



NON PROFITGPS

HELPING TO KEEP YOU ON THE RIGHT ROAD



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Uniform Grant Guidance Requires Immediate Action

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Who needs to know about Uniform Grant Guidance?
Agencies that get or want to get FEDERAL money from the federal government, New York State, a County, city, or from another nonprofit.

Uniform Grant Guidance, also known as *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is effective for awards you receive, including increases to current awards, starting December 26, 2014.

If you don't have certain policies in place before the first of the year, you won't be compliant with the new rules. Federal agencies are directed to assess grant recipient risk based on a few factors including their ability to implement policies.

Another urgency is that, if you don't apply for an indirect cost rate (or elect to have your current approved indirect cost rate extended for up to 4 years), you will be limited to 10% reimbursement for indirect costs.

Every federal agency was required to rewrite their regulations based on Uniform Grant Guidance, so they are very focused on these new requirements.

If you adopt the necessary policies and can demonstrate you understand the rules, you have a much better chance of surviving funder audits.

The AICPA Governmental Audit Quality Assurance Center highly recommends that you read the entire document; you should, but independent tests confirm if *you do your head will explode*.

This article is our effort to make this manageable and understandable without ignoring important requirements.

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Webstar Winner: Boardsource.org

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News About Our People

Stephanie Annunziata Chairs the Rochester CPA Chapter Nonprofit Committee

Stephanie will serve as the nonprofit audit committee chair for the coming year. She has been involved with this committee in the past but, with all of the important changes for nonprofits, she expects to have a much more active committee with training and resources for the nonprofit community and the CPAs who serve them.

Stephanie has spent the majority of her professional career working with nonprofits.

Kay Napoleon, our QuickBooks consultant, received her certification in QuickBooks Enterprise, a QuickBooks version for larger organizations with multiple users of the software.

Contact Kay if you are considering a move to this software.



Stephanie Annunziata



(Uniform Grant Guidance...Continued)

The key areas requiring action are:

- Internal controls over federal awards
- New rules for time and effort reporting
- Procedures for indirect costs
- Procurement requirements (aka, buying stuff),
- and, if you pass any of your federal money on to other agencies, sub-recipient monitoring

Key things you need to do before 2015 include:

- Adopt the policies to comply with the new rules
- Consider requesting an indirect cost rate
- Identify who will be responsible for carrying out and monitoring compliance
- Train responsible staff in these new rules

The terms **Should** and **Must** are clarified as following: **Must** is something you have to do; **Should** is a best practice.

Internal Controls

You **must** establish and maintain internal controls over federal awards by providing reasonable assurance you are managing them in compliance with general federal requirements and any specific requirements for the funding you receive. Internal controls should be in compliance with the Green Book *Standards for Internal Controls in the Federal Government*, and with COSO, The Committee on Sponsoring Organization (if you would like a summary of the COSO internal control principles, send an email to Stephanie@heveroncpa.com).

Time and Effort Reporting

There were some really stringent but inconsistently enforced requirements to document time and effort. Now, the new rules are more flexible and more focused on your controls and procedures. Previously, there was heavy focus on personal activity reports and timesheets for each employee showing what they worked on as well as continuous tracking of time worked by grant for your federal and nonfederal awards.

The new rules require the charges be “based on records accurately reflecting the work performed”. You need to document what you do and the rationale for what you do. This might allow you to use budgeted time that you review and update periodically, as long as your documentation of what you are doing and why is appropriate.

If using personal activity reports and timesheets works for you now, continue using them and be sure they are documented in your policy.

The new rules also allow performance-based reporting in certain circumstances, with federal funder approval.

Procurement Requirements

If you would like guidance for developing a procurement policy, send an email to Stephanie@heveroncpa.com.

Procurement requirements can be found at section 200.317-.326.

There are some significant differences from the OMB A-122 requirements:

- You **must** have written procurement policies.
- They should include principles for avoiding potential conflicts of interest.
- The policy should identify who is responsible for your purchasing.

These new requirements anticipate procurement personnel will work with grants management personnel.

There are specific procedures based on the size and nature of purchases:

- Micro purchases not exceeding \$3,000 don't require competitive quotations but should be made equitably among qualified suppliers
- Small purchase procedures not exceeding \$150,000 (indexed for inflation) require price or rate quotations from an adequate number of qualified sources
- A cost price analysis is required for purchases in excess of the simplified acquisition threshold of \$150,000 (potentially including lease purchase analysis)
- Sealed bid is the preferred method for construction

Procurement by noncompetitive proposals is allowable:

- When the item is available only from a single source
- When emergency does not allow a delay
- When competition is determined inadequate after solicitation, or
- When authorized by a federal agency

Organizations must take all necessary affirmative steps to assure that minority businesses, woman's business enterprises, and labor surplus area firms are used when possible.

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(Uniform Grant Guidance...Continued)

Policies should include a requirement to document your selection of vendors or contractors.

Entities are encouraged to use shared services and federal excess and surplus property when feasible.

Your procedures should require you to keep procurement documents for 7 years.

Other Key Information from Uniform Grant Guidance

- It is now acceptable for your records to be maintained in an electronic-only format.
- Health and welfare costs incurred for improving working conditions, employee-employer relations, employee health, and employee performance are allowable
- Entertainment is allowable only with a program purpose and also with federal approval
- Fines and penalties from violations and alleged violations are not allowable
- Rental costs for sale and lease back arrangements are limited to what costs would be if the property wasn't sold, and home office rent is unallowable
- Temporary dependent care resulting directly from travel to conferences can be allowable
- If you receive donated equipment, you can request reimbursement of depreciation based on the fair value or use the item to meet matching requirements but not both.
- You will need to disclose in writing any potential conflicts of interest and any violations of federal criminal law potentially affecting your awards.

Some definitions were changed or introduced.

- The term contractor replaces vendor, but it still describes an organization that is carrying out orders, not receiving funding for their programs. Contractors are not subject to these rules.
- Program Income is defined, which is important for funding that has requirements for how program income is used.

If you wish to read the entire thing and risk having your head explode, you can google *COFAR Uniform Grant Guidance*. You may also want to look at *Frequently Asked Questions for New Uniform Guidance* from COFAR or even request to be put on their mailing list so you will receive future announcements and information on the resources they provide. Head explosions are unlikely but small popping noises may occur.

This month's WebStar Winner is: Boardsource.org



Everybody knows Boardsource—or should, anyway. You may be aware of their downloadable policies; but with the mandates for written policies resulting because of the Nonprofit Revitalization Act and the Uniform Grant Guidance, help developing policies has

never been more welcome. You will find a section of free community resources as well. Google “nonprofit policy sampler” (or board source downloadable policies) for a link to help out.



Your Website Can Be a Periodical Subject to Unrelated Business Income Taxation

Unrelated Business Income Tax rules have treated advertising in newsletters and other periodical documents as unrelated business income with some very limited exceptions.

The IRS defines a periodical as a regularly scheduled and printed material published by or on behalf of an exempt organization that is not related to and distributed in connection with an organization's event.

An IRS regulation (1.513-4(b)) includes electronic materials in the definition of printed materials. This was confirmed in an IRS private letter ruling (201405029). The good news for the organization requesting that ruling is this definition allowed them to deduct excess readership costs against advertising income.