

# *Auditee Responsibilities Under Subpart F of the Uniform Guidance*

Presented by:

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# Uniform Guidance

## OMB Objectives

- Combine, streamline, and address policy problems and gaps
- Mandate timing and content of federal program announcements
- Ensure better federal agency and pass-through entity review of financial risk and merit of applications
- Provide clearer instructions for “robust” oversight of subrecipients
- Hold everyone more accountable

# Title 2 CFR Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)

## Components:

- 1. Introduction**
- 2. Subpart A - Acronyms and Definitions (200.0 series)**
- 3. Subpart B - General Provisions (200.100 series)**
- 4. Subpart C - Pre-award Federal Requirements and Contents of Federal Awards (200.200 series)**
- 5. Subpart D - Post Federal Award Requirements (200.300 series)**
- 6. Subpart E - Cost Principles (200.400 series)**
- 7. Subpart F - Audit Requirements (200.500 series)**
- 8. Appendix I-XI**

# General Provisions

## **200.100 Purpose:**

- Establishes uniform administrative guidance, cost principles and audit requirements for Federal awards to non-Federal entities
- Basis for collection and submission of information by the Federal agencies to OMB and the public
- Policies about the delivery of information to the public

## **200.101 Applicability:**

- Mandatory for Awards to States, Local Governments, IHEs, Indian Tribes, Nonprofit Organizations
- Discretionary to For-Profit Companies and Foreign Entities
- Exceptions noted in CFR 200.101(d) and 200.102

# General Provisions

## 200.104 Supersedes the following guidance:

- A-21, "Cost Principles for Educational Institutions"
- A-87, "Cost Principles for State, Local and Indian Tribal Governments"
- A-89, "Federal Domestic Assistance Program Information"
- A-102, "Grant Awards and Cooperative Agreements with State and Local Governments"
- A-110, "Uniform Administrative Requirements for Awards and Other Agreements with Institutes of Higher Education, Hospitals, and Other Nonprofit Organizations"
- A-122, "Cost Principles for Nonprofit Organizations"
- A-133, "Audits of States, Local Governments and Nonprofit Organizations"

# General Provisions

## 200.110 Effective dates:

- Federal Agency Implementation effective 12/26/14
- **MAY DELAY** implementation of procurement standards for **two** years but recipients must document this decision in their internal procurement policies
- **Subpart F-Audit Requirements only – Recipients' FY's beginning after 12/26/14; therefore, December 31, 2015 YE**

## Sub-recipients and sub-awards

- Effective date of the new guidance for sub-awards is the same as the effective date of the federal award from which the sub-award is made
- The requirements for a sub-award flow from the requirements of the original award from the federal awarding agency

# General Provisions

## Effective Dates

### March 31, 2015, June 30, 2015 and September 30, 2015 year ends:

- Single Audit requirements: “old” regulation- OMB Circular A-133
- Non-federal entity will have to adopt **new administrative requirements and cost principles** relating to all **NEW awards issued after December 26, 2014** and to **funding increments to existing awards when considered a change in the award**

### December 31, 2015, year ends and beyond:

- New Single **Audit requirements apply-Subpart F**
- Ongoing awards issued prior to December 26, 2014 under old requirements and **NEW awards issued after December 26, 2014** and **funding increments to old awards** is **under new regulations when considered a change in the award**

### Transition:

**Auditees will be applying different administrative requirements and cost principles depending on when the federal award was issued; some awards will be under the old requirements and some will be under the new uniform guidance**

# Sub Part F-

## Audit Requirements Highlights

### 200.501 Audit Requirements:

- A single or program specific audit required for **non-Federal entities** that **expend \$750,000 or more**
  - **Non-federal entity-** States, local governments, Indian tribes, IHEs, Not-for-profit organizations
  
- **Program-Specific Audit**
  - Only one Federal program (excluding R&D)
  - Terms and conditions of the award do NOT require a financial statement audit
  - May not be elected for R&D unless all of the Federal awards expended were received from the same Federal agency, or the same Federal agency and the same pass-through entity, which is approved in advance
  
- Federal awards expended **less than \$750,000** are exempt from single audits but records must be available for review or audit by appropriate officials of the Federal agency, pass-through entity and GAO.



