Roadmap to the Uniform Grant Guidance for School Districts

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Learning Objectives

• Explore issues of transparency and accountability in the Uniform Grant Guidance.

• Recognize key provisions that impact program performance.

• Recognize key provisions that impact risk assessment and audit.

• Consider steps to take that address performance pre-award, post-award and audit.
Uniform Grant Guidance

• “Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards”

• Developed by the federal Council for Financial Assistance Reform and Office of Management and Budget.

• Merged eight previously separate OMB grant circulars

• Incorporates many changes to traditional grants administration, from pre-award to post-award, closeout and audit.
Uniform Grant Guidance

Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards

Summary

To deliver on the promise of a 21st-Century government that is more efficient, effective and transparent, the Office of Management and Budget (OMB) is streamlining the Federal government’s guidance on Administrative Requirements, Cost Principles, and Audit Requirements for Federal awards. These modifications are a key component of a larger Federal effort to more effectively focus Federal resources on improving performance and outcomes while ensuring the financial integrity of taxpayer dollars in partnership with non-Federal stakeholders. This guidance provides a governmentwide framework for grants management which will be complemented by additional efforts to strengthen program outcomes through innovative and effective use of grant-making models, performance metrics, and evaluation. This reform of OMB guidance will reduce administrative burden for non-Federal entities receiving Federal awards while reducing the risk of waste, fraud and abuse.

This final guidance supersedes and streamlines requirements from OMB Circulars A-21, A-87, A-110, and A-122 (which have been placed in OMB guidances); Circulars A-89, A-102, and A-133; and the
Uniform Grant Guidance

What is replaced? Eight Prior OMB Circulars:

- **A-110**: Admin. Req. IHEs, Hospitals and Nonprofits
- **A-87**: Cost Principles – State and Local Govts.
- **A-21**: Cost Principles – IHEs
- **A-122**: Cost Principles – Nonprofits
- **A-133**: Single Audit Requirements
- **A-50**: Audit Follow-up
- **A-89**: CFDA
School Districts (§ 200.64)

- The Uniform Guidance expands the definition of “local government” to include:
  - local public authorities
  - special districts
  - school districts
  - intrastate districts
  - councils of government, whether or not incorporated as a nonprofit corporation under state law
  - any other agency or instrumentality of a multi-, regional, or intra-state or local government (including public two-year and four-year colleges and universities)
Clarification May Be Needed Due to New Interim Rule Definitions

Nonfederal Entity Provision Continues to Cause Confusion

RAY SWEENEY
Newsletter: LOCAL/STATE FUNDING REPORT
Published: February 18, 2015 at 08:00:09 EST

The Office of Management and Budget’s (OMB’s) joint interim final rule to implement the uniform grant guidance includes a list of definitions (Subpart A: Acronyms and Definitions §§200.0-.99) that impacts solicitations.

For example, the interim final rule’s list includes a new nonfederal entity definition that doesn’t include for-profit, foreign entities, international organizations and an expanded local government definition. The nonfederal entity omissions can impact eligibility requirements in solicitations and other applicability issues.

Another key technical correction by OMB was to remove the Dun & Bradstreet Data Universal Numbering System (DUNS) number from the list of definitions, as well as in other provisions throughout the guidance. The DUNS number has been replaced with a unique entity identifier number, but there is no description for that identifier, and the System for Award Management (SAM.gov) still requires the DUNS number for all applicants and recipients.

Key Dates

- Dec 26, 2013  Rule effective for Federal Agencies
- Dec 19, 2014  Updated Agency Regulations Published in Joint Interim Final Rule
- Dec 26, 2014  Effective date for nonfederal entities
- Spring 2015(?) 2015 Compliance Supplement

**Floating dates**

- End of nonfederal entity’s FY 2015
- Start of nonfederal entity’s FY 2016

For many school districts and public institutions of higher education, this is July 1 annually
Interim Final Rule (effective 12/26/14)

• Implements Federal agency regulations with some changes and OMB-approved exceptions.
• § 200.110: Optional one-fiscal-year grace period to implement procurement standards for nonfederal entities previously covered by OMB Circular A-110
• § 200.320: requirement to “publicly” advertise and open sealed bids limited state, local and tribal governments
• Dun & Bradstreet changed to “unique entity identifier”
• “Should” changed to “Must”
Learning Objective #1

Transparency and accountability in the Uniform Grant Guidance.
Goals of Uniform Grant Guidance:

• Ease administrative burden for Federal agencies and nonfederal entities
• Strengthen oversight to reduce the risk of waste, fraud and abuse.
Why Reduce Fraud, Waste and Abuse?

