

# UNIFORM GRANT GUIDANCE CHECKLIST

AN ARMANINO WHITE PAPER



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The Office of Management and Budget (OMB) issued massive reform surrounding the administration of federal funds and that reform is known as the Uniform Guidance (“Guidance”). The objectives of the Guidance are to eliminate unnecessary and burdensome administrative requirements, operate with a smarter, more risk-based approach, strengthen the accountability surrounding federal dollars and ensure that the federal government is bearing their fair share of the costs.

## THERE ARE THREE PRIMARY CATEGORIES OF REFORM

### **1 ADMINISTRATION REQUIREMENTS**

### **2 COST PRINCIPLES**

**Both the Administrative Requirements and the Cost Principles changes took effect for any new federal awards entered into after December 26, 2014, and for any existing awards that received incremental funding and had a change to the terms and conditions made after December 26, 2014.**

### **3 SINGLE AUDITS**

**The Single Audit changes are effective for fiscal years ending December 31, 2015 and later.**

All federal grant recipients need to understand the changes introduced by the Guidance and evaluate how it impacts their organizations; you should take an inventory of your awards and identify which awards are under the new Guidance and which are still under the previous circulars. By effectively implementing the guidance, you not only comply with the new rules and regulations, but also ensure that you are getting your fair share of reimbursement. If you do not understand and effectively implement the Guidance, you may put your organization out of compliance, which may jeopardize your potential for future funding.

In order to effectively implement the reform it will take the collaborative efforts of the federal funding agencies, grant recipients and accountants. On the following pages, we’ve created a checklist to help you effectively implement the new Guidance.

# MUST VS. SHOULD

When reading through the Guidance, make note that the term “**must**” is a steadfast requirement and the term “**should**” is used to indicate best practices or recommended approaches, but not necessarily a strict requirement. If you do not implement a certain “should” requirement, ensure your alternative approach is in compliance within the spirit of the requirement.

## INTERNAL CONTROLS

### Changes & New Concepts

### Implementation Best Practices

**MUST** understand the compliance requirements applicable to each award and have internal controls established such that the compliance requirements are being adhered to.

- Review all federal awards and identify the compliance requirements that are applicable to each award.
- Ensure you have established and documented internal controls over applicable compliance requirements.

**MUST** take prompt action on audit findings.

- Follow up with the federal funding agency or your auditor issuing the finding to understand the nature of the finding, remediate the finding and implement controls so that the finding is not repeated.

**MUST** have controls to safeguard personal and sensitive information.

- Identify materials such as client or participant files that include personal and sensitive information.
- Ensure controls are in place that reasonably safeguards this information.
- For electronic records, perform an assessment of your IT infrastructure to ensure strong cyber security.

Your internal controls **SHOULD** be in compliance with guidance in the Green Book or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

- Understand the concepts included in the Green Book and/or COSO and consider structuring your internal control environment in accordance with one of these frameworks.



# SUBRECIPIENT MONITORING

## Changes & New Concepts

## Implementation Best Practices

Pass Through Entities (PTEs) **MUST** include specific information in the sub award including CFDA #, DUNS #, federal program name, indirect cost rate information, and terms and conditions for closing out award.

- Review all sub awards and ensure they include the required information. Issue an addendum if necessary to get the required information in the sub award.

PTEs **MUST** perform a risk evaluation of the subrecipient

- Evaluate the subrecipient's experience with federal awards, the results of past audits and external federal monitoring, and whether there have been significant changes in personnel or systems.
- Document the results of the risk evaluation.
- Tailor your level of subrecipient monitoring based on the results of the risk evaluation.

# INDIRECT COSTS

## Changes & New Concepts

## Implementation Best Practices

Federal funding agencies and PTEs **MUST** accept a federally negotiated indirect cost rate.

- Understand your right to be reimbursed your fair share of costs and be assertive in establishing your right to be fairly compensated.
- If denied the use of your federally approved rate or forced to take a reduced rate, ask for a written explanation and take it up the chain of command.

The Guidance provides a de minimus indirect cost rate of 10% of MTDC (modified total direct costs) to entities who have never had a negotiated indirect cost rate.