# Highlights: Audit Requirements

## 200.502 Basis for determining Federal Awards:

### ➤ **Determining Federal Awards:**

- Federal Awards expended must be based on when the activity related to the Federal award occurs
- Comply with federal statutes, regulations and the terms and conditions of the Federal awards
- Expenditure/expense transactions associated with awards include: **grants, cost-reimbursement contracts under the FAR, cooperative agreements, and direct appropriations, disbursement of funds to sub recipients, use of loan and loan guarantee programs, the receipt of property, the receipt of surplus property, receipt or use o program income, distribution or use of food commodities and the disbursements of amounts entitling the nonfederal entity to interest subsidy and the period when in insurance is inforce**

### ➤ **Loan and loan guarantees**

- Value of the new loans made or received during the year; **Plus**
- Beginning of the audit period balance of loans from previous years when the federal government imposes continuing compliance requirements; **Plus**
- Any interest subsidy, cash or administrative costs allowance received

### ➤ **Prior loan and loan guarantees**

- Received and expended in PY is not included when there is no continuing compliance requirements

# 200.502 Basis for determining Federal Awards, cont.

## ➤ **Loan and loan guarantees at IHEs**

- Loans made to students of an IHE but the IHE does not make the loans, then only the value of the loans made during the audit period must be considered
- Balance of loans from prior audit period is not included because the lender accounts for the prior balances

## ➤ **Endowment funds**

- Cumulative balance of Federal awards for endowment funds in each period

## ➤ **Valuing non-cash assistance**

- Free rent, food commodities, donated property, etc. valued at FMV
- Free rent received by itself is not considered a Federal award expense unless received as part of an award to carry out Federal program

## ➤ **Medicare**—not considered Federal award

## ➤ **Medicaid**—not considered Federal award unless states require

## ➤ Certain loans provided by the National Credit Union Administration

# Auditee Requirements

## 200.508 Auditee Responsibilities

- **Procure audit** and allow access to all information to perform audit
  - Must follow the procurement standards under 200.317 (2-year delay)
  - Restrictions on auditor preparing indirect cost proposals.
  - Prohibited when the indirect costs recovered by the auditee during prior year exceeded \$1 million
  
- **Prepare financial statements**
  - Same organizational unit and fiscal year
  - Non federal entity-wide statements may also include departments, agencies and other organizational entities that have separate audits
  - **Must** establish internal control systems-**should** be in compliance with COSO or GAO (Green Book)
  - **GAAP** is not required; however, auditees **cannot** be considered a **low risk auditee** by the auditor if they voluntarily follow a non-GAAP basis
  
- **Prepare Schedule of Federal Awards (SEFA)**
  - Must be for the same period as the FS

# Auditee Requirements (SEFA)

– **Must** include the following on the **FACE of the SEFA**:

1. Federal Grantor/Pass-through Grantor/Program / or Cluster Title
2. Federal CFDA number
3. Pass-through entity identifying number
4. Total dollar amount expended
5. Total amounts provided to sub-recipients from each Federal program
6. Total Federal awards expended for loan or loan guarantee programs (beginning balance of outstanding loans plus loans disbursed during period plus interest subsidy, cash or administrative cost allowance)
7. Non-cash awards (for example: free rent, food commodities, and donated property and the value of insurance in effect)
8. Total for cluster of programs

# Auditee Requirements (SEFA)

- **Must** include the following in the **SEFA Notes**:
  1. Basis of presentation
  2. Cost principles used
  3. The loan balances outstanding at the end of the audit period for loans and loan guarantees
  4. Whether or not non-Federal entity elected to use the 10% de minimus cost rate

# Illustrative SEFA

Example Entity  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended December 31, 2015

<i>Federal Grantor/Pass-through Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Pass- Through to Sub- recipients</i>	<i>Total Federal Expenditures</i>
Department of Agriculture Direct Programs				
Commodity Supplemental Food Program	10.565			\$134,268
<i>Total Department of Agriculture Direct Programs</i>				<u>134,268</u>
Department of Housing and Urban Development Direct Programs				
Community Development Block Grants/Entitlement Grants	14.218		\$423,965	\$1,235,632
Section 8 Housing Choice Vouchers	14.871			800,534
<i>Total Department of Housing and Urban Development Direct Programs</i>			<u>\$423,965</u>	<u>\$2,036,166</u>
Department of Education Direct Programs				
Impact Aid	84.041			\$ 372,555
Arts in Education	84.351			28,655
<i>Subtotal Department of Education Direct Programs</i>				<u>\$401,210</u>
Department of Education Pass Through Programs From:				
State Department of Education - Title I Grants to Local Educational Agencies	84.010	23-8345-7612		\$1,239,398
<i>Total Department of Education</i>				<u>\$1,640,608</u>
<b><i>Total Expenditures of Federal Awards</i></b>			<u>\$423,965</u>	<u>\$3,811,042</u>