- $600 billion grant awards each year
- $100 billion improper payments each year. Over a three-year period:
  - $180 million to 20,000 individuals who were dead
  - $230 million to 14,000 fugitives or jailed felons
- OMB goal to recover $50 billion of improperly paid funds a year
- OMB recovered $47 billion in the first year of reform (2012).
Transparency and Accountability

School Improvement Grant Program Increases Lead to More Financial Risk

STAFF WRITERS
Published: April 23, 2012 at 12:00:00 EDT

The School Improvement Grant program is being closely scrutinized as two new reports point to flaws in how funding is allocated and how the program's requirements are implemented in schools.

The reports coincide with Secretary of Education Arne Duncan’s announcement in late March that nine states will receive funding to turn around their persistently lowest achieving schools through the SIG program. The fiscal year 2011 budget for SIG is $535 million, and the nine states receiving funds are Arkansas, Colorado, Delaware, Illinois, Indiana, Massachusetts, Nebraska, North Dakota and Pennsylvania.

While the SIG funding’s stringent eligibility requirements have made it less popular in some states, the Department of Education has requested grant applications for other programs that also aim to improve student performance. For instance, in March, the ED announced $25 million in funding to provide innovations that improve achievement for high-need students. These grants are available to nonprofits and schools (see Program Notebook).

9 Objectives of Uniform Grant Guidance:

1. Eliminating duplicative and conflicting guidance
2. Focusing on performance over compliance
3. Encouraging efficient use of information technology and shared services
4. Providing for consistent and transparent treatment of costs
5. Limiting costs for best use of federal resources
Transparency and Accountability

Objectives (cont.)

6. Setting standard business practices using data definitions
7. Encouraging nonfederal agencies to have family-friendly policies
8. Strengthening oversight
9. Targeting audit requirements on the risk of fraud, waste and abuse
Performance (Objective #2)

Applicants Need Updated Policies With a Focus on Performance

Newsletter: LOCAL/STATE FUNDING REPORT
Published: April 15, 2014 at 08:00:03 EDT

Due to the fundamental shift toward performance over compliance in the Office of Management and Budget’s uniform grant guidance, grant recipients and applicants are encouraged to develop new internal controls and policies during the coming months that mirror the requirements in the guidance.

Although internal controls and written policies are more often associated with post-award, the uniform grant guidance creates several new requirements that impact proposal writing and budget development, as well as an overall focus on performance.
Remedies for nonfederal recipient entities (§ 200.338)

- Temporary withholding of payments until corrected
- Disallowance funds
- Whole or partial suspension or termination of award
- Initiation of suspension or debarment proceedings
- Withholding further federal awards
- Other remedies
Learning Objective #2

Key provisions in the Uniform Grant Guidance that impact program performance.
Federal agency may approve new strategies for innovative program designs that improve cost-effectiveness and generate positive outcomes (§ 200.102)

Federal agency must design and execute a merit review process for applications (§ 200.204)

New fixed-amount award category focuses on performance. There is no federal review of actual costs (§ 200.102)

Six standard data elements to be provided in notices of funding opportunities (§ 200.203)
Subscribers can find more information on Fixed Amount Awards here:

Online:

Print:
- Federal Grants Management Handbook
  - Tab 317 - Subpart B General Provisions
  - Tab 320 - Grant Budgeting
  - Tab 341 - Methods of Payment
Federal agency must note performance goals and outcomes intended to be achieved in award agreements (§ 200.210)

Performance goals must be associated with a timeline for accomplishment (§ 200.210)

Federal agency must require the recipient to relate financial data to performance accomplishments (§ 200.301)

Recipient performance should be measured in a way to improve program outcomes (§ 200.301)
Awards and Post-Award Performance

Template: Budget Worksheets (Word)

Budgets and Performance

One of the performance expectations in the uniform grant guidance is to align budget expenditures with program activities (§200.301). Non-federal entities, therefore, must not only create reasonable and cost-effective budget requests for the entire project in a proposal submission, but once awarded, be able to correlate expenditures from the budget to actual project activities.

