

Grants Administrative Changes under the New EDGAR and Other Updates

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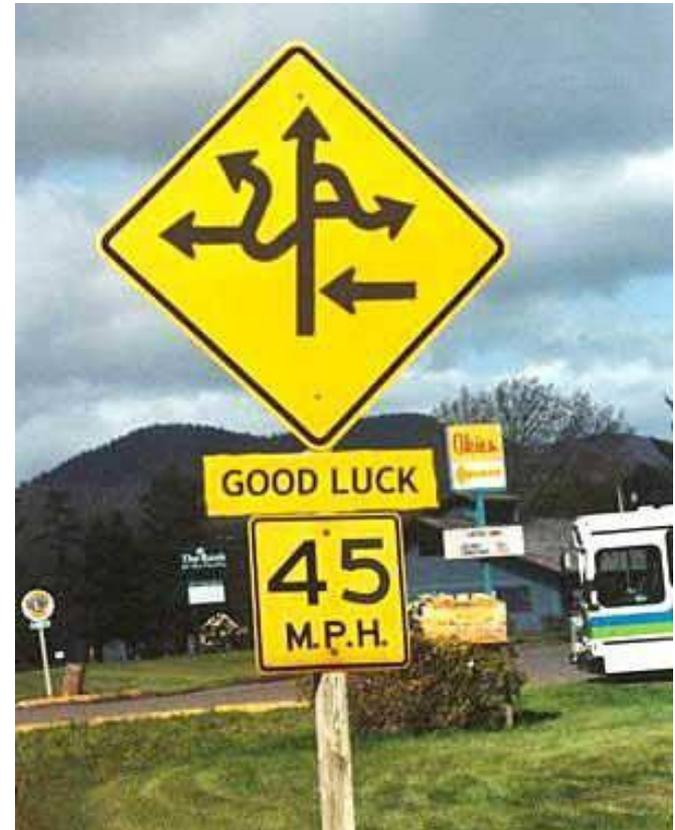
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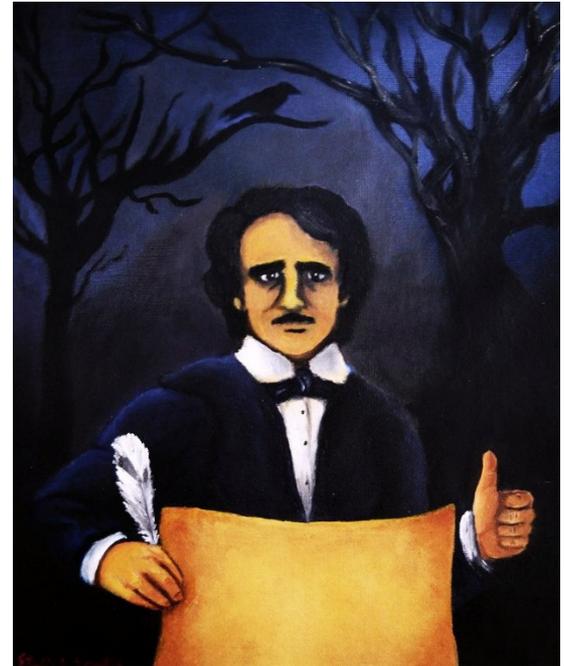
Agenda

- The Importance and Structure of the New EDGAR
- Part 3474
- Part 200
 - Major changes
 - Financial management
 - Allowability
 - Procurement
 - Inventory
 - Subrecipient monitoring
 - Audits





The New EDGAR



Key Parts of the NEW EDGAR

■ **Title 34**

- Part 75 – Direct Grant Programs
- Part 76 – State-Administered Programs
- Part 77 – Definitions
- Part 81 – General Education Provisions Act (GEPA)

■ **Title 2**

- Part 200 – Cost/Administrative/Audit Rules
- Part 3474 – USDE Exceptions – Adopts Part 200
- Part 3485 – Nonprocurement Debarment and Suspension
 - Incorporates 2 CFR Part 180, OMB's Guidelines on Debarment and Suspension

