

# Uniform Guidance Compliance: A 101 Course

June 9, 2019



## Agenda

1. (Brief) Background and Introduction of the Uniform Guidance
  - Background and Purpose
2. Critical changes and approaches for implementation:
  - Cost Principles
  - Effort Reporting
  - Procurement
  - Subrecipient Monitoring
3. Internal controls: Institutional responsibility for ensuring compliance

## 1

# Uniform Guidance: Background and Introduction

## Background and Introduction

### THE PROBLEM TO BE ADDRESSED

To match the growth in federally sponsored funding over the past 50 years, the Office of Management and Budget (OMB) issued **numerous circulars to provide governance** in helping to manage federally sponsored awards.

- Many dated back to 1984 (or earlier!)
- Lacked proper guidance on technological advancement and other changes in the sponsored award environment
- **Not consistently followed** by federal awarding agencies

Overall, the previous OMB Circulars lacked clarity and contained:

- Duplicative Language
- Contradictory Requirements
- Confusing Requirements
- Different Language Used to Describe the Same Issues

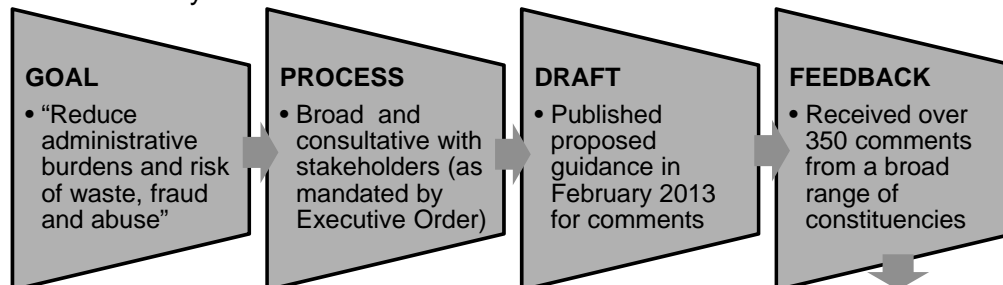


In order to address the issues with the multiple OMB Circulars, the federal government **sought to create a unified, consistent source** of grants management regulations.

## Background and Introduction

### GOVERNMENTAL ACTION

- President Obama began the effort to improve these regulations with Executive Orders dating back to 2009
- The OMB established the **Council on Financial Assistance Reform (COFAR)** in October 2011 as a governance body to provide policy level leadership for the Federal grants community



*REFINE: Title 2 of the Code of Federal Regulations, Part 200 (2CFR, 200):  
Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*

## 2

## Uniform Guidance: Critical Changes and Implementation Approach

## Critical Changes and Implementation Approach

### COST PRINCIPLES

The Uniform Guidance (and previous Circulars) establish principles for determining costs applicable to Federal grants, contracts, and other agreements.

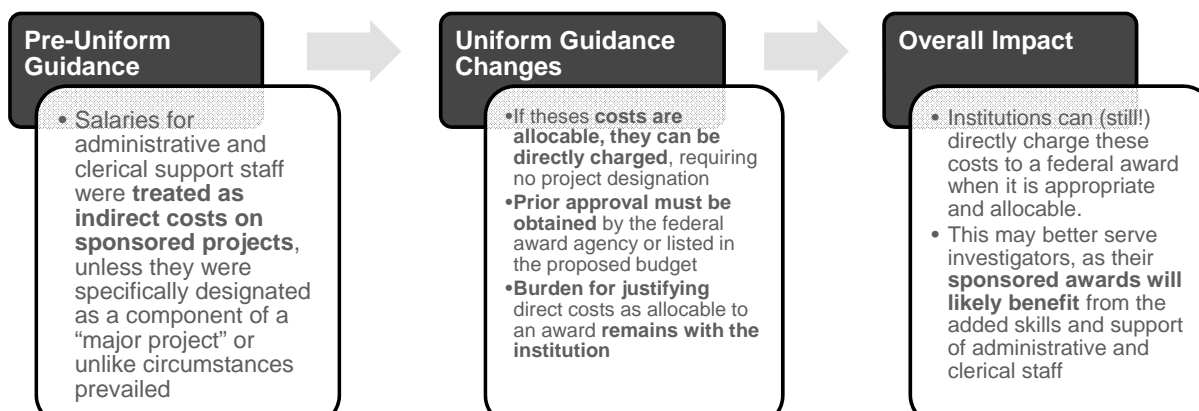
- OASC-3 remains the federal guidance applicable to Hospitals

Term		Definition
Reasonable	→	Goods or services acquired and amount involved reflect an action a prudent person would have taken.
Allocable	→	Benefits the project or award that was charged.
Allowable	→	Items not restricted by federal regulations or the <u>specific</u> grant/contract.
Treated Consistently	→	Like costs in similar circumstances need to be charged directly or indirectly at the institution.

