



Fundamentals of the Uniform Guidance: Community Services Block Grant (CSBG)

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Presenter



Rebecca Field is a principal at CliftonLarsonAllen and leads the Grant Compliance Services team. She has over sixteen years of public accounting experience. She specializes in grant compliance, including single audits, and has extensive knowledge in related regulations and requirements.

Rebecca also serves as a firm wide assurance resource where she oversees compliance with professional standards, provides technical assistance, and assists with training curriculum.

Agenda





Background and Overview of the Uniform Guidance

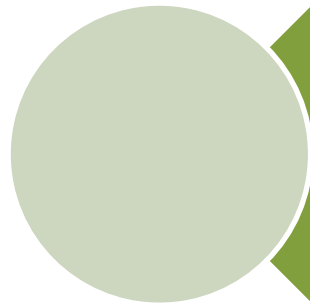
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Uniform Guidance



The Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards



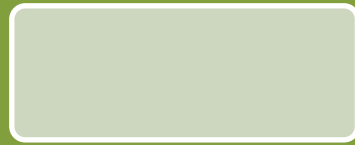
Codified in Federal Regulations at 2 CFR Part 200



Effective December 26, 2014



Uniform Guidance



Subpart A – Acronyms and Definitions



Subpart B – General Provisions



Subpart C - Pre Federal Award Requirements



Subpart D – Post Federal Award Requirements



Subpart E – Cost Principles



Subpart F – Audit Requirements

Objectives of the Uniform Guidance

Eliminate
duplication and
conflicting
guidance

Focus on
performance over
compliance for
accountability

Encourage
efficient use of IT
and shared
services

Provide for
consistent and
transparent
treatment of costs

Limit allowable
costs to make best
use of federal
funds

Set standard
business processes
using data
definitions

Encourage non-
federal entities to
have family-
friendly policies

Strengthen
oversight

Target audit
requirements on
risk of waste,
fraud, and abuse



What is subject to Uniform Guidance?

Federal financial assistance means assistance that non-Federal entities receive or administer in the form of:

- (1) Grants;
- (2) Cooperative agreements;
- (3) Non-cash contributions or donations of property (including donated surplus property);
- (4) Direct appropriations;
- (5) Food commodities; and
- (6) Other financial assistance
- Does not include amounts received as reimbursement for services rendered to individuals (e.g. Medicare / Medicaid)



Dept of Health & Human Services Regulations

45 CFR 75 (superseded 45 CFR 92)

- **§75.106 Agency implementation.** HHS is implementing the language in 2 CFR part 200 in these codified regulations.

In subgrant agreement, reference is oftentimes made to 2 CFR Part 200

45 CFR Part 75 some additional subsections:

- **§75.214 Metric system of measurement**
- **§75.215 Disclosure of lobbying activities.**
- **§75.216 Special provisions for awards to commercial organizations as recipients.**
- **§75.217 Special provisions for awards to Federal agencies.**
- **§75.218 Participation by faith-based organizations.**