Prior Rules (Incorporated Into the NEW EDGAR)

- A-21 – Cost Rules – Rules – IHEs
- A-87 – Cost Rules – State / Local Gov't
- A-122 – Cost Rules – Nonprofit
- A-102 – Administrative Rules State / Local Gov't
- A-110 – Administrative Rules IHEs
- A-133 – Audit Rules

Effective Dates

- **December 26, 2014** – Direct Grants from ED
- **July 1, 2015** – State Administered Programs
- **July 1, 2017** – Procurement Rules (Two Year Grace Period)
- Indirect Cost Rates When Due For Renegotiation



Part 200 Uniform Administrative Req, Cost Principles, and Audits for Federal Awards

**Formerly know as the “Uniform Grants
Guidance”, the “Omni Circular” and the “Super
Circular”**

The New 2 CFR Part 200

- Subpart A – Definitions
- Subpart B – General Provisions
- Subpart C – Pre Award Requirements
- Subpart D – Post Award Requirements
- Subpart E – Cost Principles
- Subpart F – Audit Requirements

Financial Management Controls



Financial Management Rules 200.302(b)

Prior Rule 80.20(b)

1. Financial Reporting
2. Accounting Records
3. Internal Control
4. Budget Control
5. Allowable Cost
6. Source Documentation
7. Cash Management

2 CFR 200.302 (b)

1. Identification of Awards (NEW)
2. Financial Reporting
3. Accounting Records (Source Docs)
4. Internal Control
5. Budget Control
6. Written Cash Management Procedures (NEW)
7. Written Allowability Procedures (NEW)

Required Certification

200.415

- **NEW:** An official authorized to legally bind the non-federal entity must certify on annual and final fiscal reports or vouchers requesting payment:
 - “By signing this report, I certify to the best of my knowledge and belief that the report is true, complete and accurate and the expenditures, disbursements and cash receipts are for the purposes and objectives set forth in the terms and conditions of the federal award. I am aware that any false, fictitious, or fraudulent information or the omission of any material fact, may subject me to criminal civil or administrative penalties for fraud, false statements, false claims, or otherwise.”

Written Cash Management Procedures 200.302(6)

- **NEW:** Written Procedures to implement the requirements of 200.305

Payment

200.305 (a) and (b)

- For states, payments are governed by Treasury – State CMIA agreements 31 CFR Part 205
 - No Change
- For all other non federal entities, payments must minimize time elapsing between draw from G-5 and disbursement (not obligation)

Payment (cont.)

200.305(b)(1)-(4)

- Written procedures must describe whether non-federal entity uses:
 - 1) Advance Payments (preferred)
 - Limited to minimum amounts needed to meet immediate cash needs
 - 2) Reimbursement
 - Pass through must make payment within 30 calendar days after receipt of the billing
 - 3) Working Capital Advance
 - The pass through determines that the nonfederal entity lacks sufficient working capital. Allows advance payment to cover estimated disbursement needs for initial period

Payment (cont.)

200.305(b)(7)-(8)

- **NEW:** Advances must be maintained in insured accounts
- **NEW:** Pass through cannot require separate depository accounts
- **NEW:** Accounts must be interest bearing unless:
 1. Aggregate federal awards under \$120,000
 2. Account not expected to earn in excess of \$500 per year
 3. Bank require minimum balance so high, that such account not feasible
 4. A foreign gov't or banking system prohibits or precludes interest bearing accounts.

Payment (cont.)

200.305(b)(9)

- **NEW:** Interest amounts up to \$500 may be retained by non federal entity for administrative purposes
 - Currently \$100 for State and local Gov'ts
 - Currently \$250 for IHEs and Non-profits.
- **NEW:** Interest earned must be remitted annually to HHS Payment Management System.

