

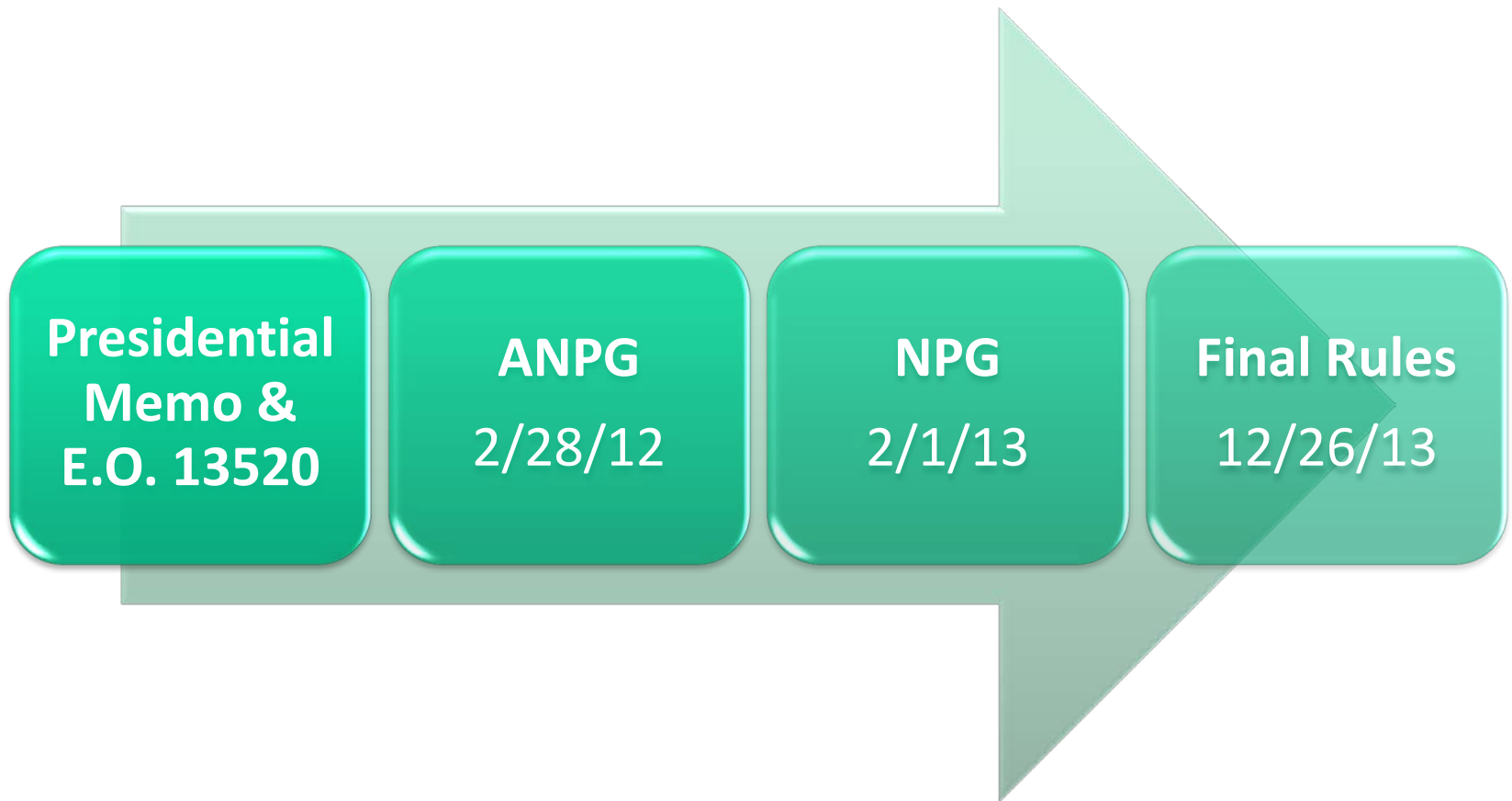
OMB's "Super Circular" & Grant Reforms

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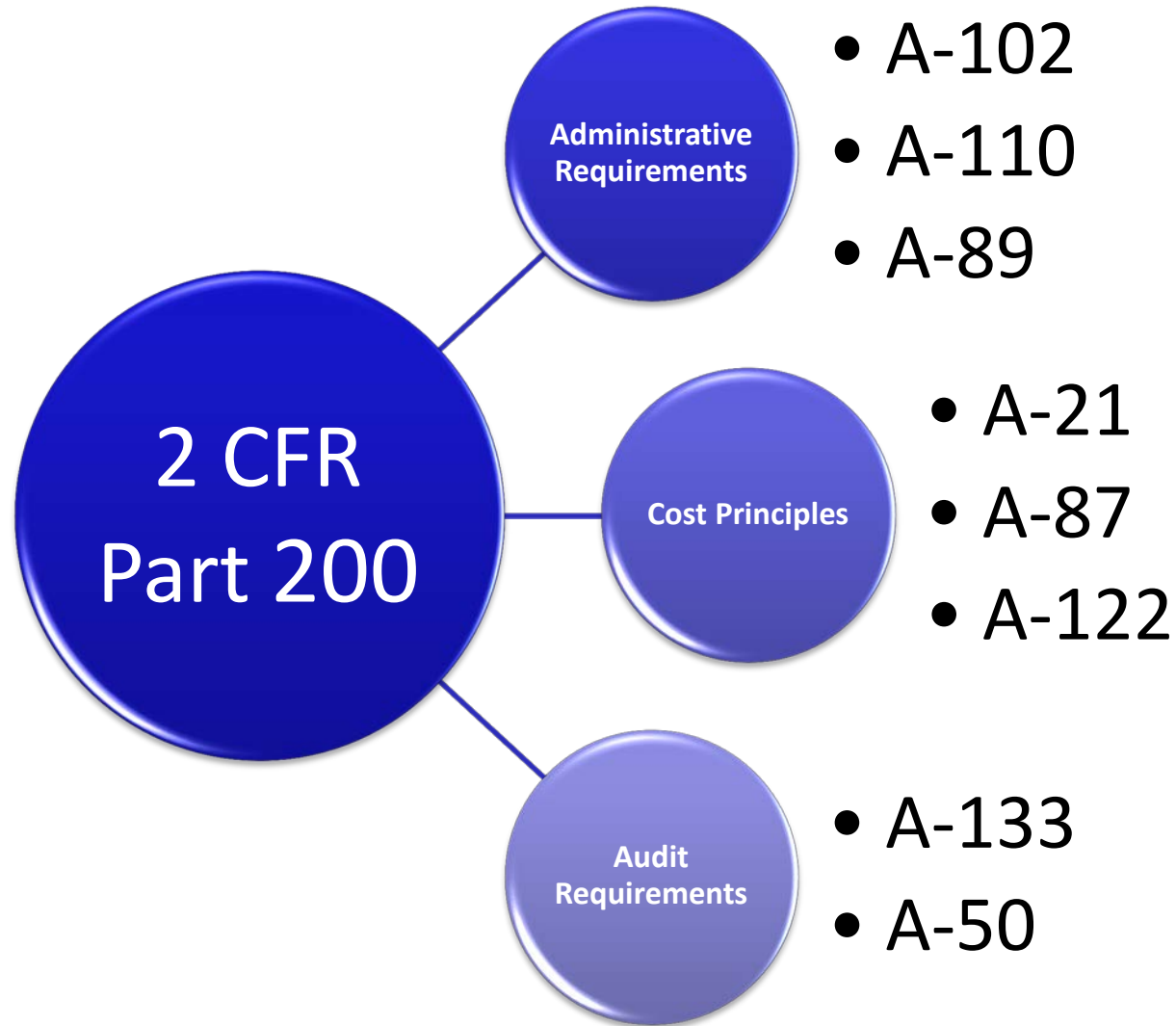
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History of Grant Reforms

