Implementing the Uniform Guidance

U.S. Department of Education

Agenda

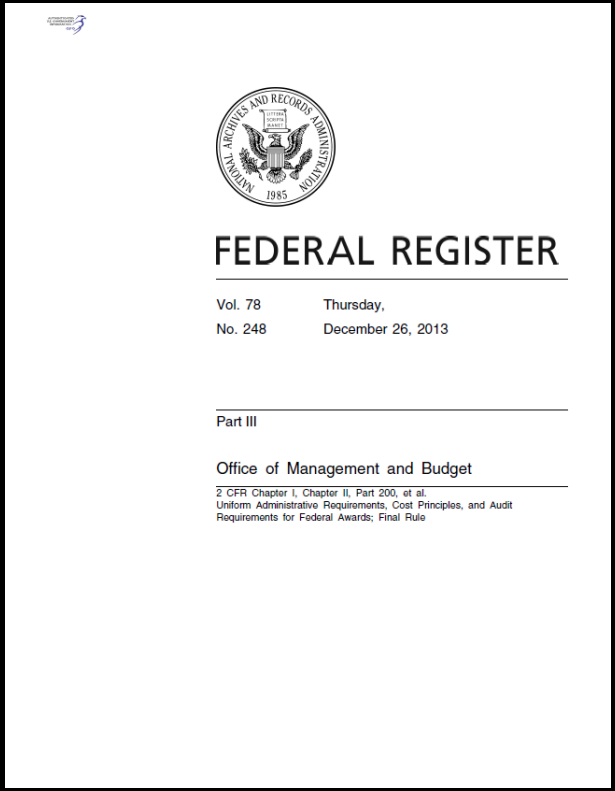
- Goals of the Uniform Guidance and key takeaways
- Department adoption of and preparation for implementing the guidance
- Guided tour of the Uniform Guidance and key changes to it
- Timeline – when changes impact your grant
- Resources for technical assistance and training

Goals of the Uniform Guidance and Key Takeaways

- Streamline and consolidate eight existing OMB Circulars
  - Reduce administrative burden, increase flexibility, and improve outcomes
- New “time and effort” flexibilities
- Audit threshold changes
- Effective dates for key changes
- Department training at no cost

Department Activities in Preparation

- The Department worked closely with OMB to prepare for implementation of the guidance:
  - New guidance adopted / EDGAR regulations modified
  - Non-regulatory policies being updated
  - Training and resources for Department staff and grantees being developed



FEDERAL REGISTER

Vol. 78 Thursday,
No. 248 December 26, 2013

Part III

Office of Management and Budget

2 CFR Chapter I, Chapter II, Part 200, et al.
Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards; Final Rule

The Uniform Guidance follows the life-cycle of a grant:

- Subpart A – Acronyms and Definitions
- Subpart B – General Provisions
- Subpart C – Pre-Award Requirements
- Subpart D – Post-Award Requirements
- Subpart E – Cost Principles
- Subpart F – Audit Requirements
- Appendices III-V and VII – Indirect Cost and Cost Allocation Plans
- Appendix XI – Compliance Supplement

From Circulars to the Uniform Guidance

Now	Starting 12/26/2014
Circulars A-89, A-102, A-110	Uniform Guidance Subparts B, C and D
Circulars A-21, A-87, A-122	Uniform Guidance Subpart E
Circulars A-133, A-50	Uniform Guidance Subpart F
EDGAR Parts 75 to 99	EDGAR Parts 75-80 and 81-99
EDGAR Parts 74 and 80	Become part of the Uniform Guidance

Key Changes

Pre-Award

The Grant Award Notification (GAN)

The Department is in the process of updating the GAN

- Increased transparency in the terms and conditions of GAN:
  - Updated regulatory citations
  - Formatting changes
  - Indirect Cost Rate included

Exceptions - Department's Use of High Risk

- Under 2 CFR 3474.10, the Secretary can make exceptions from part 200 for classes of Federal awards or non-Federal entities after consulting with OMB.
- Although the Uniform Guidance authorizes specific conditions to address risk, it does not include "high risk" designations.
  - The Department will continue to use the "high risk" designation.
  - The Department will use the standards in the Uniform Guidance to impose specific or "high risk" conditions on grants.