Written Allowability Procedures 200.302(b)(7)

- **NEW:** Written procedures for determining allowability of costs in accordance with Subpart E – Cost Principles
 - Procedures can not simply restate the Uniform Guidance Subpart E
 - Should explain the process used throughout the grant development and budget process
 - Training tool and guide for employees

Subpart E – Cost Principles



Factors Affecting Allowability of Costs

200.403

All Costs Must Be:

1. Necessary, Reasonable and Allocable
2. Conform with federal law & grant terms
3. Consistent with state and local policies
4. Consistently treated
5. In accordance with GAAP
6. Not included as match
7. *Net of applicable credits (moved to 200.406)*
8. Adequately documented

Prior Written Approval

200.407

- **NEW:** In order to avoid subsequent disallowance:
 - Non-Federal entity may seek prior written approval of cognizant agency (for indirect cost rate) or Federal awarding agency in advance of the incurrence of special or unusual costs

Direct v. Indirect Costs

200.413(c)

- **NEW:** Salaries of administrative and clerical staff should be treated as “indirect” unless all of following are met:
 1. Such services are integral to the activity
 2. Individuals can be specifically identified with the activity
 3. Such costs are explicitly included in the budget
 4. Costs not also recovered as indirect



Selected Items of Cost

There are 55 specific items of cost!
Starts at 200.420

Selected Items of Cost Examples (cont.)

■ Conferences 200.432

- Prior Rule: Generally allowable
- Includes Meals / Conferences / Travel and Family Friendly Policies
- Allowable conference costs include rental of facilities, costs of meals and refreshments, transportation, unless restricted by the federal award
- **NEW:** Costs related to identifying, but not providing, locally available dependent-care resources
- Conference hosts must exercise discretion in ensuring costs are appropriate, necessary and managed in manner than minimizes costs to federal award

Selected Items of Cost (cont.)

■ **Travel Costs 200.474 (Changed)**

- Travel costs may be charged on actual, per diem, or mileage basis
- **NEW:** Travel charges must be consistent with entity's written travel reimbursement policies
- **NEW:** Allows costs for “above and beyond regular dependent care”
- Grantee must retain documentation that participation of individual in conference is necessary for the project
- **NEW:** Travel costs must be reasonable and consistent with written travel policy / or follow GSA 48 CFR 31.205-46(a)

25

Time and Effort Documentation



Documentation for Personnel Expenses

200.430(i)

- **NEW:** Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed.
- How staff demonstrate allocability
 - If employee paid with federal funds, then must show that the employee worked on that specific federal program cost objective

Who must participate? 200.430(i)(1) and (i)(4)

- Must be maintained for all employees whose salaries are:
 - Paid in whole or in part with federal funds
 - Used to meet a match/cost share requirement
 - NOT contractors



Does “X” Employee have to keep time and effort records?

Is she/he an employee?

Yes

No

I don't know

Is she/he paid with federal funds?

No T&E Required

Ask HR

Yes

No

T&E Required

Salary used for match?

No

Yes

No T&E Required

T&E Required

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The Prior A-87 Rule (SEAs and LEAs)

Semi-Annual Certifications

- If an employee works on a single cost objective:
 - After the fact
 - Account for the total activity
 - Signed by employee **or** supervisor
 - Every six months (at least twice a year)

Personnel Activity Report (PAR)

- If an employee works on multiple cost objectives:
 - After the fact
 - Account for total activity
 - Signed by employee
 - Prepared at least monthly and coincide with one or more pay periods

Documentation for Personnel Expenses (cont.)

200.430(i)(1)

NEW: These records **MUST:**

1. Be supported by a system of internal controls which provides reasonable assurance charges are accurate, allowable and properly allocated;
2. Be incorporated into official records;
3. Reasonably reflect total activity for which employee is compensated;
 - Not to exceed 100%

Documentation for Personnel Expenses (cont.)

200.430(i)(1)

4. Encompass all activities (federal and non-federal);
5. Comply with established accounting policies and practices; and
6. Support distribution among specific activities or cost objectives.

Cost Objectives

200.28

Program, function, activity, award, organizational subdivision, contract, or work unit for which cost data are desired and for which provision is made to accumulate and measure the cost of processes, products, jobs, capital projects, etc.