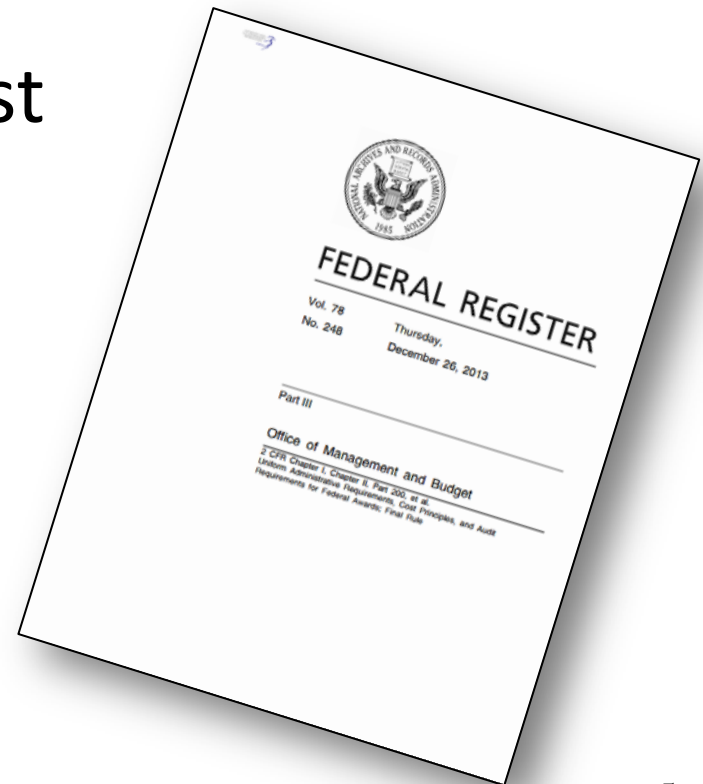


Eight Circulars, Codified



Effective Date

- Effective immediately for federal agencies
 - 6 months to draft implementing regulations
- Non-federal entities must comply on 12/26/14
- Effective for audits with FYs beginning after 12/26/14