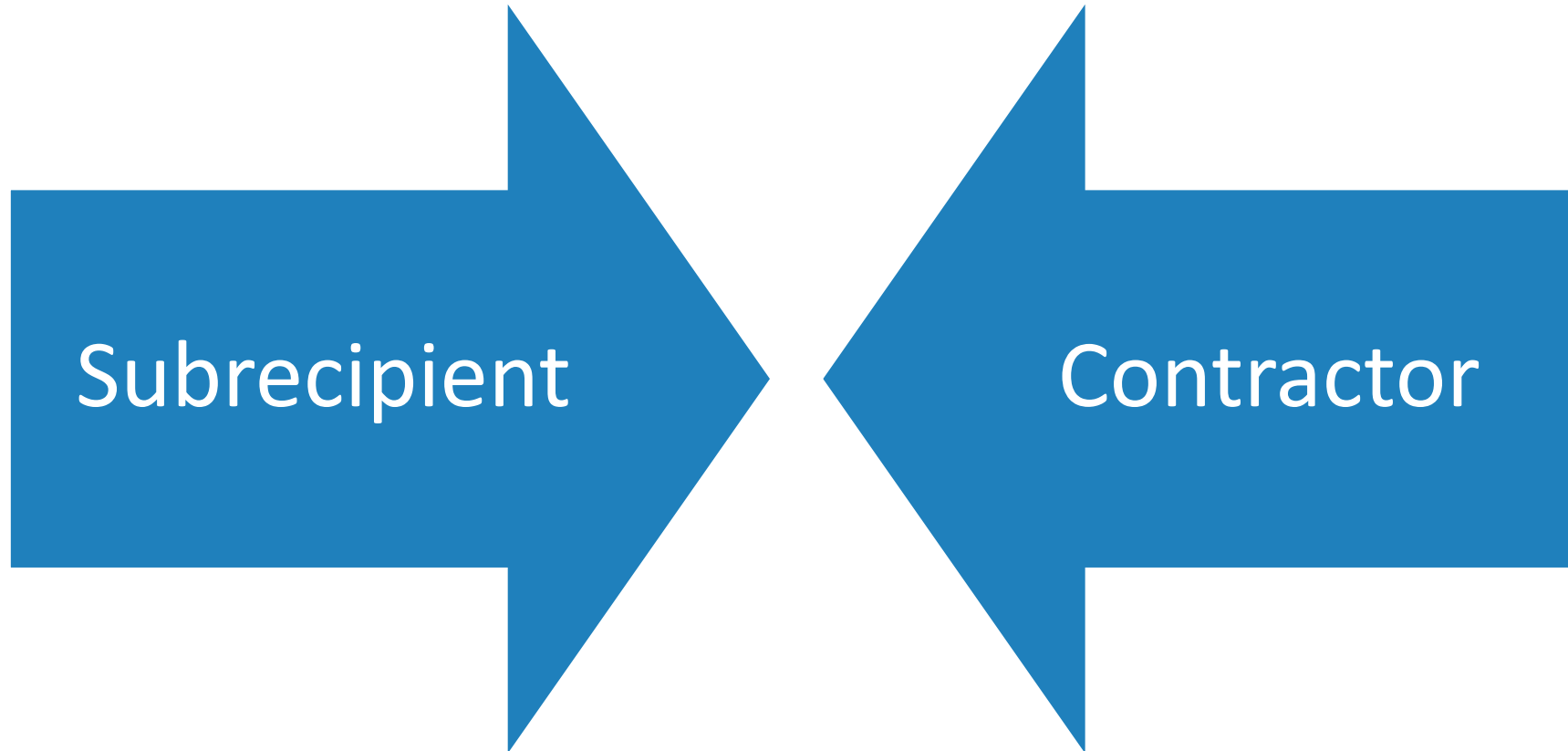


Subrecipient Monitoring

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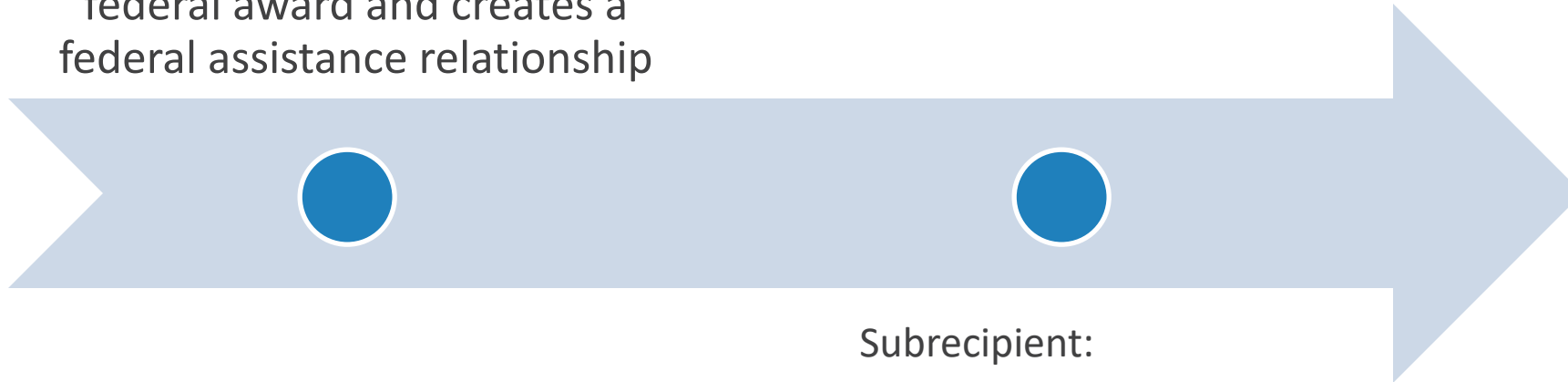
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Subrecipient Monitoring (200.330-332)