A budget template or worksheet, therefore, is an important tool during pre-award to help develop the formal budget request that is officially entered into the federal budget forms in the proposal submission. A budget template can help federal reviewers see the merits of a proposal to encourage a positive award decision, and it can subsequently improve monitoring strategies and proper stewardship of federal funds post-award. One technique to relate financial data to performance accomplishments is the use of sub-budgets, one for each project objective.

Finally, matching or cost-sharing should only be included in budget forms if required. Voluntary matching or cost-sharing should not be included in budget forms, but can be noted in budget narratives or program narratives. Any figures on a budget form become subject to audit.

Post-Award Performance (Cont.)

- Performance reporting should reflect progress and identify promising practices to build evidence upon which future federal agency awarding decisions are made (§ 200.301)
- New fixed-amount awards up to $150,000 will reduce compliance requirements in favor of meeting performance outcomes (§ 200.201 and (§ 200.45)
- Recipients must protect personally identifiable information as part of their internal controls (§ 200.303)
Procurement transactions (A-110 vs. A-102) must reflect full and open competition to ensure contractor performance and eliminate unfair competitive advantage (§ 200.319)

Nonfederal entity must have written procurement procedures (§ 200.318)

Contractors that develop or draft specifications, requirements, statements of work, and invitations for bids or requests for proposals must be excluded from competing for such procurements (§ 200.319)
Post-Award Performance (Cont.)

• The nonfederal entity must have a written method for conducting technical evaluations of the procurement proposals received and for selecting recipients (§ 200.319)

• Nonfederal entities must monitor activities under federal awards to assure compliance and performance expectations are being achieved. Monitoring must cover each program, function or activity (§ 200.328)
• Nonfederal entities must submit performance reports using OMB-approved governmentwide standard information collections (§ 200.328)
  o Comparison of actual accomplishments to objectives
  o Why goals were not met
  o Information about cost over-runs or high unit costs

• Collect, transmit and store information in open and machine-readable data format (§ 200.335)
Data Standards, Reporting Burdens Under Discussion in Federal Initiative

BY JERRY ASHWORTH
Newsletter: FEDERAL GRANTS MANAGEMENT HANDBOOK
Published: April 14, 2015 at 08:46:14 EDT

Through a planned national dialog to be conducted electronically, the Chief Acquisition Officers (CAO) Council, Department of Health and Human Services (HHS) and the General Services Administration (GSA) will be evaluating public concerns about data standardization and reporting burdens under federal awards, including grant awards, subawards, contracts, subcontracts and cooperative agreements. The initiative aims to “to improve the economy and efficiency of the federal award system by identifying impactful steps that can be taken to streamline reporting, reduce burden and reduce costs,” according to the CAO, HHS and GSA in announcing plans for the online dialog.

The dialog seeks to meet the goals of the President’s Management Agenda (M-14-17) and the requirements in the Digital Accountability and Transparency Act (DATA) of 2014 (Pub. L. 113-101) to better understand the costs of complying with federal contract and grant awards, as well as recommendations to standardize data, eliminate unnecessary duplication and reduce compliance costs. The DATA Act provides for improved oversight and monitoring of posted federal spending data to ensure appropriate expenditure of federal funds and reduce instances of improper payments, including fraud, waste and abuse. It also requires the development of governmentwide financial data standards to make it easier to compare federal spending across federal agencies and across federal awards. In addition, the Office of Management and Budget (OMB) and the Department of the Treasury are launching a pilot in May to test the benefits of governmentwide data standardization (see “HHS Establishes Goals for DATA Act Grant Reporting Pilot”).

Post-Award Performance (Cont.)

http://grants.complianceexpert.com/gran/tab-460
Post-Award Performance (Cont.)

• Nonfederal entities should seek prior written approval for costs under 22 circumstances (§ 200.407)

• Time and effort reporting must now account for 100 percent of time for grant and nongrant activities (§ 200.430)
Post-Award Performance (Cont.)

Time and Effort Worksheet Template (Word)

Importance of Time & Effort Recordkeeping

Some of the greatest costs in grants are associated with personnel costs that include salaries and associated fringe benefits. Errors recording time and effort, therefore, can produce costly mistakes for a nonfederal entity and are attributed to some of the most frequent audit findings.

