

Presentation to

Texas Association of County Auditors

*New Uniform Grant Guidance and Update on 2014 OMB
Circular A-133 Compliance Supplement*

by



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Presenters

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Overall Learning Objectives

- Key Items from OMB's 2014 Compliance Supplement
- Overview of OMB Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Grant Guidance)
- Identify Some Best Practices
- Questions

2014 Compliance Supplement

What is Included In OMB's Compliance Supplement?

- Part 1 -- Background, Purpose, and Applicability
- Part 2 -- Matrix of Compliance Requirements
- Part 3 -- Compliance Requirements
- Part 4 -- Agency Program Requirements
- Part 5 -- Clusters of Programs
- Part 6 -- Internal Control
- Part 7 -- Guidance for Auditing Programs Not Included
- Various Appendix –
 - Appendix 5 -- List of Changes for the 2014 Compliance Supplement
 - Appendix 7 -- Other OMB Circular A-133 Advisories

Compliance Supplement - Best Practices

- Primarily used by external auditors when auditing federal programs
- Great Resource for the Following –
 - Internal Auditing of Federal Programs
 - Program Staff Administering Federal Programs
 - Central Accounting Overseeing Federal Programs
- Key Sections –
 - Part 3 -- Compliance Requirements
 - Part 4 -- Agency Program Requirements
 - Part 6 -- Internal Control

What Changed In 2014 Compliance Supplement

- Effective for 6/30/2014 Audits
- Compliance Supplement is Updated Annually (usually issued between March and June)
- Appendix V – Lists all changes made at a high level

What Changed In 2014 Compliance Supplement

- Part 3 – I. Procurement and Suspension and Debarment
 - Auditor no longer required to test for suspension and debarment for “principals”
 - Recipients are still required to comply with reviewing for suspension and debarment for entity and principals
- Part 3 – L. Reporting
 - Deletion of various ARRA requirements
 - Elimination of Section 1512 Reporting

What Changed In 2014 Compliance Supplement

- Part 4 – Agency Program Requirement
 - Added and deleted programs
 - Added some FEMA programs – Other Information
 - When to record FEMA on SEFA
 - FEMA has approved “Project Worksheet”
 - Eligible expenditures have been incurred
 - Federal awards expended in subsequent years where the project worksheet was previously approved is recorded on the SEFA in those subsequent years
 - GAAP reporting could be different than SEFA reporting

What Changed In 2014 Compliance Supplement

- Appendix VII – Other OMB Circular A-133 Advisories
 - **Removed** ARRA major program determination guidance
 - Any remaining ARRA programs will be treated like all other federal programs
 - Updates to the “Clarification of Low Risk Auditee Criteria”
 - Delays in issuance of 2013 Data Collection Form
 - Limited preview of expected changes to 2015 Compliance Supplement

Uniform Grant Guidance

OMB Uniform Grant Guidance

- Issued on December 26, 2013
- You can download a PDF version from the Federal Register
 - 2 CFR 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards
- This training session will provide an overview of some of the more significant changes. This document should be downloaded and read to get a complete understanding.

OMB Uniform Grant Guidance

- Effective Dates
 - Federal Agencies – **December 26, 2013**
 - Non-Federal Agencies
 - **New** Federal Awards – **December 26, 2014**
 - **Additional** Funding to Existing Federal Awards – **December 26, 2014**
 - If implementing entity-wide system changes to comply with the guidance after **December 26, 2014**, a non-federal entity will **not be penalized**
 - All other funding not included above will follow old requirements
 - Audit Requirements – fiscal years beginning **on or after December 26, 2014** (**not** permitted to early implement **any** of the audit provisions)

OMB Uniform Grant Guidance

- Eliminates Duplicative and Conflicting Guidance
 - New Uniform Grant Guidance Replaces **all** of the Following –
 - A-21, A-50, A-87, A-89, A-102, A-110, A-122, & A-133
- In addition to 2 CFR 200, the following guidance has also been issued –

[Uniform Guidance Crosswalk from Predominant Source in Existing Guidance](#) (29 pages, 442 kb)

[Uniform Guidance Crosswalk to Predominant Source in Existing Guidance](#) (10 pages, 282 kb)

[Uniform Guidance Cost Principles Text Comparison](#) (174 pages, 1.62 mb)

[Uniform Guidance Audit Requirements Text Comparison](#) (46 pages, 731 kb)

[Uniform Guidance Definitions Text Comparison](#) (76 pages, 476 kb)

[Uniform Guidance Administrative Requirements Text Comparison](#) (123 pages, 1 mb)

OMB Uniform Grant Guidance

- Definitions and Terminology Changes –
 - Should = best practice or recommended approach
 - Must = required
 - Contractor is now used instead of vendor (subrecipient vs. contractor criteria is basically unchanged)
 - Personally Identifiable Information (PII) is now defined – reporting packages will now be publically available and should not include any PII
 - Program Income now has a definition (not previously defined)

OMB Uniform Grant Guidance

- General Provisions (200.1XX)
 - Section 200.101 – Exceptions to Uniform Grant Guidance – only listed here
 - Section 200.112 – Conflict of Interest (COI)
 - Federal agencies must establish COI policies
 - Grantees must disclose in writing any potential COI
 - Section 200.113 – Grantees and applications must disclose all violations of federal criminal law potentially affecting the federal awards (fraud, bribery, etc.)