## Cost Principles

### UNIFORM GUIDANCE IMPACT – ADMINISTRATIVE SALARIES

Administrative and clerical support salaries can be charged directly to a sponsored project as an allowable cost



**UNCHANGED:** Costs that do not meet these standards should not be charged to a sponsored project.

## Cost Principles

### UNIFORM GUIDANCE IMPACT – ADMINISTRATIVE SALARIES

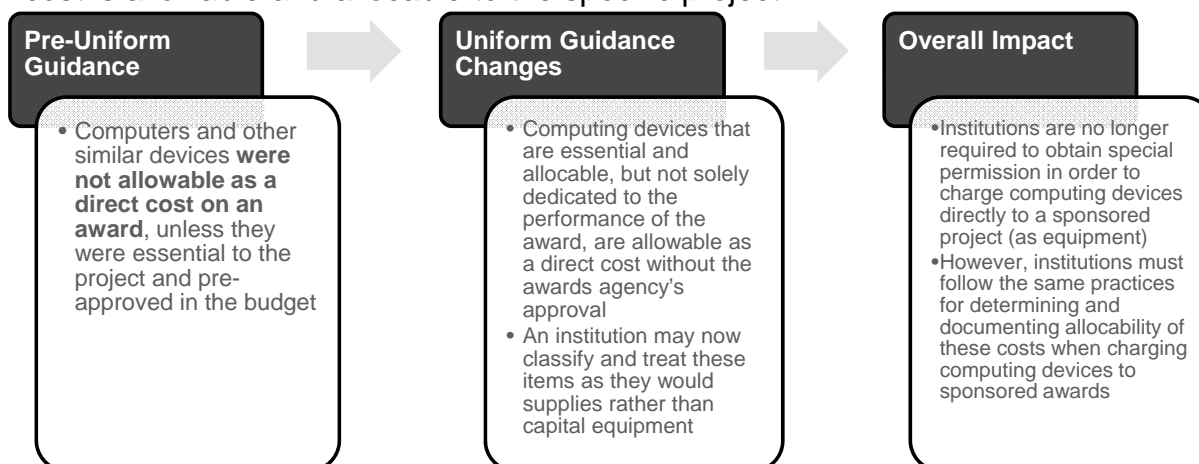
#### Implementation Considerations:

- **CLARIFICATION:** The Research Terms and Conditions still apply to the requirement for prior approval.
- For active awards currently classified as major projects and accumulating charges for clerical and administrative salaries, institutions **may** need to request prior written approval from the Federal awarding agency to continue charging those costs to new incremental funds.
- Institutions should evaluate the terms and conditions of active Federal awards and/or consult with the relevant awarding officials of active Federal awards to determine if and when pre-approval has been granted.

## Cost Principles

### UNIFORM GUIDANCE IMPACT – COMPUTING DEVICES

**Computing devices can be directly charged to an award as supplies, if this cost is allowable and allocable to the specific project**



## Cost Principles

### MONITORING COMPLIANCE: ALLOCATION METHODOLOGIES

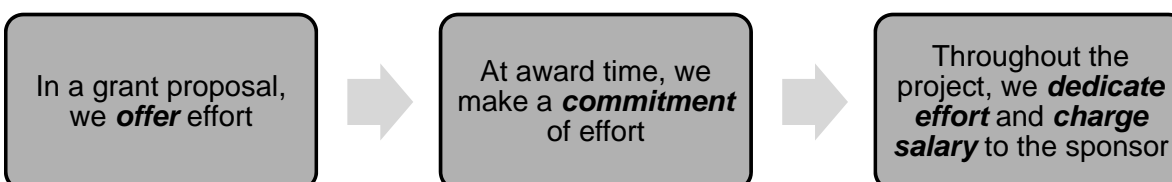
	Develop monitoring techniques to focus on high risk areas (target specific Expenditure/Account Codes) <ul style="list-style-type: none"> <li>Consider central pre-review of certain costs based on dollar amount/Expenditure Type</li> </ul>
	Train investigators, local administrators and your central staff on the concept of Allocation Methodologies
	Develop processes to determine and document Allocation Methodologies in advance of purchases on multiple awards
	Develop audit processes to review Allocation methodologies for reasonableness