Time and effort reporting can be complicated. Personnel can be assigned to a single grant project or cost objective, or staff members can divide their time among grant programs, grant activities and non-grant activities. Sometimes personnel costs are charged to grant projects and sometimes time is contributed at no cost to the federal project to satisfy a required matching or cost sharing requirement. A new provision in the uniform guidance requires that all time, both grant and non-grant, totals no more than 100 percent (§200.430).

Nonfederal entities generally record time and effort through their payroll systems, and any time and effort reporting should be implemented through the local payroll system. Though payroll is a customary process for all organizations, staff members have trouble remembering timekeeping, particularly if they report once every other week or once a month, or if they need to divide their time among different activities or projects.

Close-Out Performance

- Nonfederal entities must submit final reports within 90 days after the end date (§ 200.343)
- Federal agencies or pass-throughs should complete closeout actions no later than one year after receipt of all final reports (§ 200.343)
- Close-out does not affect (§ 200.344):
  - The right of the federal agency to audit, examine and disallows costs during the record retention period, three years after receipt of the final report (§ 200.333)
  - The obligation of the nonfederal recipient to return funds due
Learning Objective #3

Key issues in the Uniform Grant Guidance that impact risk assessment and audit.
Pre-Award Risk

• Federal agencies must review risks of an applicant prior to making an award for competitive and formula grants (§ 200.205)

• Federal agencies must have a framework for pre-award risk-assessments (§ 200.205)
  o Financial stability
  o Quality of management system
  o History of performance
  o Audit reports
  o Applicant ability to implement program

• Federal agencies must comply with guidelines on suspension and debarment (§ 200.205)
Pre-Award Risk

Risk Assessment Matrix Template (Word)

Importance of Risk Assessment

One of the over-riding goals of the uniform grant guidance is to reduce waste, fraud and abuse. To this end, federal agencies and pass-through entities must implement new processes that would assess the risk of applicants before making award decisions ($200.205). The higher the applicant risk, the greater the likelihood of waste, fraud and abuse once a proposal is awarded. High risk observed during pre-award, therefore, would adversely impact award decisions. During post-award implementation, risk would be reviewed and re-assessed after progress reports and audits.

A risk assessment matrix, therefore, is an important tool to help ensure sound award decisions pre-award and to improve monitoring strategies and proper stewardship of federal funds post-award. Local policies and procedures should be updated to reflect the risk assessment.

The Process: Pre-Award and Post-Award

Risk is generally measured as low, moderate or high. During the pre-award process, submitted proposals will be reviewed, as was customarily done under the prior OMB circulars, using merit review criteria ($200.204) and scored according to the criteria. In addition to the merit review of proposals, there is also a risk review of the applicant ($200.205) under the uniform guidance. An applicant with elevated risk could still receive an award, but would be faced with specific conditions ($200.207) such as increased reporting requirements, increased monitoring or restrictions on funding.

Subscribers can find more information on Risk Assessment here:

**Online:**

**Print:**
- Federal Grants Management Handbook
  - Tab 230 – Features of Grant Proposals
  - Tab 478 - Grant Management Reform Efforts
Pre-Award Risk

• Federal agencies to impose specific conditions to mitigate potential risks of waste, fraud and abuse before making an award (§ 200.207)
• Pass-through agencies to consider risks associated with sub-awards (§ 200.331)
• Pass-through agencies are responsible for establishing requirements for for-profit subrecipients including pre-award audits, monitoring and post-award audits (§ 200.501)
Post-Award Risk

• New required certification that authorized organizational representatives of recipient entities must sign indicating that any false, fictitious or fraudulent information or the omission of any material fact may subject them to criminal or civil penalties, appearing to make them personally responsible (§ 200.415)

• Internal control is moved up from audit to post-award, requiring recipients to structure internal controls earlier in the process (§ 200.303)

• New mandatory disclosure in writing of any fraud, bribery or gratuity violations (gift policy) (§ 200.113)
Federal agencies must designate a single audit accountable official (§ 200.513). Duties:
- Ensure completed audits and reports
- Provide technical advice
- Issue management decisions
- Monitor recipients
- Use cooperative audit resolution to improve outcomes and corrective actions
- Develop a baseline, metrics and targets to track over time federal agency’s process, effectiveness and accountability
Audit Risk

Audit Checklist (Word)

Preparing for an Audit

Considering the great amount of funding at risk and the extensive legislative actions to prevent or recover losses, it is easy to recognize the important role an audit can play to help ensure sound project implementation and proper stewardship of federal funds. Audits don’t have to be all about waste, fraud and abuse. Audits can create opportunities for both the federal agency and nonfederal entity, and an audit checklist can help promote a successful audit.

