



UNIFORM GRANT GUIDANCE SPECIFIC TO INTERMEDIATE UNITS

PRESENTED BY: CHRISTOPHER N. HERR, CPA - PRINCIPAL, MAILLIE, LLP

62nd Annual
Conference & Exhibits | Share. Learn. Succeed.
March 21 - 24, 2017 ~ David L. Lawrence Convention Center, Pittsburgh

PASBO 62ND ANNUAL CONFERENCE AND EXHIBITS, PITTSBURGH March 2017

UNIFORM GRANT GUIDANCE

■ What has happened?

- As of December 26, 2014, any new federal awards or incremental increases to pre-existing awards must follow the new guidance
- The UGG includes significant revisions to administrative requirements and cost principles
- Changes to the requirements over procurement can be delayed two years, until the first fiscal year beginning after December 26, 2016
- Audit requirements change for fiscal years beginning after December 26, 2014.

AUDIT REQUIREMENTS

- For fiscal years beginning after December 26, 2014, the new UGG requirements will be in effect
- Single audit threshold increased to \$750,000
- Audit coverage has been revised, with low risk auditees now required to obtain audit coverage of no less than 20% of federal expenditures. The coverage for high-risk auditees is 40%. These thresholds were previously 25% and 50%, respectively.

AUDIT REQUIREMENTS

- Type A programs – threshold increased from \$300,000 to \$750,000 if total awards are \$25 million or less. Increases to 3% for total awards from \$25 million to \$100 million.
- All high risk Type A programs must be audited. However, the determination of whether a Type A program is high or low risk has been revised so there is less emphasis on auditor judgment and an increased focus on fact-based criteria and higher risk audit findings

AUDIT REQUIREMENTS

- Type B programs – for these smaller programs, risk assessment is only required for programs that exceed 25% of the Type A threshold.
- For Type B programs, the auditor is required to identify high-risk type B programs to the extent that the number of identified high-risk B programs is at least 25% of the number of low-risk type A programs. Once the required number of high-risk type B programs are identified, no further risk assessment of type B programs is required.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SEFA)

The SEFA schedule must include:

- List of Federal programs by Federal agency
- If awards received as a subrecipient, name of pass-thru entity and identifying number
- Total federal awards expended for each program, and the program CFDA number. Also provide total for a cluster of programs.
- Total amount passed thru to subrecipients
- Note to SEFA should be included describing accounting policies and use of indirect cost rate

FINANCIAL MANAGEMENT SYSTEM

The financial management systems must provide the following:

- Identification of all federal awards received and expended
- Accurate, current and complete disclosure of financial results
- Records that identify the source and use of funds for federally funded activities, including income and expenditures, that are supported by source documentation
- Comparison of expenditures with budget amounts for each federal award

INTERNAL CONTROLS

An auditee is required to establish and maintain effective internal control over their Federal awards.

An auditee is required to have written policies for:

- Cash Management
- Determination of the allowability of costs
- Conflicts of Interest
- Travel
- Procurement

SUBRECIPIENT MONITORING

- All pass-thru entities must:
 1. Ensure subawards are clearly identified to the subrecipient(s)
 2. Evaluate the subrecipients risk of noncompliance
 3. Consider imposing specific subaward conditions
 4. Monitor the activities of the subrecipient – this must include
 - a) Review of required financial and performance reports
 - b) Follow up to ensure timely and appropriate action is taken by subrecipient to correct any deficiencies
 - c) Issue a management decision for findings

SUBRECIPIENT MONITORING

- All pass-thru entities must:
 5. Consider additional monitoring procedures based on the assessed risk of non-compliance by a subrecipient
 6. Verify subrecipients are audited, if required
 7. Consider the results of monitoring procedures and determine impact on the pass-thru entities own records
 8. Consider taking enforcement action against subrecipients who are not in compliance

SUBRECIPIENT VS. CONTRACTOR

Subrecipient	Contractor
Creates a Federal assistance relationship	Purpose is to obtain goods and services for the non-Federal entity's own use and creates a procurement relationship
Determines who is eligible to receive what Federal assistance	Provides the goods and services with normal business operations
Has its performance measured in relation to whether objectives of a Federal program were met	Provides similar goods or services to many different purchasers
Has responsibility for programmatic decision making	Normally operates in a competitive environment
Is responsible for adherence to applicable Federal program requirements specified in the Federal award	Provides goods or services that are ancillary to the operation of the Federal program; and
In accordance with its agreement, uses the Federal funds to carry out a program for a public purpose specified in authorizing statute	Is not subject to compliance requirements of the Federal program as a result of the agreement

Chart provided by © American Institute of CPAs (AICPA)

PASBO 62ND ANNUAL CONFERENCE AND EXHIBITS, PITTSBURGH

March 2017

11

SUBRECIPIENTS – EVALUATING RISK OF NONCOMPLIANCE

Consider:

- The subrecipient's prior experience with the same or similar awards
- The results of previous audits, whether or not the subrecipient receives a Single Audit, and the extent to which the same or similar awards have been audited
- Whether the subrecipient has new personnel or substantially changed systems
- The extent and results of Federal awarding agency monitoring

PASBO 62ND ANNUAL CONFERENCE AND EXHIBITS, PITTSBURGH

March 2017

12

SUBRECIPIENTS – EVALUATING RISK OF NONCOMPLIANCE

If the subrecipient is deemed to be higher risk, consider imposing additional specific award conditions, such as:

- Requiring the entity to obtain technical or management assistance
- Requiring additional, more detailed financial reports
- Requiring additional project monitoring
- Requiring payments as reimbursements rather than advance payments
- Establishing additional prior approvals

Note that the subrecipient must be notified as to the nature of the additional requirements and the reason they're being imposed.

SUBRECIPIENTS – ADDITIONAL MONITORING OPTIONS

If additional project monitoring is deemed necessary, consider the following:

- Providing subrecipients with training and technical assistance
- Perform on-site reviews of the subrecipients program operations
- Arrange for agreed-upon-procedure engagements

Note that the subrecipient must be notified as to the nature of the additional requirements and the reason they're being imposed.

SUBRECIPIENTS – ADDITIONAL CONSIDERATIONS

- Verify that every subrecipient is audited as required under the UGG when their total federal expenditures are expected to be over the audit threshold
- Consider if the results of the subrecipients audits or other monitoring indicate that adjustments to the pass-thru entity's own records may be necessary.
- Consider the need to enforcement action against noncompliant subrecipients

THANK YOU!

QUESTIONS?

Christopher N. Herr, CPA
Principal
Maillie, LLP



website: www.maillie.com
email: cherr@maillie.com
phone: 610-935-1420 ext. 235