Not Cost Objectives

- Federal programs
- Title I, Part A
- Doing my job
- ESEA
- Working on initiatives and programs that benefit Title I students
- Director of Federal Programs

Use of Budget Estimates

200.430(i)(1)(viii)

- Budget estimates alone do not qualify as support for charges to Federal awards May be used for interim accounting purposes if:
 - Produces reasonable approximations
 - Significant changes to the corresponding work activity are identified in a timely manner
 - Internal controls in place to review after-the-fact interim charges based on budget estimates

Percentages

200.430(i)(1)(ix)

- **NEW:** Because practices vary as to the activity constituting a full workload, records may reflect categories of activities expressed as a percentage distribution of total activities.

Compliance

200.430(i)(2)

- **NEW:** For records which meet the standards, the non-federal entity will not be required to provide additional support or documentation for the work performed.
- DOL regulations for Fair Labor Standards Act must still be met (i.e. charges must be supported by records indicating the total number of hours worked each day).

Noncompliance 200.430(i)(8)

- For a non-Federal entity where the records do not meet these standards:
 - USDE may require personnel activity reports (PARs), including prescribed certifications or equivalent documentation that support the records as required in this section.
 - PARs are not defined!!

Procurement

38



Procurement by States

200.317

- Still provides flexibility for States
- All other nonfederal entities follow policies and procedures under Section 200.318-200.326.

General Procurement Standards

200.318(a)

- All nonfederal entities must have documented procurement procedures which reflect applicable Federal, State, and local laws and regulations.

Contract Administration

200.318(b)

- Nonfederal entities must maintain oversight to ensure that contractors perform in accordance with the terms, conditions, and specifications of the contract

Conflict of Interest

200.318(c)(1)

- Must maintain written standard of conduct, including conflict of interest policy.
- A conflict of interest arises when any of the following has a financial or other interest in the firm selected for award:
 - Employee, officer or agent
 - Any member of that person's immediate family
 - That person's partner
 - An organization which employs, or is about to employ, any of the above or has a financial interest in the firm selected for award

Conflict of Interest (cont.)

200.318(c)(1)

- Must neither solicit nor accept gratuities, favors, or anything of monetary value from contractors/ subcontractors.
- However, may set standards for situations in which the financial interest is not substantial or the gift is an unsolicited item of nominal value.
- Standards of conduct must include disciplinary actions applies for violations.



Conflict of Interest (cont.)

200.318(c)(2)

- **NEW:** If the non-federal entity has a parent, affiliate, or subsidiary organization that is not a state or local government the entity must also maintain written standards of conduct covering organization conflicts of interest

Conflict of Interest (cont.)

200.112

- The Federal awarding agency must establish conflict of interest policies for Federal awards.
- **NEW:** All non federal entities must establish conflict of interest policies, and disclose in writing any potential conflict to federal awarding agency in accordance with applicable Federal awarding agency policy.

Vendor Selection Process 200.318(h)

- Must award contracts only to responsible contractors possessing the ability to perform successfully:
 - Contractor integrity
 - Compliance with public policy
 - Record of past performance
 - Financial and technical resources

Methods of Procurement

200.320

- Method of procurement:
 - **NEW:** Micro-purchase
 - Small purchase procedures
 - Competitive sealed bids
 - Competitive proposals
 - Noncompetitive proposals

Micro-Purchase 300.320(a)

- **NEW:** Acquisition of supplies and services under \$3,500 or less.
- May be awarded without soliciting competitive quotations if nonfederal entity considers the cost reasonable.
- To the extent practicable must distribute micro-purchases equitably among qualified suppliers.

Small Purchase Procedures

300.320(b)

- Good or service that costs \$150,000 or less
 - (NEW: Simplified Acquisition Threshold was raised under 200.88)
 - Organization may set lower threshold
- Must obtain price or rate quotes from an adequate number of qualified sources
- “Relatively simply and informal”

Sealed Bids 300.320(c)

- Over \$150,000
 - Organization may set lower threshold
- Bids are publically solicited.
- Appropriate when:
 - A complete, adequate and realistic specification or description of good or service is available;
 - Two or more responsible bidders are willing and able to compete effectively for the business
 - Selection of vendor can be made principally based on price and it's a firm fixed price contract.