# Notes to the Schedule of Expenditures of Federal Awards For the year Ended December 31, 2015

## Note 1. Basis of Presentation

The accompanying schedule of expenditures of Federal awards includes the Federal award activity of Example Entity, under programs of the federal government for the year ended December 31, 2015 in accordance with the requirements of **Title 2 U. S. code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal awards (Uniform Guidance)**. Because the Schedule presents only a selected portion of the operations of the Example Entity, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Example Entity.

## Note 2. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the (**identify basis of accounting**) basis of accounting. Such expenditures are recognized following the cost principles contained in the **Uniform Guidance\***, wherein certain types of expenditures are not allowed or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Example Entity has elected to use (has elected NOT to use) the 10 percent de minimus indirect cost rate as allowed under Uniform Guidance.

\*Such expenditures are recognized following, as applicable, either the **cost principles in OMB Circular A-122 Cost Principles for Non Profit Organizations, or the cost principles contained in Title 2 U. S. Code of Feral Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements** for Federal Awards, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

# Notes to the Schedule of Expenditures of Federal Awards For the year Ended December 31, 2015

## Note 3. Federal Loan Programs

The federal loan programs listed subsequently are administered directly by Example Entity and balances and transactions relating to the programs are included in the Example Entity's basic financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The balance of loans outstanding as December 31, 2015 consist of:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Outstanding Balance at 12/31/15</u>
XX.XXX	XXXXXX	\$XXXXX



# Auditee Requirements

- **PROMPTLY** follow up and **take corrective action on ALL audit findings**
  - **General Requirements**
    - Must prepare **Summary of Prior Year Audit Findings and Corrective action Plan**
    - Must include the reference numbers the auditor assigns to audit findings
    - Must include the fiscal year in which the finding initially occurred
    - May include audit findings from multiple years
    - Must include all findings including those relating to the FS reported in accordance GAGAS
  - **Summary of Prior Audit Findings**
    - Include status of all audit findings and questioned costs
    - Include audit findings reported in the prior audit's summary schedule of prior audit findings
    - When audit finding is fully corrected, list the audit finding and state that corrective action taken
    - When not corrected or partially corrected, disclose reason for recurrence and planned corrective action and any partial corrective action
    - If auditee believes the finding is not longer valid, they must provide the reason for the position
  - **Corrective Action Plan**
    - Must include in a separate document from the auditor's findings, a corrective action plan to address each audit finding included in CY Auditor's report
    - Include name(s) of the contact person(s) responsible, corrective action plan and anticipated completion date
    - Auditee does not agree with finding- must include explanation and specific reason

# Auditee Requirements

- **Provide auditor** with access to records, etc.
  
- **Submit report and data collection form** with the earlier of 30 days after receipt of the auditor's report or nine months after the end of the audit period
  - Must make copies available for public inspection and ensure that their respective parts do not include protected personal identifiable information
  - FAC is the repository of record for Subpart F and must follow the instructions of the data collection form which includes the submission of the reporting package
  - Reporting package:
    1. Senior level must certify
    2. Exception for Indian Tribes
    3. Reporting package must include
      - FS AND SEFA
      - Summary schedule of prior audit findings
      - Auditor's report
      - Corrective action plan
  - Auditee electronically submit FAC
  - Must submit management letter, if requested
  - Must keep one copy of data collection and reporting package for 3 years from the date of submission

# DATA Collection Form

- OMB published FR notice of proposed changes to the DCF and instructions on December 9, 2015 to be in compliance with the UG
  
- Major Changes:
  1. Permit only 3 digit CFDA numbers, if unknown, the auditee will enter a “U” followed by a 2 digit number in the CFDA extension (example- 14.U01)
  2. Cluster identification
  3. Federal program or cluster totals
  4. End of audit period loan balance
  5. Name of pass-through entity and identifying number
  6. Sub-recipient information
  7. Special purpose framework financial statement opinion
  8. Repeat audit findings
  9. Primary Type of Compliance Requirements
  10. Optional Field for audit finding detail
  11. Certification Statements
  