Subrecipient Monitoring (200.330-332)

Subaward is for the purpose of carrying out a portion of a federal award and creates a federal assistance relationship

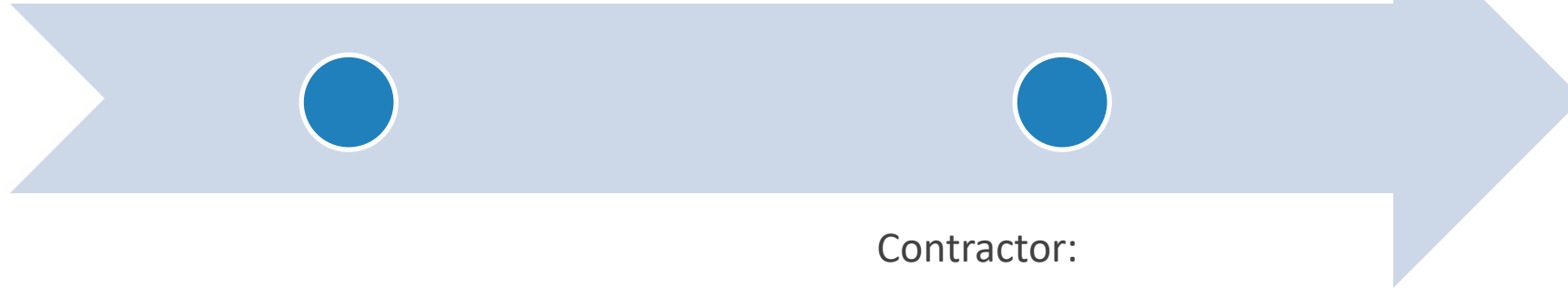


Subrecipient:
determines eligibility,
has performance measured in
relation to objectives of program,
has responsibility for programmatic
decision making;
and uses the Federal funds to carry
out a program for a public purpose



Subrecipient Monitoring

Contract is for the purpose of obtaining goods and services for the non-federal entity's own use and creates a procurement relationship



Contractor:

provides the goods and services normally,
provides similar goods or services to many different purchasers;
provides goods or services for the benefit of the pass-through entity

Subrecipient / Contractor Determination

- All characteristics need not be present
- Judgment should be used in the determination process
- Substance of the agreement is more important than the form



Subrecipient Monitoring

Subaward must contain specific information as outlined in UG

Federal Award
identification
(see next slide)

Requirements
so that federal
award is used in
accordance with
terms and
conditions of
original federal
award

Description of
performance or
financial reports
due

Indirect cost
rate – either an
approved rate,
negotiated rate,
or de minimis
rate (see future
slide)

Requirement
that the
subrecipient
permit the pass-
through entity
and auditors to
have access to
the
subrecipient's
records and
financial
statements

Appropriate
terms and
conditions
concerning
closeout of the
subaward

Required Information for Subaward

- Subrecipient name and unique entity identifier
- Federal Award Identification Number (FAIN)
- Federal Award Date of award to the recipient by the Federal agency
- Subaward Period of Performance Start and End Date
- Subaward Budget Period Start and End Date
- Amount of Federal Funds Obligated by this action by the pass-through entity
- Total Amount of Federal Funds Obligated by the pass-through entity including the current obligation
- Total Amount of the Federal Award committed by the pass-through entity
- Federal award project description
- Name of Federal awarding agency, pass-through entity, and contact information for awarding official of the Pass-through entity
- Assistance Listing Number and Name; the pass-through entity must identify the dollar amount made available under each Federal award and the Assisting Listing number at time of disbursement
- Identification of whether the award is R&D
- Indirect cost rate for the Federal award



