



# Illinois Association of Community Action Agencies

Uniform Guidance for  
Program Managers

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# Uniform Guidance for Program Managers

Presented by:



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# Agenda

- › Uniform Guidance Overview
- › Award Requirements
- › Grantee vs. Contractor
- › Internal Controls
- › Costs Charged to the Federal Award
  - › Direct vs. Indirect
  - › Allowable vs. Unallowable
  - › Period of Performance
- › Procurement
- › Audit Requirements
- › Group Discussion
- › Questions

# Uniform Guidance Overview

# Uniform Guidance Overview

- › 2 CFR, Chapter II, Part 200
- › Supersedes and streamlines OMB Circulars – A-21, A-50, A-87, A-89, A-102, A-110, A-122 and A-133
- › Goals of guidance include:
  - › Reducing administrative burden
  - › Strengthening accountability for federal dollars
  - › Increasing management focus on performance outcomes
  - › Improving integrity of financial management

# Uniform Guidance Overview

- › Uniform Guidance is contained in six subparts:
  - › Subpart A, “Acronyms and Definitions” contains acronyms and definitions used throughout the Uniform Guidance
  - › Subpart B, “General Provisions,” discusses general provisions including the purpose of the Uniform Guidance, its applicability and effective date
  - › Subpart C, “Pre-Federal Award Requirements and Contents of Federal Awards” covers the administrative requirements directed primarily at federal agencies
  - › Subpart D, “Post Federal Award Requirements” covers administrative requirements including procurement, internal control and subrecipient monitoring
  - › Subpart E, “Cost Principles,” includes uniform cost principles for federal awards
  - › Subpart F, “Audit Requirements,” includes the Single Audit requirements

# Award Requirements



# Award Requirements

Information Contained in a Federal Award from Pass-Through:

- › Recipient name (must match name registered in Dun & Bradstreet (D-U-N-S))
- › Recipient D-U-N-S number
- › Unique Federal Award Identification Number (FAIN)
- › Federal award date
- › Period of Performance of Grant, including starting and ending date
- › Amount of federal funds obligated and awarded
- › General terms and conditions of grant
- › Performance goals

# Award Requirements

Information Contained in a Federal Award from Pass-Through:

- › Budget approved by federal awarding agency
- › Approved cost sharing or matching (if applicable)
- › Federal award project description
- › Name of federal awarding agency
- › Catalog of Federal Domestic Assistance (CFDA) number and name
- › Identification on whether award is research and development (R&D)
- › Indirect cost rate (if applicable) or if the de minimis rate of 10 percent is charged

# Award Requirements

- › The awarding agency must communicate all relevant public policy requirements and incorporate either directly or by reference in the terms and conditions of the award
- › Responsible for complying with all requirements of the Federal award
  - › Includes Federal Funding Accountability and Transparency Act (FFATA)

# Award Requirements

## › Performance Measurement

- › Awarding agencies must require the recipient to relate financial data to performance accomplishments of the award.
- › Goals are to improve program outcomes and share lessons learned
- › Must have clear performance goals, indicators and milestones

# Award Requirements

## › Financial Management

- › Financial management system of the recipient of grant award must provide the following:
  - › Identification of all federal awards received and expended by CFDA, name of Federal agency, and name of pass-through (if applicable)
  - › Accurate financial results of each federal award
  - › Records that identify the source and application of federal funds
  - › Effective control over all assets acquired with federal funds
  - › Comparison of expenditure and budgeted amount for each federal award
  - › Written procedures to implement payment requirements
  - › Written procedures for determining allowability of costs

# Award Requirements

## › Monitoring and Reporting Program Performance

- › Monitor activities to assure compliance
- › Performance reports
  - › At required intervals
  - › Using approved reports
  - › Significant developments

# Grantee vs. Contractor

# Grantee vs. Contractor

- › May receive Federal awards as a recipient, a subrecipient, and a contractor

## 2 CFR 200.23 Contractor.

- › *Contractor* means an entity that receives a contract as defined in § 200.22 Contract.