- Comments due OMB by 2/8/16
  - [https://www.whitehouse.gov/omb/grants\\_standard\\_report\\_forms](https://www.whitehouse.gov/omb/grants_standard_report_forms)
  
- OMB wants feedback on its estimate of burden to complete the Form (65 hours for the 400 largest respondents and 20 hours for the remaining respondents)

# Auditee Requirements

- **2015 Compliance Supplement:** Effective for audits of fiscal years beginning after June 30, 2015; therefore, **FY June 30, 2015**
  - **Part1-** Background, Purpose and Applicability
  - **Part 2 – Updated matrix** for Compliance Requirements: 12 compliance requirements
    - A. Activities Allowed/Unallowed
    - B. Allowable Cost/Cost Principles
    - C. Cash Management
    - D. Reserved
    - E. Eligibility
    - F. Equipment and Real property
    - G. Matching, level of effort
    - H. Period of Performance
    - I. Procurement and Suspension and Debarment
    - J. Program Income
    - K. Reserved
    - L. Special Test and Provisions
    - M. Subrecipient Monitoring

( Removed D. "David-Bacon Act," and K. "Real Property Acquisition on Relocation Assistance" in the matrix- shown as Reserved)
  - **Part 3- Updated** Compliance Requirements- two Part 3s
    - Section 3.1 applicable for testing awards subject to OMB Circulars
    - Section 3.2 applicable for testing awards subject to UG administrative and cost principles

# Auditor Requirements

## 200.514 Auditor Responsibilities

- Conduct audit in accordance with GAAP and **GAGAS**
- FS fairly presented
- Must understand IC over federal programs to plan the audit to support a low assessed level of control risk
  - Select major programs for testing **Type A/B threshold** –increase from \$300,000 to **\$750,000**
  - High/Low risk Type A and Type B program criteria
  - **Auditee low risk criteria:** 20% for low risk auditee/40% for high risk auditee

## 200.516 Audit Findings

- Significant deficiencies
- Material weaknesses
- Known questioned costs greater than \$25,000 for a major program
- Not required to test; however, known questioned costs greater than \$25,000 which is not a major program
- Circumstances why report on compliance is other than unmodified
- Known or likely fraud
- Audit finding detail and clarity

# Criteria for Low-Risk Auditee- “2 Year Look Back”

- Single audits on an annual basis in accordance with GAGAS, including submitting data collection form timely (earlier of 30 calendar days after the receipt of audit report or 9 months after the end of the audit period)
- Unmodified opinion on financial statements in accordance with US GAAP or a basis of accounting required by state law
- Unmodified in-relation-to opinion SEFA
- No material weaknesses in internal control over financial reporting that were identified under GAGAS
- No going concern opinion
- No waivers
- None of the federal programs classified as Type A programs had: Internal control deficiencies identified as a material weakness in the auditors report on internal controls
- A modified opinion on major programs in the auditors report on major programs
- Known or likely questioned costs that exceed 5% of the total federal awards expended for Type A program during the audit period

# Best Practice To Do List



# Best Practice To Do List for **Auditees**

1. **Identify** a champion to oversee the implementation of the Uniform Guidance. Senior management should be involved.
2. **Access and distribute** the PDF version of the CFR 200 to all finance/grant/program staff.  
[http://www.whitehouse.gov/omb/grants\\_docs](http://www.whitehouse.gov/omb/grants_docs)
3. **Provide** training to all staff via in-house trainings, external seminars, webinars, etc.
4. **Focus** on areas of most significance first, such as procurement policies, sub-recipient monitoring policies and cost principles.
5. **Review** SEFA for all required data elements



# Best Practice To Do List for **Auditees**

## 6. Determine appropriate administrative requirements and cost principles:

- a) **Review** all **new grants** issued after December 26, 2014 for identification of the UG regulations. If the award does not explicitly state to follow UG, contact the grantor and get written clarification of the regulations/guidelines to follow. Keep written documentation for future reference.
- b) **Review** all **incremental funding** received after December 26, 2014 for identification of regulations/guidelines to follow. If the new incremental funding does not explicitly state to follow UG, contact the grantor and get written clarification of the regulations/guidelines to follow. Keep written documentation for future reference.
- c) **Review** sub-awards for the identification of the UG regulations. Effective date of the new guidance for sub-awards is the same as the effective date of the Federal award from which the sub-award is made.
  - a) Note-The requirements for the sub-award flow from the requirements of the original award from the Federal awarding agency.
- d) **Review** all contract and sub-recipient relationships to ensure they have been properly identified as acquisition or assistance awards.
- e) **Establish** financial and program management systems to comply with statutory and national policy requirements as well as performance management requirements (CFR 200.300-200.309).