§200.332 Indirect Cost Rate with Subrecipient

(i) An approved federally recognized indirect cost rate negotiated between the subrecipient and the Federal Government. **If no approved rate exists, the pass-through entity must determine the appropriate rate in collaboration with the subrecipient, which is either:**

(ii) The pass-through entity must not require use of a de minimis indirect cost rate if the subrecipient has a Federally approved rate. Subrecipients can elect to use the cost allocation method to account for indirect costs in accordance with §200.405(d)

(A) The negotiated indirect cost rate between the pass-through entity and the subrecipient; which can be based on a prior negotiated rate between a different PTE and the same subrecipient. If basing the rate on a previously negotiated rate, the pass-through entity is not required to collect information justifying this rate, but may elect to do so;

(B) The de minimis indirect cost rate.

Subrecipient Monitoring

Pass-through entities must evaluate each subrecipient's risk of noncompliance by performing a risk assessment

prior experience
with same or
similar subawards

results of previous
audits

new personnel or
new or
substantially
changed systems

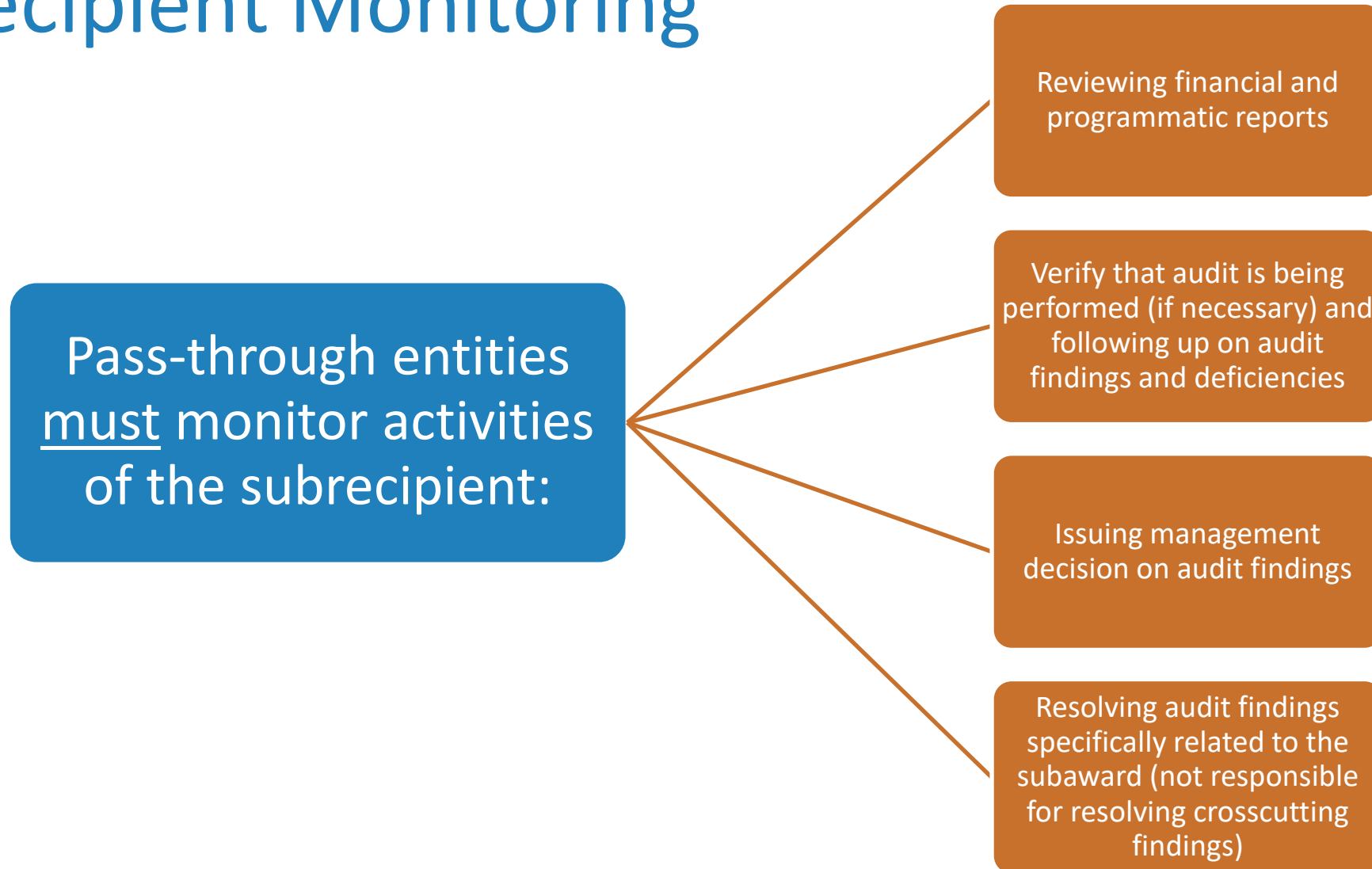
extent and results
of Federal
awarding agency
monitoring

