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Uniform Grant Guidance

by Heveron & Company CPAs

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Who needs to know about Uniform Grant Guidance (AKA UGG)?



- ✓ Agencies that get or want to get FEDERAL money from the federal government, New York State, a County, City, or from another nonprofit.

If that sounds like you and you don't meet one of the exceptions found only in section 200.100-.113 of Uniform Grant Guidance, fasten your seatbelt, because this is all effective for new awards, and increases to current awards, starting December 26, 2014.

Why do you need to know this?

- ✓ If you don't know the rules and get your policies and some other things into order, you will be eligible for fewer grants and eligible for less money under the grants you receive (at least less administrative money).

Every federal agency was required to rewrite their policies based on the new uniform grant rules, so they are very focused on this stuff



Our experience is that if you demonstrate that you understand the key concepts, you will have a better result with these audits

The AICPA Governmental Audit Quality Assurance Center highly recommends that you read the entire document, but independent tests confirm that if you do...



your head may explode.

The key areas you need to be aware of are:

- ✓ internal controls over federal awards
- ✓ new rules for time and effort reporting
- ✓ procedures for indirect costs
- ✓ procurement requirements (AKA buying stuff),
- ✓ and sub recipient monitoring if you pass any of your federal money on to other agencies

Key things that you need to do before 2015 include:

- ✓ adopt the policies to comply with the new rules
- ✓ identify who will be responsible for compliance with these rules
- ✓ train responsible staff in these new rules
- ✓ consider applying for an indirect cost rate or electing a 10% rate to increase what you get paid or decrease your documentation requirements

Definitions

Some definitions changed or were 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.

The terms **Should** and **Must** are clarified. Must is something you have to do. Sure it is a best practice

Internal Controls

You must establish and maintain internal controls over federal awards that provide reasonable assurance that 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/or with COSO.



Time and Effort Reporting

There were some really stringent but inconsistently enforced requirements to document time and effort. The new rules are more flexible. Previously there was heavy focus on personal activity reports and timesheets for each employee showing what they worked on as well as continuous time tracking of time worked by grant for your federal and nonfederal funding and your other activities such as fundraising. The new rules require the charges be based on records that accurately reflect the work performed. You need to document the rationale for what you do. This might allow you to use a planned allocation of time (time budget) that you verify the accuracy of at times during the year.

If you are using personal activity reports and timesheets now, and if they work for you, continue using them and be sure your policy explains how and why.

Direct and Indirect Costs

If you receive a substantial amount of federal funding, there has never been a stronger argument for obtaining an approved Indirect Cost Rate. If you don't do that you can elect to charge 10% for your indirect costs which probably will leave you with inadequate funding.



If you don't do either, you will have to document that all federal dollars are spent on direct program expenses-no indirect.

If you currently have an indirect cost rate, you can elect to keep it in place for 4 years, but then you must redo it. If you don't and you want to obtain one, appendix IV of Uniform Grant Guidance provides guidance.

Procurement Requirements

Procurement requirements can be found in Subpart E-Cost Principles, and at section 200.317-.326. They are not the old *OMB A-122* requirements that you may be used to.

You must have written procurement policies that require your purchases to be necessary and reasonable, and adequately documented.

They must include principles for avoiding potential conflicts of interest.

Your policy should identify who is responsible.

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 (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

Your procedures should require affirmative steps to assure that **minority businesses, woman's business enterprises, and labor surplus area firms** are used when possible.

Policies should detail how to document your selection of vendors or contractors.

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

There are requirements to disclose in writing any potential conflicts of interest and any violations of federal criminal law potentially affecting the award

Other Key Information from Uniform Grant Guidance

- It is now acceptable for your records to be maintained in an electronic-only format.



- 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
- Entertainment is allowable only with a program purpose and also with federal approval



- Health and welfare costs incurred for improving working conditions, employee-employer relations, employee health, and employee performance are 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.

Conclusion:

If you wish to read the 700+ pages and risk having your head explode, you can find them here: <https://cfo.gov/cofar/>

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 that you will receive future announcements and information on resources they provide.

Head explosions are unlikely but small popping noises may occur.

Feel free to contact us at 585-232-2956 with any questions or concerns!