## 2 CFR 200.22 Contract

- › *Contract* means a legal instrument by which a non-Federal entity purchases property or services needed to carry out the project or program under a Federal award. The term as used in this Part does not include a legal instrument, even if the non-Federal entity considers it a contract, when the substance of the transaction meets the definition of a Federal award or subaward

# Grantee vs. Contractor

## 2 CFR 200.86 Recipient.

- › *Recipient* means a non-Federal entity that receives a Federal award directly from a Federal awarding agency to carry out an activity under a Federal program. The term recipient does not include subrecipients.

## 2 CFR 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; but does not include an individual that is a beneficiary of such program. A subrecipient may also be a recipient of other Federal awards directly from a Federal awarding agency.

# Grantee vs. Contractor

- › A subaward is for the purpose of carrying out a portion of a Federal Award
- › Characteristics of a subrecipient:
  - › Determine eligibility
  - › Performance measured in relation to meeting program objectives
  - › Has programmatic decision making responsibility
  - › Uses Federal funds to carry out the program for a public purpose vs. providing goods or services for the benefit of the pass-through entity

# Grantee vs. Contractor

- › A contract is for the purpose of obtaining goods and services for the non-Federal entity's own use and creates a procurement relationship
- › Characteristics of a procurement relationship:
  - › Provides goods and services within normal business operations
  - › Provides similar goods and services to many different purchasers
  - › Operates in a competitive environment
  - › Goods and services provided are ancillary to the operation of the Federal program
  - › Not subject to compliance requirements of the Federal program

## Grantee vs. Contractor

- › Substance of the relationship more important than the form of the agreement
- › Not all characteristics present in all cases

# Grantee vs. Contractor

- › If passing through funds to another entity additional requirements apply
  - › Ensure that subawards are clearly identified to subrecipient by including all the required federal award identification (CFDA, amount, term, etc.).
  - › Monitoring the subrecipient includes:
    - › Performing a risk assessment of the subrecipient prior to making subaward and documenting that process
    - › Ensuring that the subaward is being used for authorized purposes.
    - › Reviewing financial and programmatic reports
    - › Following-up on deficiencies noted in prior reviews
    - › Verifying that audit is conducted (and Single Audit if applicable) on subrecipient
    - › Considering agreed upon procedures, if necessary

# Internal Controls

# Internal Controls

- › Means a process, implemented by a non-Federal entity, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:
  - › (a) Effectiveness and efficiency of operations;
  - › (b) Reliability of reporting for internal and external use; and
  - › (c) Compliance with applicable laws and regulations.

# Internal Control

- › Establish and maintain effective internal control to:
  - › Comply with Federal statutes, regulations, and the terms and conditions of the Federal award
  - › Evaluate and monitor noncompliance
  - › Take action when noncompliance is identified
  - › Safeguard protected information and other sensitive information

# Internal Controls

- › Part of the entire grant cycle
- › Support effectiveness
- › Balance between controls and risk
  - › Assess risks
  - › Strength of controls
  - › Cost vs. benefit

# Internal Controls

## Compliance Supplement – Part 6

Components of Internal Control	Principles
<b>A. Control Environment</b>	<ol style="list-style-type: none"><li>1. Demonstrate Commitment to Integrity and Ethical Values</li><li>2. Exercise Oversight Responsibility</li><li>3. Establish Structure, Responsibility and Authority</li><li>4. Demonstrate Commitment to Competence</li><li>5. Enforce Accountability</li></ol>
<b>B. Risk Assessment</b>	<ol style="list-style-type: none"><li>1. Define Objectives and Risk Tolerances</li><li>2. Identify, Analyze, and Respond to Risks</li><li>3. Assess Fraud Risk</li><li>4. Identify, Analyze, and Respond to Change</li></ol>
<b>C. Control Activities</b>	<ol style="list-style-type: none"><li>1. Design Control Activities</li><li>2. Design Activities for the Information System</li><li>3. Implement Control Activities</li></ol>
<b>D. Information and Communication</b>	<ol style="list-style-type: none"><li>1. Use Quality Information</li><li>2. Communicate Internally</li><li>3. Communicate Externally</li></ol>
<b>E. Monitoring</b>	<ol style="list-style-type: none"><li>1. Perform Monitoring Activities</li><li>2. Evaluate Issues and Remediate Deficiencies</li></ol>