Definition of Grants and Cooperative Agreements

A grant by any other name is still a grant

- 2 CFR part 200 definitions of “cooperative agreement” and “grant agreement” cannot be used inter-changeably
- The Department amended 34 CFR Part 77 so program regulations can continue to use the terms “grant” and “award” to refer to both grants and cooperative agreements.

Key Changes

Post-Award

Key Changes in Post-Award Activities

- Increased flexibilities and responsibilities for you, our grantees:
  - Greater emphasis on internal controls to ensure compliance and ensure fiscal responsibility
  - Greater focus on performance expectations and results
  - Enhanced oversight requirements of sub-recipients and contracts, which include risk assessment and use of monitoring tools

Key Changes in Post-Award Activities, (cont'd)

Expanded Authorities are still there, just moved to 2 CFR 200.308:

- Pre-award costs allowable up to 90 days before award without prior approval
- Extension one time, up to 12 months without prior approval
- "Carry forward" of unobligated balances – Already required for ED grantees under statutes and regulations in 34 CFR parts 75 and 76
- Budget transfers

Key Changes to Procurement

- Increased responsibilities for the Department and pass-through entities:
  - New requirements for oversight of procurement dollars are found at § 200.324 and include such changes as:
    - The entity must make available, upon request, technical specifications on <u>proposed</u> procurements to ensure the item or service is the one being proposed for acquisition.
    - The entity must make pre-procurement process documents available if certain conditions exist.

Federal Awardee Performance and Integrity Information System (FAPIIS)

- You should know … the Department will be reporting more information about your performance:
  - Government-wide system will include performance data for federal grants and contracts
  - FAPIIS will include data from agency grant systems and debarment and suspension information
  - FAPIIS data will be considered when deciding whether to make federal awards
  - FAPIIS system is still being developed. Visit the FAPIIS website.

Key Changes: Risk-Based Monitoring

- Increased responsibilities for pass-through entities:
  - § 200.331 (b) Pass-through entities must evaluate each sub-recipient's risk of noncompliance with federal laws, regulations, and grant terms and conditions, and determine appropriate monitoring actions. Considerations:
    - Prior experience with the same or similar sub-award
    - History of audits
    - New personnel or new systems
    - Relevant federal monitoring

Key Changes: Risk-Based Monitoring(cont.)

- Increased responsibilities for Pass-through entities:
  - Under § 200.331 (d) Pass-through entity monitoring must include:
    - Review of financial and performance reports
    - Issue management decisions for audit findings on subrecipients
    - Ensure that the subrecipients take timely, appropriate action to cure deficiencies

Key Changes: Risk-Based Monitoring(cont.)

- Under § 200.331 (e) Pass-through entity must assess risk to determine monitoring approach. Monitoring may include –
  - Provide training and technical assistance
  - Perform an on-site review of entity's program operations
  - Arrange for agreed-upon-procedures for Audit services

Key Changes

Cost Principles

Cost Principles: Notable Changes

- § 200.407 lists 22 prior approval requirements. However, some pre-approvals were missed, so check specific cost principles before assuming that they don't require prior approval
- New Requirements:
  - Certifications are required for fiscal reports, payment vouchers, and indirect cost proposals
  - Limited dependent care costs related to conferences
    - Does not override the Department guidance regarding conferences
  - Direct charging of materials and supplies
    - Computer equipment <$5,000 specifically treated as supply

Department and Grantees: Reminder

- Basic standards for allowability remain the same:
  - Necessary
  - Reasonable
  - Allocable
  - Documented

Implications: Time and Certification Reporting

- New flexibility: “system of internal controls” for documenting personnel compensation
  - Requirements for personnel compensation are found at § 200.430-431.
  - Federal agencies may approve alternative accounting methods for blended funds.
  - Alternate accounting processes are allowable for sampling in-time distribution reporting.
  - Historically time and certification reporting has been a key area of audit findings.