## Critical Changes and Implementation Approach

### TIME AND EFFORT REPORTING

Effort is the proportion of time spent on any activity and expressed as a **percentage of the total professional activity** for which an individual is employed by the institution.

- Be a reasonable estimate of time spent on activities
- Total effort must equal 100%
- Effort is not based on a 40 hour week



Periodically, sponsors want to know:

- Have we devoted enough effort to justify the salary charges?
- Even in cases where we are not charging salary to the sponsor, have we fulfilled our commitments?

## Time and Effort Reporting

### UNIFORM GUIDANCE IMPACT

Language from A-87, A-21 and A-122 are consolidated, merged and clarified into a single set of guidelines relevant to “Effort Reporting.”

#### Why the “quotes”?

- No specific requirements for activity reports or personnel action forms
- No specific rules regarding effort reporting frequency
- No guidance on who may document (certify?) compensation costs
- Appropriate internal controls to verify that payroll is properly allocated and charged are required
- Estimates with a “degree of tolerance” are appropriate



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## Time and Effort Reporting

### UNIFORM GUIDANCE IMPACT

**Charges to Federal awards must be based on records that accurately reflect the work performed. Records must:**

- Be supported by a **system of internal controls** that provides reasonable assurance about the accuracy, allowability, and proper allocation of the charges
- Be incorporated into the entity's **official records**
- Reasonably reflect the **total activity for which the employee is compensated** by the entity, not exceeding 100% of compensated activities, or Institutional Base Salary
- **Encompass both Federally assisted and all other activities** compensated by the institution on an integrated basis, i.e. reflect 100% of the employee's activities
- Comply with the entity's established accounting policies and practices
- Support the distribution of the employee's salary and wages among **specific activities or cost objectives** if the employee works on multiple activities

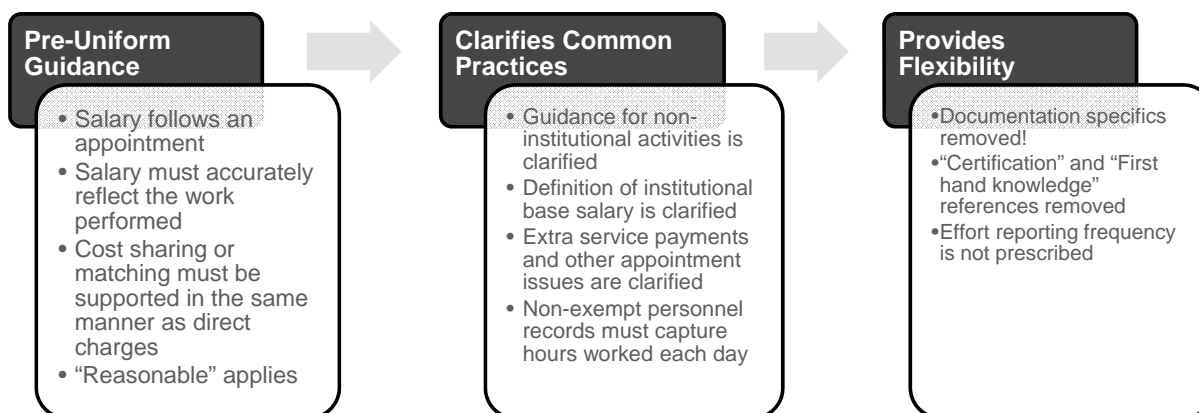


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## Time and Effort Reporting

### UNIFORM GUIDANCE IMPACT

The Uniform Guidance introduces a few new reforms and concepts...  
How these will translate to the audit landscape has yet to be seen.