# Internal Controls

- › **Control Environment** - foundation for an internal control system. It provides the discipline and structure to help an entity achieve its objectives.
- › Sense of conducting operations ethically
- › There is a governing Board or equivalent that is responsible for engaging the auditor, receiving all reports and communications from the auditor, and ensuring that audit findings and recommendations are adequately addressed, and they fulfill those responsibilities.
- › Key managers' responsibilities are clearly defined.
- › The Board has established an Audit Committee
- › Key managers have adequate knowledge and experience to discharge their responsibilities

# Internal Controls

## › Control Environment

- › Management's commitment to competence ensures that staff receive adequate training to perform their duties
- › Staff are knowledgeable about compliance requirements and are given responsibility to communicate all instances of noncompliance to management.
- › Management demonstrates respect for and adherence to program compliance requirements.
- › Management initiates positive responsiveness to prior compliance and control findings.
- › Management makes evident its support of adequate information and reporting systems.

# Internal Controls

- › Risk Assessment - assesses the risks facing the entity as it seeks to achieve its objectives. This assessment provides the basis for developing appropriate risk responses.
- › Program managers and staff understand and have identified key compliance objectives and risk tolerances.
  - › Management is aware of results of monitoring, audits, and reviews, and considers related risk of noncompliance.
  - › Management and employees identify, analyze, and adequately respond to risks related to achieving the defined objectives.

# Internal Controls

## › Risk Assessment

- › The organizational structure provides identification of risks of noncompliance
  - › Key managers have been given responsibility to identify and communicate changes.
  - › Employees who require close supervision (e.g., they are inexperienced) are identified
  - › Management has identified and assessed complex operations, programs, or projects.

# Internal Controls

## › Risk Assessment

- › Management considers the potential for fraud when identifying, analyzing, and responding to risk. This assessment includes at a minimum the following:
  - › types of fraud,
  - › fraud risk factors, and
  - › response to fraud risks.
- › Processes are established to implement significant changes in program objectives and procedures.

# Internal Controls

- › **Control Activities** - the actions management establishes through policies and procedures to achieve objectives and respond to risks in the internal control system, which includes the entity's information system.
- › Adequate segregation of duties is provided between performance, review, and recordkeeping of a task.
- › Computer and program controls include:
  - › Data entry controls, e.g., edit checks.
  - › Exception reporting.
  - › Access controls.
  - › Reviews of input and output data.
- › Computer general controls and security controls.

# Internal Controls

## › Control Activities

- › Supervision of employees is commensurate with their level of competence.
- › Personnel possess adequate knowledge and experience to discharge their responsibilities.
- › Operating policies and procedures exist and are clearly written and communicated.
- › Procedures are in place to implement changes in statutes, regulations, and the terms and conditions affecting Federal awards.
- › Management prohibits intervention or overriding established controls.

# Internal Controls

## › Control Activities

- › Equipment, inventories, cash, and other assets secured physically and periodically counted and compared to recorded amounts.
- › If there is a governing Board, the Board conducts regular meetings where financial information is reviewed and the results of program activities and accomplishments are discussed. Written documentation is maintained of the matters addressed at such meetings.

# Internal Controls

- › **Information and Communication** - the quality of information management and personnel communicate and use to support the internal control system.
- › The accounting system provides for separate identification of Federal and non-Federal transactions and allocation of transactions applicable to both. Adequate source documentation exists to support amounts and items reported. A recordkeeping system is established to ensure that accounting records and documentation are retained for the time period required in the statutes, regulations, and the terms and conditions applicable to the program.
- › Accurate information is accessible to those who need it.
- › Reports are provided timely to managers for review and appropriate action.
- › Reconciliations and reviews ensure accuracy of reports.

