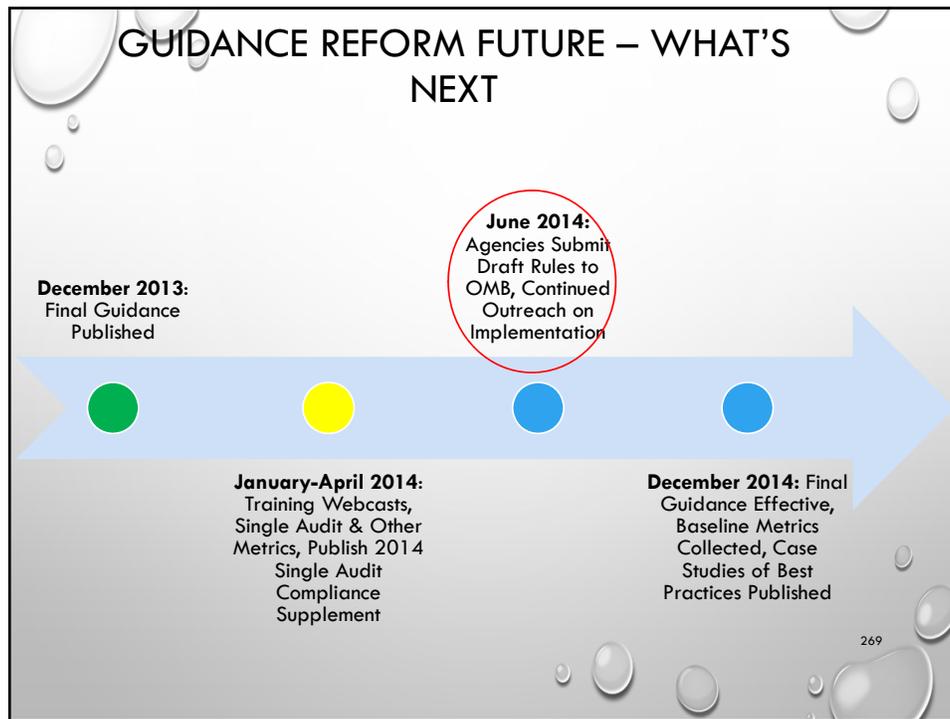
- REQUIRES MANDATORY DISCLOSURES FOR CONFLICT OF INTEREST AND CRIMINAL VIOLATIONS
- REQUIRES PRE-AWARD REVIEW OF MERIT OF PROPOSAL AND RISK OF APPLICANT
- FEDERAL AGENCIES MAY ASSIGN SPECIFIC CONDITIONS FOR AWARDS BASED ON RISK
- STRONG FOCUS ON INTERNAL CONTROLS

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TARGETING WASTE, FRAUD, AND ABUSE

- SINGLE AUDIT THRESHOLD RAISED FROM \$500,000 TO \$750,000 – REDUCING BURDEN FOR 6,300 ENTITIES WHILE MAINTAINING COVERAGE FOR 99% OF CURRENT DOLLARS COVERED.
- PUBLICATION OF SINGLE AUDIT REPORTS ONLINE WITH SAFEGUARDS FOR PII AND OPTIONAL EXCEPTION FOR INDIAN TRIBES
- SENIOR ACCOUNTABLE OFFICIAL TO IMPLEMENT METRICS AND ENCOURAGE COOPERATIVE RESOLUTION
- STRONG REQUIREMENT TO RELY ON EXISTING AUDITS FIRST

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Questions!

Jerry E. Durham, CPA, CGFM, CFE
Assistant Director
Tennessee Department of Audit
Division of Local Government Audit
Jerry.Durham@cot.tn.gov
615.401.7951

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