Subrecipient Monitoring

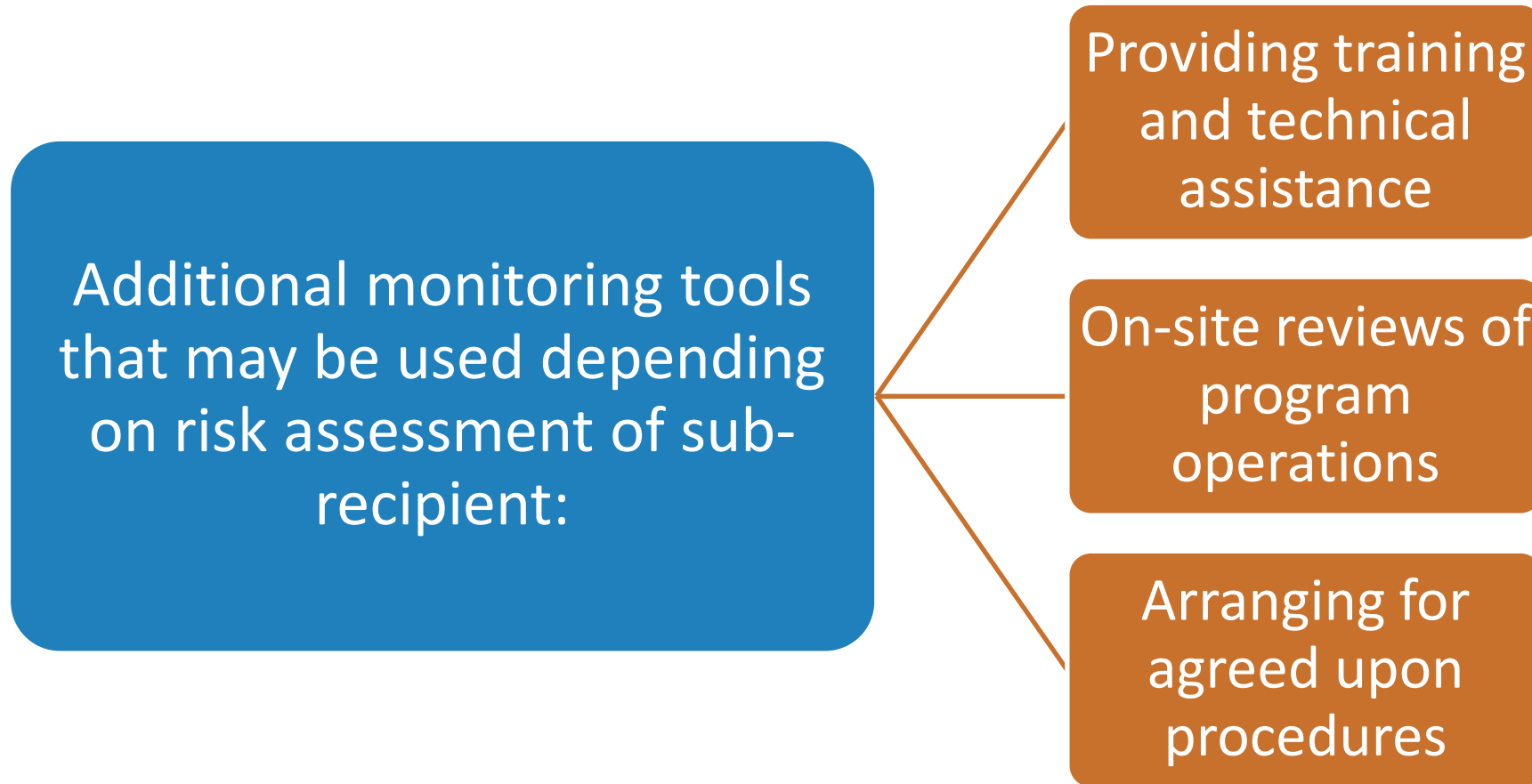
Risk Assessment should be documented.