## Time and Effort Reporting

### GOVERNMENTAL ACTION

#### Implementation Considerations:

- The new guidance also **encourages cognizant agencies to consider and approve alternatives** to traditional effort reporting, such as milestone- or performance-based approaches for compensation.
  - These alternatives must be approved by the cognizant agency in advance
- **Changes to payroll certification processes** can be implemented as institutions begin compliance with the new Uniform Guidance.
- **Changes to current processes can be incremental or more significant**, including the complete elimination of current institutional effort reporting systems, as long as the new processes (in place of effort reporting) meet the requirements of the Uniform Guidance.

*A wait and see approach....*



## Time and Effort Reporting

### MONITORING COMPLIANCE

✓	Review current effort reporting practices with an eye to streamline practices
✓	Do not discontinue current practices without extensive review – we do not know yet what auditors will do to test internal controls <ul style="list-style-type: none"> <li>Odds are – if your “old” Effort Reporting practices are sound, they will pass auditor standards under the Uniform Guidance</li> </ul>
✓	Shore-up any weaknesses in your internal processes <ul style="list-style-type: none"> <li>Monitoring effort reporting backlogs to determine if you are “current”</li> <li>Test certified effort against payroll to ensure they are in sync</li> </ul>
✓	Critically examine audit reports now that the Uniform Guidance has gone into effect to identify additional opportunities to streamline your process and maintain adequate internal controls

## Critical Changes and Implementation Approach

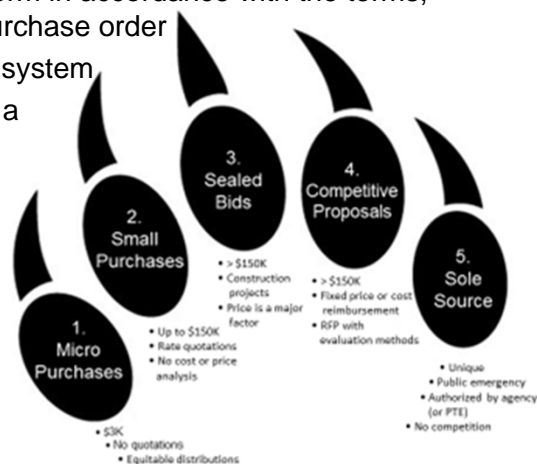
### PROCUREMENT

#### General Procurement Requirements:

- Maintain oversight to ensure that contractors perform in accordance with the terms, conditions, and specifications of the contract or purchase order
- Not required to maintain a contract administration system
- How the non-Federal entity maintains oversight is a matter of judgment

#### Procurement “Bear Claw”?

- Stepwise procurement method requirements outlined in the Uniform Guidance



Cited from Frequently Asked Questions for the OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards

## Procurement

### UNIFORM GUIDANCE IMPACT

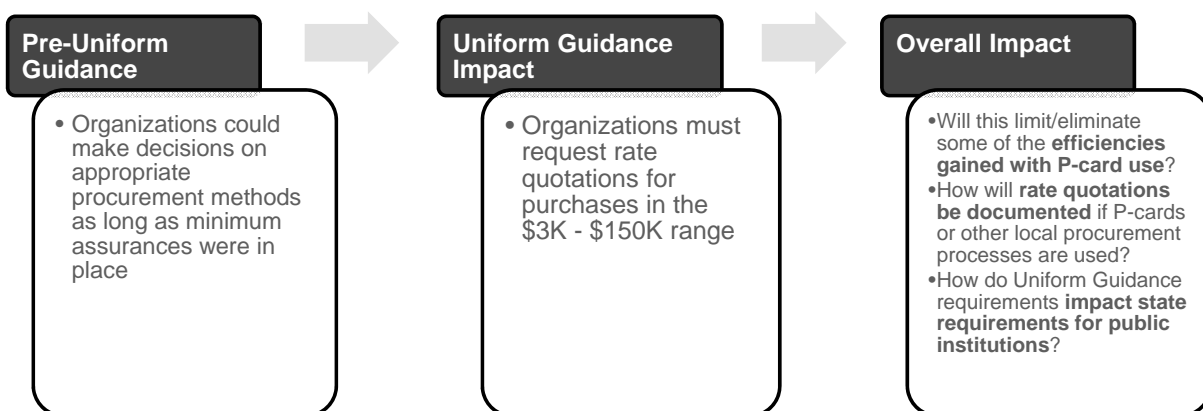
The Uniform Guidance is more prescriptive on standards for an organization's procurement processes, requiring:

- Documented policies
- Necessity of items procured on federal projects
- Full and open competition
- Mitigation and management processes for Conflict of Interest
- Minimum documentation
  - Cost and price analysis
  - Vendor selection





## Procurement

### UNIFORM GUIDANCE IMPACT

With the implementation of the UG, organizations with federally sponsored projects must adjust their policies related to the threshold for small purchases.