Administrative Requirements

Procurement Standards

- Takes majority of language from A-102
- Institutions must maintain oversight to ensure contractors perform as promised
- Organizational conflicts of interest
- New “Micro-purchases” category: $\leq \$3,000$

Performance Measurement

- Funding agency must require recipient to relate financial data to performance requirements of the award
- Recipients must provide cost information to demonstrate cost-effective practices

Internal Controls

- Must establish and maintain effective internal controls over federal awards
- Should follow guidance from US Comptroller General and COSO
- Safeguard PII and other sensitive information

Cost Sharing

- Voluntary committed cost sharing is not expected under federal research proposals
- Only mandatory cost sharing and cost sharing specifically committed in the project budget must be included in the organized research base

Pass-Through Entity Requirements

- Several data elements to be provided with subawards
 - Includes subrecipient's F&A rate (or 10 percent de minimis rate)
- Evaluate subrecipient's risk of noncompliance
- Monitor activities of subrecipient

Cost Principles

Direct Costs

- If all conditions are met, administrative and clerical salaries can be directly charged
 - Services are integral to project/activity
 - Individuals can be specifically identified
 - Costs are explicitly included in budget
 - Costs are not also recovered as indirect costs

Indirect Costs

- Agencies must accept a negotiated indirect cost rate
- Entities with no negotiated rate may use a de minimis rate of 10 percent of modified total direct costs
- Entities with approved rates can apply for a one-time extension (up to four years)

Utility Cost Adjustment

- Available to all institutions
- Up to 1.3 percent
- OMB provides method to calculate cost when accurate metering is not possible

Cost Accounting Standards & Disclosure Statement

- When awards total \$50M or more, institutions must comply with Federal Acquisition Regulation Cost Accounting Standards and submit a disclosure statement (DS-2)
 - Amendments to DS-2 must be submitted six months before changes to practices
 - If no word from cognizant agency, you may proceed

Materials and Supplies

- Materials and supplies used for performance of award may be charged as direct costs.
- Computing devices treated as supplies if acquisition cost is less than capitalization level or \$5,000

Audit Requirements

Intent of Changes to Audit Requirements

- Concentrate audit resources, oversight, and resolution on higher dollar, higher risk federal awards; improved audit quality
- The focus:
 - Strengthen audit procurement procedures
 - Increase the dollar threshold triggering the required audit
 - Reduce the number of compliance issues to be tested
 - Clarify and streamline the determination of federal programs to be tested
 - Improve reporting of audit findings
 - Better coordinate the resolution of audit findings and achieve corrective actions where warranted

Retaining What's Worked

- Basis for determining federal awards expended
- Relationship to other audit requirements
- Frequency of audits
- Single vs. Program- specific audits

Topics with Key Changes

- Auditor selection
- Increase in audit threshold
- Extent of compliance testing
- Determination of major programs
- Criteria for "Low Risk" auditee
- Audit findings
- Audit reporting

Auditor Selection

- Criteria for selection identified (200.509(a))
- Auditee must request and auditor must provide most recent peer review report

Audit Threshold

- Raise audit threshold from \$500K to \$750K
- Still will cover 99.7% of all federal awards with a Single Audit
- 81% of all recipients will still receive a Single Audit
- 5,000 out of approximately 37,500 entities that previously received a Single Audit will no longer get one

SEFA changes

- Schedule of Expenditures of Federal Awards (SEFA) must include:
 - The total amount provided to subrecipients from each Federal program
 - Footnotes to SEFA should note whether entity elected to use the 10% de minimus cost rate as covered in 200.414 Indirect (F&A) costs



Reduce Number of Compliance Issues Tested - Tentative

- Based on prior proposed revisions
- Official guidance will arrive when 2015 OMB Compliance Supplement is released



Reduce Number of Compliance Issues Tested

- Current

- Activities allowed and unallowed
- Allowable costs/cost principles
- Cash management
- Davis-Bacon Act
- Eligibility
- Equipment and Real Property Management
- Matching, level of effort, earmarking
- Period for availability of funds
- Procurement, suspension and debarment
- Program income
- Real property acquisition and relocation assistance
- Reporting
- Subrecipient monitoring
- Special tests and provisions

- Future?