Results of risk assessment determine what type of monitoring should be performed on sub-recipient

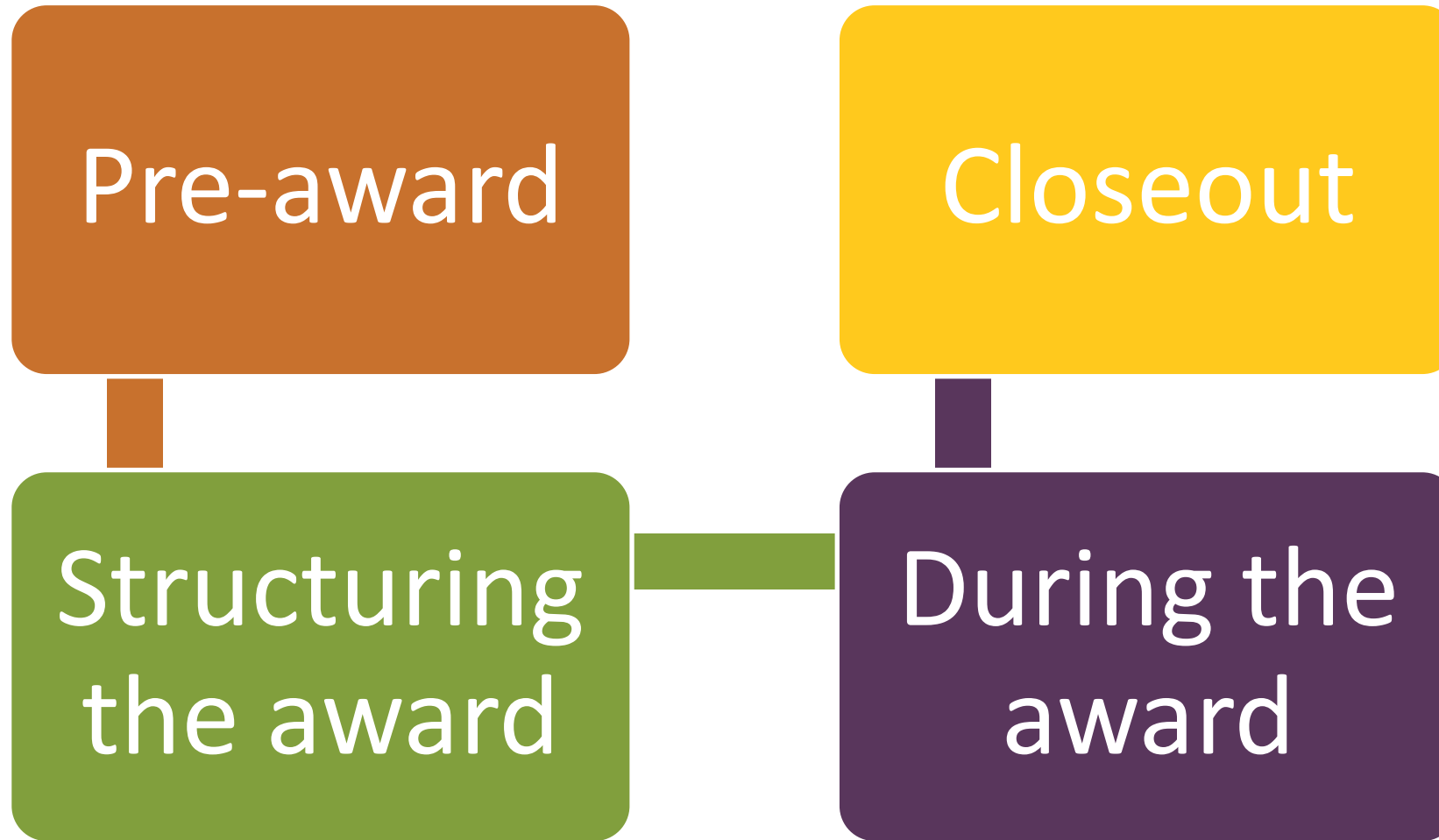
Subrecipient Monitoring



Subrecipient Monitoring



Risk and Monitoring at Various Stages





Cost Principles

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Cost Principles

Subpart E of Uniform Guidance-
Cost Principles applies to both
direct and indirect costs of a
federal program

Cost Principles

Direct Costs

- costs that can be identified specifically with a particular final cost objective, such as a Federal award, or other internally or externally funded activity,
- or that can be directly assigned to such activities relatively easily with a high degree of accuracy



Cost Principles


Indirect/Administrative Costs

- costs incurred for a common or joint purpose benefitting more than one cost objective
- and not readily assignable to the cost objectives specifically benefitted



Cost Principles

Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect costs.



Must avoid double-dipping

Direct and Indirect Costs

No universal rule for classifying certain costs as either direct or indirect (F&A) under every accounting system

Identification with the Federal award -rather than the nature of the goods and services involved - is the determining factor in distinguishing direct from indirect costs of Federal awards

CSBG Administrative Cost – CSBG IM 37

For CSBG program reporting requirements, the HHS Office of Community Services (OCS) defines "direct" program and "administrative" costs in accordance with three criteria:

(i) meeting Congressional intent for the program;

(ii) achieving consistency with HHS audit and financial management standards; and

(iii) ensuring a common basis for relating expenditures to the CSBG Results Oriented Management and Accountability System (ROMA)



CSBG Administrative Cost – CSBG IM 37

“Direct” program costs can be specifically identified with delivery of a particular project, service, or activity undertaken by a grantee to achieve an outcome intended by the funding program.

For CSBG, such direct costs derive from the funding objectives specified in the reauthorizing statute, and from the goals and outcome measures in the ROMA system required by that statute.



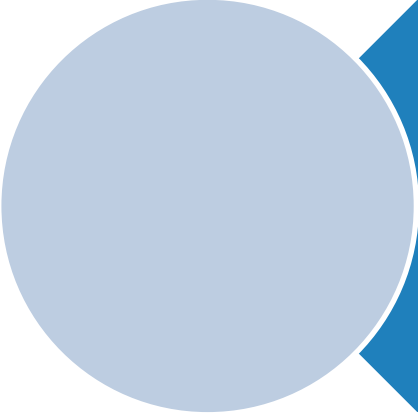
CSBG Administrative Cost – CSBG IM 37



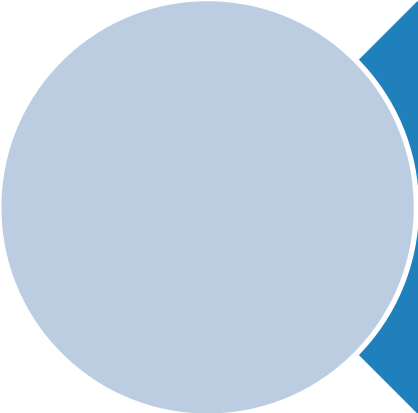
Direct program costs are incurred for the service delivery and management components within a particular program or project.

Direct program costs include expenditures on some activities with administrative qualities, including salaries and benefits of program staff and managers, equipment, training, conferences, travel, and contracts that expressly relate to the delivery of an individual program or service funded by a specific grant source.

CSBG Administrative Cost – CSBG IM 37

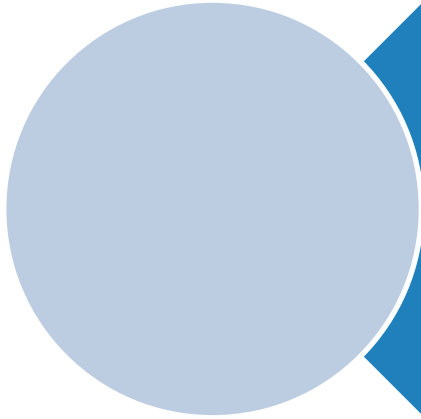


"Administrative" costs, in the context of CSBG statutory reporting requirements, are equivalent to the familiar concepts of "indirect" costs or "overhead."