# Best Practice To Do List for **Auditees**

7. **Update** your internal control policies to reflect the changes noted in the Uniform Guidance.
  - **CFR 200.302 Must** have effective controls over and accountability for all funds, property and other assets
  - **CFR 200.303 Established internal controls** to provide reasonable assurance - **should** be in compliance with COSO or GAO (Green Book)
    - a) **Must** establish conflict of interest policies and disclose in writing any potential conflict of interest. **(CFR 200.318)**
    - b) **Must** establish new procurement policies **(CFR 200.318, 200.319 and 200.320)** **Federal Government is allowing a grace period of two full fiscal years after the effective date. If you defer, update internal control documentation noting deferral.**
    - c) **Must** establish guidelines for sub-recipient managing and monitoring, including a pre-risk assessment **(CFR 200.331 and 200.331)**
    - d) **Update** policies for compliance with new cost principles **(CFR 200.420-200.475)**
    - e) **Update** policies regarding indirect cost rates-negotiated rate or 10-percent de Minimis indirect cost rate
    - f) **Must** have written policies for **cash management** and allowability of costs.**(CFR 200.302-305)**
    - g) **Must** evaluate and monitor compliance and take appropriate action when noncompliance identified
    - h) **Review property records for all required data elements and inventory** procedures for compliance**(CFR 200.313)**

# Best Practice To Do List for **Auditees**

- 8. Review OMB 2015 Compliance Supplement (Parts 2, 3, and 4) and review each grant award for additional compliance requirements/special tests**
- 9. Prepare summary of prior-year audit findings and corrective action plans, if necessary**
- 10. Review instructions for completion of data collection form when issued**
- 11. Stay away from SALY (Same as last Year)**
- 12. Plan with your auditor NOW**

# Best Practice To Do List

## Access available resources:

- a. **CALL Gelman Rosenberg and Freedman CPAs** if you have any questions
- b. **Access** the PowerPoint presentation on “[2 CFR 200- Uniform Administrative Requirements, Cost Principles and Audit](#)”
- c. **Access** all the various UG related documents at:
  - i. [http://www.whitehouse.gov/omb/grants\\_docs](http://www.whitehouse.gov/omb/grants_docs)
- d. **Go to** the COFAR Mailing List link to register and receive future announcements, information on upcoming webcasts and other COFAR resources
- e. **Access** a COFAR FAQs
- f. **Access** archive of an OMB Web event and related presentation materials covering the contents of the various Subparts and requirements
- g. **Purchase** the **Government Auditing Standards and Single Audits Guide**
- h. **Access** the 2015 Compliance Supplement:  
[https://www.whitehouse.gov/omb/circulars/a133\\_compliance\\_supplement\\_2015](https://www.whitehouse.gov/omb/circulars/a133_compliance_supplement_2015)
- i. **Purchase** the Guide to COSO- Internal Control-Integrated Framework
- j. **Access the draft form and instructions of the DCF**  
[http://www.whitehouse.gov/omb/grants\\_standard\\_report\\_forms](http://www.whitehouse.gov/omb/grants_standard_report_forms)



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## **GRF Expertise**

- **GRF CPAs works with 500+ nonprofit organizations locally, nationally and internationally, traveling to over 60 countries on behalf of our clients**
- **GRF CPAs annually conducts 100+ Single Audits for nonprofits, which receive federal funding and will need to comply with Uniform Guidance**
- **Our CPAs host seminars, workshops and presentations to keep clients current with industry regulations**
- **GRF CPAs is an industry-recognized, award-winning firm with 35 years of experience working with nonprofits**
- **GRF is committed to technical excellence, personal attention, ongoing communication, staff continuity, community service and diversity**
- **GRF MOTTO- “Personal attention will never become obsolete”**