- Allowable activities and costs
- Cash management
- Eligibility
- Reporting
- Subrecipient monitoring
- Special tests and provisions

Major Program Determination

- Still a risk based approach
- Step 1- Identify large Type A programs (new parameters based on \$ size or % of federal funds and modifications to large loan program guidance)
- Step 2- Identify Type A programs that are low risk(risk criteria have been modified)
- Step 3- Identify Type B programs that are high risk (# of Type B programs to be risk assessed has been limited)
- Step 4- Finalize major programs
 - All high risk Type A programs
 - All Type B programs determined to be high risk
 - Any additional need to comply with the % of coverage rule

Major Program Determination

Federal Awards Expended	Type A/B Threshold
>\$750,000 but < \$25 Million	\$750,000
>\$25 Million but < \$100 Million	.03 x federal awards expended
>\$100 million but < \$1 Billion	\$3 Million
>\$1 Billion but < \$10 Billion	.003 x federal awards expended
>\$10 Billion but < \$20 Billion	\$30 Million
>\$20 Billion	.0015 x federal awards expended

Low Risk Type A Programs

- Audited as major at least once in prior two years
- No material weaknesses in program internal control
- No modified opinion on compliance
- Known or likely questioned costs must not exceed 5% of federal program expenditures

Type A Program Threshold and Loan Programs

- The inclusion of large loans and loan guarantees in a program should not result in the exclusion of other programs as Type A programs
- Large loan programs (defined as 4 times the largest non-loan program) are considered Type A programs and are also excluded from the total federal awards when determining the threshold for other Type A programs
- **For this purpose , a loan program is only considered as such if the value of Federal awards expended for loans within that program comprises 50% or more of the total federal awards expended in that program**

Type B Risk Assessments

- Must only do risk assessments on Type B programs until arrive at $\frac{1}{4}$ the number of low risk type A programs
- Need only perform risk assessments on the Type B programs that exceed 25% of the Type A program threshold
- other historical Type B risk assessment considerations apply

Percentage of Coverage Rule

- Not a low risk auditee – 40% of federal awards expended (formerly 50%)
- Low risk auditee – 20% of federal awards expended (formerly 25%)

Low Risk Auditee Status

Two year lookback on the following:

- single audits performed
 - including whether submitted to Clearinghouse timely
- unmodified GAAP opinion
- **the auditor did not report a substantial doubt about the auditee's ability to continue as a going concern**
- no GAGAS material weaknesses
- no material weaknesses on internal control at major program level
- no modified opinion on compliance at major program level
- no known or likely questioned costs that exceed 5% of program expenditures

Audit Findings

- Example format: " Finding 2015-001"
- Federal program name, CFDA #
- Criteria
- Condition
- Cause
- Possible asserted effect
- Questioned costs (if any)
- Perspective of Prevalence of Condition Information- # of errors, size of sample, size of population
- Whether or not repeat finding
- Recommendations
- Views of responsible officials

Questioned Costs

- Questioned costs threshold changes from \$10k to \$25k
 - Known questioned costs > \$25k
 - Likely questioned costs > \$25k



Audit Findings Follow Up by Auditee

- Must prepare a summary schedule of prior audit findings
 - If corrected, list the prior finding and state corrective action was taken
 - If partially corrected or not corrected, must describe the reasons for the finding's recurrence and planned corrective action taken.
 - If auditee believes finding is no longer valid, must describe position why no longer valid
 - **Summary schedule must include federal award findings and findings related to the financial statements which are required to be reported under GAGAS**

Audit Findings Follow Up by Auditee

- Corrective Action Plan elements
 - Address each audit finding in current year report
 - Name of contact person responsible for remediation
 - The remediation plan
 - Anticipated completion date for remediation plan
 - If disagree with audit finding, reasons behind disagreement must be disclosed
- **Corrective Action Plan must be in a document separate from the auditor's findings**

Single Audits on the Web

- Subrecipient only required to submit report to FAC & no longer required to submit to recipient
- Pass through entity no longer required to retain copy of subrecipient audit as it is on Web
- Requires FAC to make the reporting packages available to the public
- Reporting packages should be void of protected personally identifiable information

Single Audit Reporting Package

- Financial Statements and SEFA
- Auditors' Reports
- Summary Schedule of Prior Audit Findings
- Corrective Action Plan
- Data Collection Form

Going Forward

- COFAR guidance metrics
- Technical corrections
- Agencies developing implementation regulations

- www.NACUBO.org
- cfo.gov/COFAR
- [NACUBO Annual Meeting](#) (Seattle, July 19-22)
- [Federal Register notice](#) (12/26/13)
- [AICPA's Governmental Audit Quality Center](#)

Questions

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