# Internal Controls

## › Information and Communication

- › Established internal and external communication channels exist.
  - › Staff meetings.
  - › Bulletin boards.
  - › Memos, circulation files, e-mail.
  - › Surveys, suggestion box.
- › Employees' duties and control responsibilities are effectively communicated.
- › Channels of communication for people to report suspected improprieties have been established.
- › There are established channels of communication between the pass-through entity and subrecipients.
- › Actions are taken as a result of communications received.

# Internal Controls

- › **Monitoring** - activities management establishes and operates to assess the quality of performance over time and promptly resolve the findings of audits and other reviews.
- › Ongoing monitoring is built-in through independent reconciliations, staff meeting feedback, rotating staff, supervisory review, and management review of reports.
- › Periodic site visits are performed at decentralized locations (including subrecipients' locations) and checks are performed to determine whether procedures are being followed as intended.
- › Management meets with program monitors, auditors, and reviewers to evaluate the condition of the program and controls.
- › Management follows up on irregularities and deficiencies to determine the cause.

# Internal Controls

## › Monitoring

- › Internal quality control reviews are performed.
- › Internal audit routinely tests for compliance with Federal requirements.
- › If there is a governing Board, the Board reviews the results of all monitoring or audit reports and periodically assesses the adequacy of corrective action.

# Costs Charged to the Federal Award

# Direct vs. Indirect Costs

## › Direct Costs (2 CFR 200.413)

*› Those costs that can be identified specifically with a particular final cost objective, such as a Federal award, or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy. Costs incurred for the same purpose must be treated consistently as either direct or indirect (F&A) costs.*

## › Indirect (Facilities & Administrative (F&A)) Costs (2 CFR 200.56)

*› Those costs incurred for a common or joint purpose benefitting more than one cost objective, and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved. To facilitate equitable distribution of indirect expenses to the cost objectives served, it may be necessary to establish a number of pools of indirect (F&A) costs. Indirect (F&A) cost pools must be distributed to benefitted cost objectives on bases that will produce an equitable result in consideration of relative benefits derived.*

# Direct vs. Indirect Costs

- › Indirect costs are those remaining to be allocated after direct costs have been determined and charged (Appendix IV to Part 200)
- › Direct costs may be treated as an indirect costs if it is a minor item and the accounting treatment is consistently applied
- › Treatment must be consistently applied in like circumstances
- › Costs of activities performed as a service to members, clients, or general public that are necessary to the mission must be allocated an equitable share of indirect costs

# Allowable vs. Unallowable Costs

- › To be allowable under Federal awards the cost must be:
  - › Reasonable and necessary
  - › Conform to any limitations or exclusions
  - › Consistent with policies and procedures that apply uniformly to both Federal and non-Federal activities
  - › Treated consistently
  - › Determined in accordance with generally accepted accounting principles (GAAP)
  - › Not included as a cost or used to meet cost sharing or matching requirements of another Federal award
  - › Documented

# Allowable vs. Unallowable Costs

- › A cost is reasonable if “in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost”
- › Consideration given to:
  - › Is the type of cost generally recognized as ordinary and necessary
  - › Requirements of other factors (business practices, arm's length transaction, etc.)
  - › Individuals acted prudently
  - › Deviates from established policies and practices

# Allowable vs. Unallowable Costs

- › Allocable Costs
- › Can be distributed to Federal award(s) and non-Federal activities in proportion to the benefits received
- › Necessary to the overall operation and assignable to the Federal award
- › All activities benefiting from the indirect costs receive an allocation
  - › Includes unallowable activities
- › Cannot be charged to overcome deficiencies or to avoid restrictions
  - › Does not preclude from shifting of allowable costs between programs
- › Direct allocation
  - › If the proportion of benefit provided to two or more activities can be determined without undue effort, the cost is allocated based on the proportion of benefit received
  - › If proportional benefit cannot be easily determined costs may be allocated based on a reasonable documented basis