Competitive Proposals 300.320(d)

- Over \$150,000
 - Organization may set lower threshold
- Award contract to responsible vendor whose proposal is most advantageous to the program, considering price and other factors.
- Generally used when sealed bid is not appropriate.



Noncompetitive Proposals 200.320(f)



- Appropriate only when:
 - The item is only available from a single source;
 - There is a public emergency that will not permit delay;
 - **NEW:** The Federal awarding agency or pass-through expressly authorizes noncompetitive proposals in response to a written request from non-Federal entity; or
 - After soliciting a number of sources, competition is determined inadequate.

Contract Cost and Price 200.323

- **NEW:** Must perform a cost or price analysis in connection with every procurement action over \$150,000, including contract modifications
- Independent estimate before receiving bids or proposals.
 - Cost analysis generally means evaluating the separate cost elements that make up the total price (including profit)
 - Price analysis generally means evaluating the total price



Suspension and Debarment Appendix II(H)

- Cannot contract with vendor who has been suspended or debarred
 - Excluded Parties List System in the System for Award Management (SAM)
 - 2 CFR Part 180 (OMB Debarment Suspension Rules) and 2 CFR 3485 (USDE Rules)

Suspension and Debarment

2 CFR 180.300

- For contracts over \$25,000 you must verify that the person with whom you intend to do business is not excluded or disqualified.
- This MUST be done by either:
 - a. Checking SAM; or
 - b. Collecting a certification from that person; or
 - c. Adding a clause or condition to the covered transaction with that person.



Property Management

Equipment

200.33

- Equipment: tangible, nonexpendable, personal property having a useful life of more than one year and an acquisition cost of \$5,000 or more per unit.
- Grantee may also use its own definition of equipment as long as the definition would at least include all equipment defined above.

Supplies

200.94

- All tangible personal property other than equipment
 - **NEW:** Computing devices are supplies is less than \$5,000
- **NEW:** Computing devices 200.20 (pg 97)
 - Machines used to acquire, store, analyze, process, publish data and other information electronically
 - Includes accessories for printing, transmitting and receiving or storing electronic information

Internal Controls

200.302(b)(4)

- Regardless of cost, grantee must maintain effective control and “**safeguard all assets** and assure that they are used solely for authorized purposes.”

Equipment

200.313(a) and (c)(4)

- **NEW:** Conditional Title vests with the non-Federal entity.
- **NEW:** Cannot encumber the property without approval of Federal agency or Pass-through agency

But

- **NEW:** When acquiring replacement equipment, may use the equipment to be replaced as a trade-in or sell the property and use the proceeds to offset the cost of the replacement property.

Use of Equipment

200.313(c)(1) and (2)

- Equipment must be used by the Non-Federal entity in the program or project for which it was acquired as long as needed, whether or not the project or program continues to be supported by the Federal award.
- When no longer needed, may be used in other activities with the following priority:
 1. Projects supported by Federal awarding agency
 2. Project funded by other Federal agencies
- When used it may be shared (according to the above priorities) provided such use will not interfere with work on the original projects/programs.
- Exception – Private Schools 76.661

Equipment Procedures

200.313 (d)

Procedures for managing equipment must meet the following requirements:

1. Property records
 - Description, serial number or other ID, source of funding, title, acquisition date and cost, percent of federal participation, location, use and condition, and ultimate disposition date including sale price
2. Physical inventory at least every two years
3. Control system to prevent loss, damage, theft
 - All incident must be investigated
4. Adequate maintenance procedures
5. If authorized or required to sell property, proper sales procedures to ensure highest possible return.

Disposition of Equipment

200.313(e)

- When property is no longer needed in any current or previously Federally-funded supported activity, must follow disposition rules:
 - **NEW:** Nonfederal entity must request disposition instructions from the federal awarding agency if required by the terms of the grant.
 - Otherwise, may be retained, sold or otherwise disposed as follows:
 - Over \$5,000 – pay federal share
 - If equipment is sold: Federal awarding agency may permit non-Federal entity to deduct and retain \$500 or 10% of the proceeds for selling and handling instructions.
 - Under \$5,000 – no accountability (still must formally dispose)

Disposition of Supplies

200.314

If there is a residual inventory of unused supplies exceeding \$5,000 in total aggregate value upon termination or completion of the project or program and the supplies are not needed for any other federal award, must compensate the federal government for its share.