## Procurement MONITORING COMPLIANCE

- |   |  |
|---|--|
|  | Educate central procurement staff, as well as research administration staff and investigators, on the new federal procurement requirements   |
|  | Review and update organizational policies and procedures to allow for federal compliance <ul style="list-style-type: none"> <li>• Will different procedures be implemented for non-federal procurement actions?</li> </ul> |
|  | Determine organizational documentation requirements to demonstrate compliance with procurement requirements  |
|  | Develop internal audit processes to verify you are in compliance with new federal requirements – and can demonstrate it!   |

## Critical Changes and Implementation Approach SUBRECIPIENT MONITORING

The updated guidance allows for increased flexibility, it is important to note that there is also a greater emphasis on internal controls to ensure compliance

- Subrecipient and contractor determinations (200.330)
- Requirements for pass-through entities to issue, monitor and manage subawards (200.331)

**Substance of the  
Relationship**



**Form of the  
Agreement**

*Each agreement may have a varying set of criteria....  
Consider the make-up of each one, but establish a consistent,  
organizational mindset in line with federal requirements.*

## Subrecipient Monitoring

### UNIFORM GUIDANCE IMPACT

The Uniform Guidance specifically outlines the elements required to be included in any subaward agreement, which must be clearly identified as such by the pass-through entity.

The pass-through entity must:



- ☐ Include specific information in the subaward agreement, including indirect cost rate
- ☐ Conduct 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

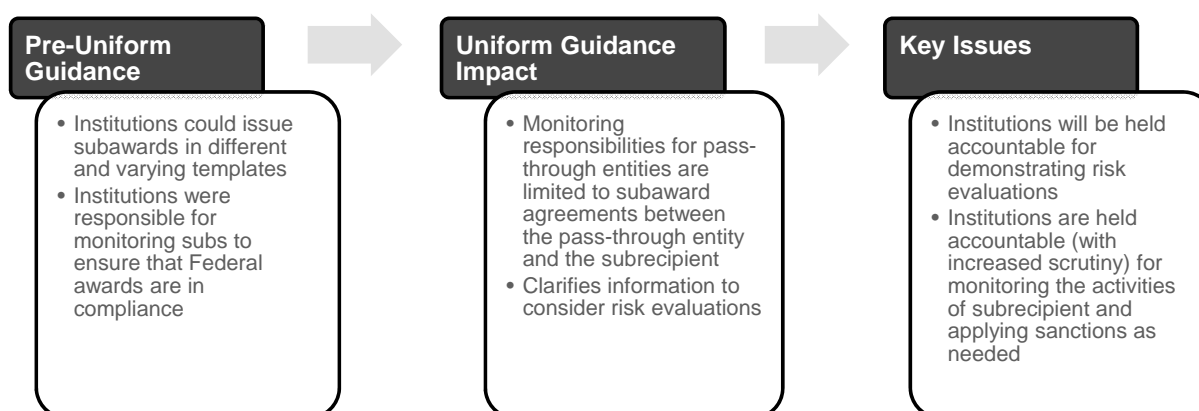


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## Subrecipient Monitoring

### UNIFORM GUIDANCE IMPACT





Subrecipient Monitoring and Management requirements are applicable to all Federal Awards and provide for additional specific guidance.