# Subpart E – Cost Principles

200.420 Considerations for selected items of cost.  
200.421 Advertising and public relations.  
200.422 Advisory councils.  
200.423 Alcoholic beverages.  
200.424 Alumni/ae activities.  
200.425 Audit services.  
200.426 Bad debts.  
200.427 Bonding costs.  
200.428 Collections of improper payments.  
200.429 Commencement and convocation costs.  
200.430 Compensation—personal services.  
200.431 Compensation—fringe benefits.  
200.432 Conferences.  
200.433 Contingency provisions.  
200.434 Contributions and donations.  
200.435 Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringements.  
200.436 Depreciation.  
200.437 Employee health and welfare costs.  
200.438 Entertainment costs.

200.439 Equipment and other capital expenditures.  
200.440 Exchange rates.  
200.441 Fines, penalties, damages and other settlements.  
200.442 Fund raising and investment management costs.  
200.443 Gains and losses on disposition of depreciable assets.  
200.444 General costs of government.  
200.445 Goods or services for personal use.  
200.446 Idle facilities and idle capacity.  
200.447 Insurance and indemnification.  
200.448 Intellectual property.  
200.449 Interest.  
200.450 Lobbying.  
200.451 Losses on other awards or contracts.  
200.452 Maintenance and repair costs.  
200.453 Materials and supplies costs, including costs of computing devices.  
200.454 Memberships, subscriptions, and professional activity costs.

200.455 Organization costs.  
200.456 Participant support costs.  
200.457 Plant and security costs.  
200.458 Pre-award costs.  
200.459 Professional service costs.  
200.460 Proposal costs.  
200.461 Publication and printing costs.  
200.462 Rearrangement and reconversion costs.  
200.463 Recruiting costs.  
200.464 Relocation costs of employees.  
200.465 Rental costs of real property and equipment.  
200.466 Scholarships and student aid costs.  
200.467 Selling and marketing costs.  
200.468 Specialized service facilities.  
200.469 Student activity costs.  
200.470 Taxes (including Value Added Tax).  
200.471 Termination costs.  
200.472 Training and education costs.  
200.473 Transportation costs.  
200.474 Travel costs.  
200.475 Trustees.

# Period of Performance

- › **2 CFR 200.77 Period of performance** means the time during which the non-Federal entity may incur new obligations to carry out the work authorized under the Federal award. The Federal awarding agency or pass-through entity must include start and end dates of the period of performance in the Federal award
- › **2 CFR 200.458 Pre-award costs** are those incurred prior to the effective date of the Federal award directly pursuant to the negotiation and in anticipation of the Federal award where such costs are necessary for efficient and timely performance of the scope of work. Such costs are allowable only to the extent that they would have been allowable if incurred after the date of the Federal award and only with the written approval of the Federal awarding agency

# Procurement

# Procurement

## › General Procurement Standards

- › Must maintain written standards of conduct covering conflicts of interest
- › Must avoid acquisition of unnecessary or duplicate items and considering consolidating procurements for more economical purchasing
- › Encouragement to enter into intergovernmental agreements
- › Use of surplus property before purchasing new equipment
- › Must award contracts to only responsible contractors who possess the ability to perform the contract with integrity
- › Must maintain records for the procurement history including rationale for selection of contractor and basis for contract price

# Procurement

## › Conflict of Interest

- › Non-federal entity must disclose in writing any potential conflict of interest to the federal awarding agency or pass-through entity
- › Program managers should be aware of contracts entered into under their program(s). This person should be assigned
- › Responsible for notifying the proper staff and/or governing body (i.e., the key decision makers) about these contracts and soliciting written responses regarding conflicts of interest
- › The same may be true for program participants. Relationships between those determining eligibility and program applicants should be disclosed