Requirements of Pass-through Entities

65



Federal Awarding Agency Review of Risk Posed by Applicants 200.205

NEW: Must have in place a framework for evaluating risks posed by applicants, which may include reviewing:

1. Financial Stability
2. Quality of Management System
3. History of Performance
4. Audit Reports
5. Applicant's ability to effectively implement program

Specific Conditions 200.207(a)

Federal agency or pass-through agency may impose additional Federal award conditions:

- Require reimbursement;
- Withholding authority to proceed until evidence of acceptable performance;
- Additional detailed reporting
- Additional project monitoring;
- Require grantee to obtain technical or management assistance; or
- Establish additional prior approvals.

Specific Conditions (cont.)

200.207(b)-(c)

Right to Notice:

1. Nature of additional requirements,
2. Reason why imposed,
3. Nature of the action needed to remove the requirements;
4. Time for completing actions;
5. Method for requesting reconsideration.

Specific conditions **MUST** be removed once corrected.

Requirements for Pass-through Entities

200.331

NEW: All pass-through entities MUST:

- a. Ensure subawards are clearly identified with specific data
- b. Evaluate subrecipient's risk of noncompliance
 - Prior experience with same or similar subawards;
 - Results of previous audits;
 - Whether new personnel or new or substantially changed systems; and
 - Extent and results of Federal monitoring.

Requirements for Pass-through Entities (cont.)

200.331

- c. Consider imposing specific conditions
- d. Monitor as necessary to ensure subaward is used for authorized purposes, which must include:
 - Reviewing financial and programmatic reports;
 - Ensure timely and appropriate action to correct all deficiencies; and
 - Issue management decision for audit findings as required under 200.521.
- e. Depending on assessment of risk, the following monitoring tools may be useful to ensure proper accountability and compliance with program requirements and achievement of performance goals:
 - Training + technical assistance on program-related matters;
 - On-site reviews; and
 - Arranging for “agreed-upon-procedures” engagements (described in 200.425).

Requirements for Pass-through Entities (cont.)

200.331

- f. Verify subrecipients have audits as required in Subpart F
- g. Consider whether results require adjustments to the pass-through entity's own records
- h. Consider taking enforcement actions 200.338.

Remedies for Noncompliance

200.338

- **NEW:** If noncompliance can not be remedied with Specific Conditions, the entity may take one or more of the following actions:
 - Temporarily withhold cash payment pending correction
 - Disallow all of part of the cost
 - Wholly or partly suspend or terminate the Federal award (see 200.339 Termination)
 - Initiate suspension or debarment proceedings under 2 CFR Part 180
 - Withhold further Federal awards for the project or program
 - Take other remedies that may be legally available.



Audit Requirements



Audit Requirements

200.501

- ❑ **NEW:** Threshold increased to \$750,000
- ❑ The federal agency, OIG, or GAO may arrange for audits in addition to single audit

Federal Agency Responsibilities

200.513

- ❑ **NEW:** The federal awarding agency must use cooperative audit resolution to improve federal program outcomes
 - ❑ Cooperative Audit Resolution: means the use of audit follow-up techniques which promote prompt corrective action by improving communication, fostering collaboration, promoting trust and developing an understanding between the Federal agency and non-Federal entity 200.25.

Audit Findings

200.516

- ❑ The auditor must report (for major programs):
 - ❑ Significant deficiencies and material weaknesses in internal controls
 - ❑ Significant instances of abuse
 - ❑ Material noncompliance
 - ❑ Known questioned costs > \$25,000
- ❑ Auditor will not normally find questioned costs for a program that is not audited as a “major program”
 - ❑ **NEW:** But if auditor becomes aware of questioned costs > \$25,000 for non-major program, must report

QUESTIONS?



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