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## Subrecipient Monitoring

### MONITORING COMPLIANCE

- |   |  |
|---|--|
|  | Developing tools, such as a decision tree or matrix, to inform and guide staff in their classification decision making and to document determinations  |
|  | Review and update organizational policies and procedures to allow for federal compliance <ul style="list-style-type: none"> <li>• Do your policies address all the responsibilities of pass-through entities?</li> </ul> |
|  | Develop and enhance monitoring procedures and tools, communication templates and sample monitoring plans, to ensure proper accountability and compliance of subs   |
|  | Coordinate with your PIs to promote proper achievement of performance goals, such as requiring PI signature on all subrecipient invoices, to validate technical progress is in line with spending trends                 |

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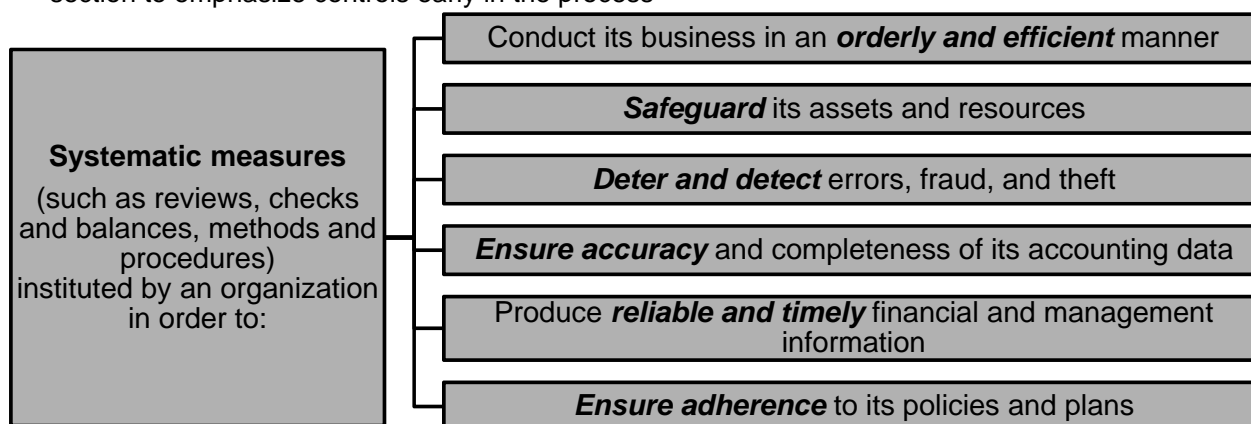
## Uniform Guidance: Emphasis on Internal Controls

## Emphasis on Internal Controls

### THE DEFINITION

Uniform Guidance requires grant recipients maintain internal controls.

The Internal Controls section was moved from the audit guidance section to the administrative section to emphasize controls early in the process



## Emphasis on Internal Controls

### THE BEST PRACTICES

The Uniform Guidance states that internal controls should be in line with guidance in:

- “Standards for Internal Control in the Federal Government” [i.e., **the Green Book**], issued by the Comptroller General of the United States
- “**Internal Control Integrated Framework**”, issued by the Committee of Sponsoring Organizations (COSO)
- **OMB Compliance Supplement, Part 6**

These documents contain best practices....BUT:

- It is not required to document or evaluate internal controls prescriptively in accordance with these documents
- It is not required to audit or reconcile technical differences
- Non-federal entities and their auditors should exercise judgment in determining the most appropriate and cost effective internal control in a given environment or circumstance to provide reasonable assurance for compliance with Federal program requirements

## Internal Controls

### MONITORING COMPLIANCE



Evaluate internal policies and procedures to ensure the right level of internal controls are integrated



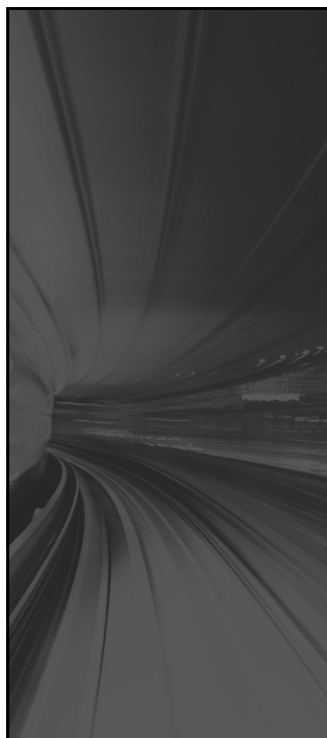
Evaluate internal policies and procedures to ensure the right level of internal controls are integrated



Consider developing a data-base to monitor compliance

- Analyze sponsor project financial data, cost allocations can point to control breakdowns
- Dashboards and reports

# Questions?



## Contact Information

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