# Procurement

- › **Conducted in a manner providing full and open competition**
- › **Situations considered to restrict competition**
  - › Unreasonable requirements to qualify to do business
  - › Require unnecessary experience or unreasonable bonding
  - › Noncompetitive pricing practices
  - › Noncompetitive contracts to consultants on retainer
  - › Conflicts of interest
  - › Specifying a “brand name”
  - › Any arbitrary action

# Procurement

- › **Procurements conducted in a manner that prohibits use of statutorily or administratively imposed geographic preferences, except where expressly mandated or encourages**
- › **Have written procedures that:**
  - › Incorporate clear and accurate description of technical requirements
    - › Must not contain features that unduly restrict competition
    - › Avoid detailed product specifications, when possible
  - › Identify all requirements that must be fulfilled and other factors used in evaluation
  - › Ensure all prequalified lists are current and include enough sources to ensure open and free competition

# Procurement

## › Methods of Procurement to be Followed

- › Micro-purchases of supplies and services less than \$3,000 do NOT require quotes to be received and effort should be made to evenly distribute these purchases to qualified suppliers.
- › Small purchases from supplies and services between \$3,000 and \$150,000 do require quotes, but NO pricing analysis.
- › Sealed bids are required for purchases of \$150,000 or more and require public solicitation, firm fixed price contract is awarded and must include at least two responsible bidders. Bids will be opened publicly and award is usually to lowest bidder (based on fixed price).

# Procurement

## › Methods of Procurement to be Followed

- › Competitive proposals used for projects over \$150,000 and may be fixed price or cost reimbursement
  - › This method is typical for architectural/engineering professional services and price is not used; instead contract is awarded to most qualified competitor with compensation subject to negotiation
- › Entities are permitted to delay implementation of procurement guidance, however, this election in delay must be in writing and included in their internal procurement policies. Procedures must be implemented for the year beginning in 2018.

# Procurement

## › Bonding Requirements

- › Construction or facility improvements over \$150,000 must have the following:
  - › Bid guarantee from each bidder equal to 5 percent of the bid price.
  - › Bid bond or certified check are preferred
- › Performance bond on the part of the contractor for 100 percent of contract price.
- › Payment bond on the part of the contractor for 100 percent of the contract price.

# Audit Requirements

# Audit Requirements

- › Non-Federal entity expending \$750,000 during the entity's fiscal year must have a single or program specific audit
  - › Program specific audit allowed when funds expended under only one Federal program and the award terms do not require a financial statement audit
- › Expenditures include Federal loan and loan guarantee programs and Federal non-cash assistance (free rent, food commodities, donated property)

# Audit Requirements

- › Audit performed in accordance with *Generally Accepted Government Auditing Standards (GAGAS)*
  - › Report on internal control and compliance with provisions of laws, regulations, contracts and grant agreements
  - › Communicate deficiencies in internal control, fraud, noncompliance with provisions of laws, regulations, contracts and grant agreements
- › **Financial Statements**
  - › Presented fairly in all material respects in accordance with generally accepted accounting principles
- › **Internal control**
  - › Perform procedures to obtain understanding of internal control over Federal programs
- › **Compliance**
  - › Determine compliance with Federal statutes, regulations, and the terms and conditions of Federal award that may have a direct and material effect of each of the major programs



# Audit Requirements

- › Auditor Selection

- › Independence

- › Fact and appearance
- › Nonaudit services

- › Competence

- › Possess professional competence to address audit objectives and perform work in accordance with GAGAS
- › Continuing professional education

- › Quality Control and Assurance

- › System of quality control
- › Peer review

# Audit Requirements

## › Audit Costs

- › A reasonably proportionate share of the costs of audits required by, and performed in accordance with the Single Audit Act are allowable
- › Costs of auditing an entity not required to have a Single Audit (below \$750,000 of Federal expenditures) are not allowable

# Audit Requirements

- › **How To Be Audit Ready**

- › **Policies and procedures**

- › **Documentation to support:**

- › Salaries and wages
- › Expenses
- › Matching
- › Eligibility

- › **Testing to be performed**



# Small Group Discussion

# Questions?

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