Key Changes

Audit Requirements

Key Changes in Audit Requirements

- Threshold for a required Single Audit has increased to $750,000.
- Questioned costs <$25,000 are no longer required to be reported.
  - Fewer audits and findings have monitoring implications.
- Audits must be submitted electronically to the Federal Audit Clearinghouse and made available to all funding agencies.
  - States will continue to resolve sub-recipient audits.

Key Changes

Indirect Costs

Key Changes in Indirect Costs

- Flexibility for new Grantees: de minimis rate of 10% MTDC
- Under § § 76.561 & 76.561 procedures, States and LEAs not eligible
- De minimus rate not to be confused with Department's temporary rate of 10% direct salaries and wages
- New grantees that have never had rate have option to negotiate ICR and use temporary rate OR tojust use de minimis rate BUT
  - Grants subject to "supplement not supplant" must use restricted rate
  - Training grants must use 8% MTDC rate under § 75.562

Key Changes in Indirect Costs (cont'd)

- New flexibility: Grantees with a negotiated rate may apply for an extension of up to 4 years.
  - Reduces the requirement to renegotiate annually
  - Requests for extensions must be submitted 4 months after the end of the grantee's fiscal year (60 days earlier than due date for indirect cost proposals)

When Does This Start?

Timeline: Summary

- Applies to all grants awarded on or after December 26, 2014
- Audit and indirect cost changes take effect when your next fiscal year after December 26, 2014, starts
- Grants awarded prior to December 26, 2014 and all supplements and admin actions to those grants are subject to former parts 74 or 80, as applicable
- As of October 1, 2015 the majority of grant funds will be subject to the Uniform Guidance.

Timeline: Grants Admin/Cost Principles

- Prior Circulars and regulations apply to all awards issued prior to December 26, 2014:
  - New Award
  - Continuation Award
  - Administrative Actions and Supplements to these awards up to September 30, 2015
- Uniform Guidance (2 CFR 200) applies to:
  - New and Continuation grants awarded on or after December 26, 2014

Timeline: Grants Admin/Cost Principles

- Carryover funds for state-administered programs:
  - Uniform Guidance applies to funds carried over at the end of FY 2015 to FY 2016 (on October 1, 2015)
  - **Example**: An IDEA-B grant awarded on July 1, 2014 has existing terms/conditions (based on former Part 80). If any of those funds are unobligated and carried over to FY 2016 (10/1/15), they will have to be used and accounted for consistent with the new Uniform Guidance.

Timeline: Audits

- Audit requirements apply to the first fiscal year beginning after December 26, 2014
  - Work with your auditor to ensure that he or she is prepared to address and report on the new requirements.

Example: A state's fiscal year begins July 1, 2015. The state's fiscal year ends on June 30, 2016. You must submit your audit within 9 months, by March 31, 2017 in this example.

Timeline: Indirect Cost

- Indirect Cost requirements apply to the first fiscal year beginning after December 26, 2014.
  - Work with your cognizant agency to ensure your indirect cost rate proposal reflects decisions appropriate for your program

Example: The grantee fiscal year ends June 30, 2015. Your rate proposal is 6 months after the end of the current fiscal year, due December 31, 2015. Requests for extensions must be submitted 60 days prior to the due date of proposal submission, or October 31, 2015 in this example.

Resources:

- The Department is developing additional training at no cost on:
  - Cost Principles
  - Internal Controls
  - Audit Requirements
  - Indirect Cost Requirements
  - Procurement Requirements
- Please visit ED's one-stop shop for information
- Email questions to uniformgrantguidanceimplementation@ed.gov
- Contact your Department program liaison