The Process: Planning and Examination

There are several steps to planning an audit and onsite visit. Federal agencies and nonfederal entities need to simultaneously plan for an audit, while scheduling the audit site visit and developing an agenda for the meeting. The federal agency, or pass-through entity, should send a letter with an attached agenda detailing the plans. Nonfederal entities, recipients or subrecipients, should request the information if it is not forthcoming. Nonfederal entities should also be permitted to add any items to the agenda, if desired. Both parties need to review applicable documents and files that are relevant to the award or subaward.

All granting agencies should, and federal granting agencies must, assess the risk of the recipient or subrecipient to determine what programs may require closer supervision. Auditors should review 50 percent of federally funded programs for high-risk grantees and 25 percent for low-risk grantees. Examples of risk include:

Learning Objective #4
Steps to take to address performance pre-award, post-award and audit.
Overview:

- Protect allowable costs
- Update policies and procedures
- Recognize new representations and certifications
- Address risk measurement
Steps to Take

Protect Allowable Costs

• 55 items of cost – some are new
  o Family friendly categories
  o Social media advertising

• New administrative requirements
  o Procurement – micro purchase and bid process
  o Conflict of interest
  o Indirect costs
  o Time and effort
  o Program income
  o Travel
Steps to Take

Protect Allowable Costs (cont.)

- Review 55 cost principles and note what’s new
- Update internal policies and procedures to protect allowable costs
  - Add new costs to policies (social media)
  - Revise prior costs with updates (travel – family friendly costs, procurement – competitive and noncompetitive bids)
Update Policies and Procedures

• Nonfederal recipient entities must update internal policies to protect allowable costs, start with review of cost principles and revised administrative procedures.

• Uniform grant guidance requires written policies. Written policies strengthen internal controls.
Subscribers can find more information on Internal Controls here:

**Online:**
- http://grants.complianceexpert.com/grants-news/internal-control-is-not-just-for-audits-anymore-1.374420

**Print:**
- Federal Grants Management Handbook
  - Tab 316 - Internal Controls – A Major Shift in Compliance
  - Tab 451 - Single Audit Requirements
  - Tab 452 - Pass-through Responsibilities
Steps to Take

Update Representations and Certifications

Implement Mandatory Disclosures

• Recognize new nonfederal recipient certification (§ 200.415).

• Have attorney review for possible personal liability in addition to organizational liability

• Review mandatory disclosures (§ 200.112), which require disclosure of conflicts of interest or relevant violations of federal criminal law. Failure to make required disclosures can result in remedies (§ 200.338).
Steps to Take

Address Risk Measurement

• **Pre-Award:**
  • Assess ability to address risk

• **Post-Award:**
  • Reporting to address risk

• **Audit:**
  • Quickly correct any audit findings

• **DO NOT get on the high-risk grantee list!**
Uniform Grant Guidance

My Research Dashboard

Guidance & Regulations
- OMB Uniform Grant Guidance
- Code of Federal Regulations
- Agency-Specific Guidance
- Education Department Guidance
- GAO Guidance
- Governmentwide Regulations
- OMB Circulars
- OMB Guidance

Grants Management News
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Upcoming Webinars

Available at: http://thompsoninteractive.com/

• 5/07/15: Associations & the Uniform Grant Guidance: Achieving Compliance, Minimizing Risk

• 5/20/15: Indirect Costs & the Uniform Grant Guidance — What’s Changed?

• 5/28/15: Financial Management Under the Uniform Grant Guidance
Follow-Up Questions

If subscribers have any remaining questions after the conclusion of today’s webinar please do not hesitate to get in touch.

Ask our editor: karen.norris@thompson.com

For more information and great grants related resources feel free to visit us online:

- [http://grants.complianceexpert.com/](http://grants.complianceexpert.com/) (Thompson’s subscription website, federal compliance regulations are available to all free of charge)
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