- Weigh the pros and cons of accepting the 10% rate versus developing and negotiating a rate. A 10% indirect cost rate is fairly low compared to the indirect costs of most organizations. It may be worth your while to develop and negotiate for a higher rate as it will reap its benefit in the future.

Allows for one-time extension without further negotiation of a federally approved rate up to four years.

- Evaluate whether or not you have an indirect rate that enables you to fairly recoup your costs.
- If you do have a fair rate, consider extending it rather than having to spend time developing and negotiating a new rate.

# PROCUREMENT

## Changes & New Concepts

## Implementation Best Practices

**MUST** maintain a written conflict of interest policy.

- Make sure you have adopted a written conflict of interest policy.
- If it does not exist, work with your management to adopt such a policy.
- Ensure employees are aware of the policy.

**MUST** use one of the five methods of procurement.

1. Micro purchases: Used for purchases under \$3,000 and requires, to the extent possible, distribute purchases amongst vendors.
2. Small purchases: Used for purchases under \$150,000 and requires that price quotes be obtained from a reasonable number of sources.
3. Sealed bids: Used for purchases over \$150,000 and requires public solicitation with a firm fixed price contract awarded to the responsible bidder with the lowest price.
4. Competitive proposals: Similar to sealed bids. Used when sealed bids aren't practical.
5. Noncompetitive proposals (sole source): Used to secure services from only one source and allowed under certain circumstances, (i.e. when item is only available from a single source).

Due to the magnitude of the change and additional requirements introduced, the OMB has granted a full one-year grace period.

- Determine if it would be practical to implement the new procurement standards now or deferring for next year.  
*If deferring, document that election.*

# COMPENSATION

## Changes & New Concepts

Have an established written payroll policy.

## Implementation Best Practices

- If you don't have a written policy surrounding your payroll practices, work with your management and team to establish such a policy.
- Ensure your federal payroll activity conforms to the written policy.

The new Guidance is less prescriptive on documentation and steadfast requirements and allows you more flexibility in accounting for compensation. However, the Guidance places an emphasis on having sound controls over payroll and requires that compensation be based on records that accurately reflect the work performed.

- Ensure controls are in place over payroll such that only the time spent on federal awards is charged to the award.
- Make sure your records are accurate and clearly track the work performed on an award.
- If your current payroll system has passed audit inspection and you have a system in place that is working, do not significantly change the process; use this as an opportunity to improve effectiveness and efficiency. Identify and eliminate any procedures or documentation that were previously performed and maintained because the guidance required it, but it did not add value.

# SINGLE AUDIT

## Changes & New Concepts

The Single Audit threshold has been increased from \$500,000 to \$750,000.

The Single Audit changes take effect for fiscal years ending December 31, 2015 and later.

## Implementation Best Practices

- Take into consideration the new \$750,000 threshold as you budget your federal spending for the year. You may avoid having a Single Audit if federal expenditures are below the new threshold.

# GUIDANCE

**A lot of work by a lot of people went into creating the Guidance. Now the challenging part is effectively implementing the reform and carrying out the Guidance in the way it was intended. This is the most significant reform to the federal funding rules in about 20 years. It may take another 20 years for a reform of this magnitude to occur. The time is now to understand the Uniform Guidance and take action.**

# STRATEGIC INSIGHTS

## PRACTICAL ACTION

Armanino provides an integrated set of accounting services — audit, tax, consulting and technology solutions — to a wide range of organizations operating both in the US and globally.

You can count on Armanino to think strategically, to provide the sound insights that lead to positive action. We address not just your compliance issues, but your underlying business challenges, as well — assessing opportunities, weighing risks, and exploring the practical implications of both your short- and long-term decisions.

When you work with us, we give you options that are fully aligned with your business strategy. If you need to do more with less, we will implement the technology to automate your business processes. If it's financial, we can show you proven benchmarks and best practices that can add value company wide. If the issue is operational, we'll consult with your people about workflow efficiencies. If it's compliance, we'll ensure you meet the requirements and proactively plan to take full advantage of the changes at hand. At every stage in your company's lifecycle, we'll help you find the right balance of people, processes and technology.

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