OMB Uniform Grant Guidance

- Administrative Requirements (200.3XX)
 - Internal Controls –
 - Non-federal entity must establish and maintain effective internal controls over federal awards....
 - The internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” (Green Book) and “Internal Control Framework” issued by COSO
 - Best Practice – following suggested internal controls listed in Part 6 of the Compliance Supplement should be adequate

OMB Uniform Grant Guidance

- Administrative Requirements (200.3XX)
 - Procurement
 - Adopts most of the language from A-102, so significant changes for local governments is not expected
 - Use own documented procurement procedures (reflect applicable State and Local laws and regulations)
 - Five Procurement Methods –
 1. Micro Purchases
 2. Small Purchases
 3. Sealed Bids
 4. Competitive Proposals
 5. Noncompetitive Proposal

OMB Uniform Grant Guidance

- Administrative Requirements (200.3XX)
 - Subrecipient Monitoring
 - Identify (details listed in 200.331) –
 1. Clearly identify the award
 2. Identify requirements imposed by pass-through entity
 3. Identify any additional requirements imposed so that the pass-through entity meets their responsibilities (financial or performance reporting)
 4. Indirect cost rate information
 5. Subrecipient permission for access to records
 6. Closeout terms and conditions
 - Evaluate each Subrecipient's risk and develop appropriate Subrecipient monitoring in response to the assessed risk

OMB Uniform Grant Guidance

- Cost Principles –
 - Consolidate Cost Principles into a Single Document
 - See [Uniform Guidance Cost Principles Text Comparison](#) for detail comparison
 - Compensation – Personal Services
 - Reduce administrative burden, more principles based
 - Less prescriptive on documentation and places greater emphasis on internal controls
 - Still must have records that accurately reflect the work performed
 - Will allow entities to replace detailed time-and-effort reporting with performance based reporting (federal agency must approve)

OMB Uniform Grant Guidance

- Audit Requirements
 - Basic Structure of Single Audit Process is Unchanged
 - Audit Threshold Increased from \$500,000 to \$750,000
 - Reduces audit burden for approximately 5,000 entities while maintaining 99.7% coverage
 - Watch out for your subrecipient's! They could no longer be required to have a single audit and therefore your monitoring activities may need to increase.
 - Type A/B threshold is a sliding scale with a minimum –
 - Increases from \$300,000 to \$750,000
 - Some changes to sliding scale

OMB Uniform Grant Guidance

- Audit Requirements

- Treatment of Loan and Loan Guarantee Programs – Incorporates guidance from Compliance Supplement
- Changes to High-Risk Type A Program Criteria –
 - Previously if a Type A program had a finding in the previous year (except in limited circumstances) it was considered high-risk.
 - Now only Type A programs with High Risk Finding are automatically considered High Risk –
 - Modified Opinion
 - Material Weakness in Internal Control
 - Known or likely Questioned Costs exceeding 5% of total program expenditures
 - Maintains the two-year look-back criteria (automatically high-risk)
 - Inherent Risk Criteria limited to – recent oversight, results of audit follow-up, and changes in personnel or systems.

OMB Uniform Grant Guidance

- Audit Requirements

- High Risk Type B (de minimis criteria is now 25% of Type A threshold) – previously threshold started at \$100,000

- 1/4th of the number of low-risk Type A program must be audited (High Risk Type B)

- Percentage of Coverage Rule

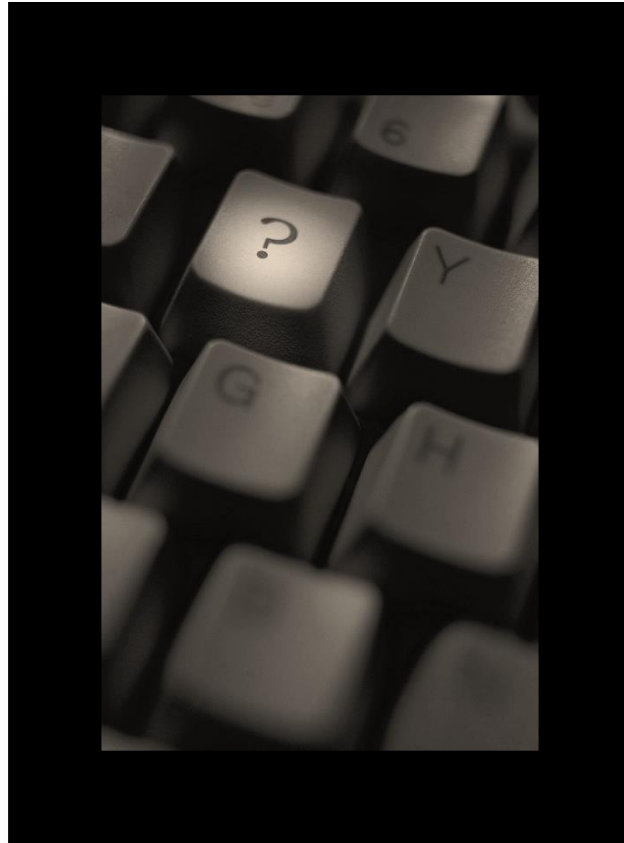
- Low risk auditee 20% (old 25%)

- High risk auditee 40% (old 50%)

OMB Uniform Grant Guidance

- Audit Requirements –
 - Increases the threshold for reporting known or likely questioned costs from \$10,000 to \$25,000
 - Corrective Action Plan – Auditee Responsibility
 - Separate documents from auditor’s findings
 - Include reference numbers the auditor’s assigns to findings
 - Must include both single audit and GAS findings
 - Consider including on client letterhead

Questions



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