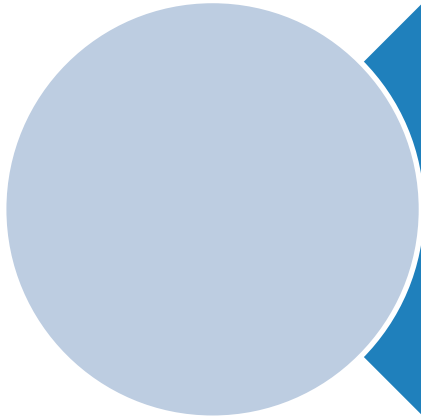


As distinguished from program administration or management expenditures that qualify as direct program costs, administrative costs refer to central executive functions that do not directly support a specific project or service.

CSBG Administrative Cost – CSBG IM 37



Rather, administrative costs are incurred for common objectives that benefit multiple programs administered by the grantee organization, or the organization as a whole, and as such are not readily assignable to a particular program funding stream.



Administrative costs relate to the general management of the grantee organization, such as strategic direction, Board development, Executive Director functions, accounting, budgeting, personnel, procurement, and legal services



§200.403 Factors affecting allowability of costs.

- Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:
 - (a) Be **necessary and reasonable** for the performance of the Federal award and be **allocable** thereto under these principles.



§200.403 Factors affecting allowability of costs.

(b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.



(c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.



(d) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.



§200.403 Factors affecting allowability of costs.

(e) Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part.



(f) Not be included as a cost or used to meet cost sharing or matching requirements of any other Federal award



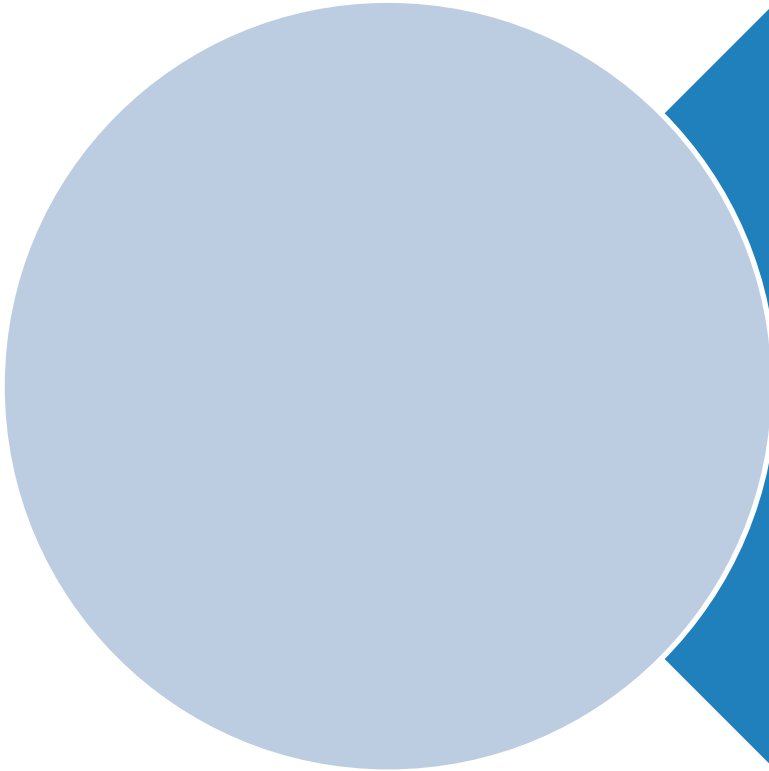
(g) Be adequately documented.



(h) Cost must be incurred during the approved budget period. The Federal awarding agency is authorized, at its discretion, to waive prior written approvals to carry forward unobligated balances to subsequent budget periods



§200.404 Reasonable costs.



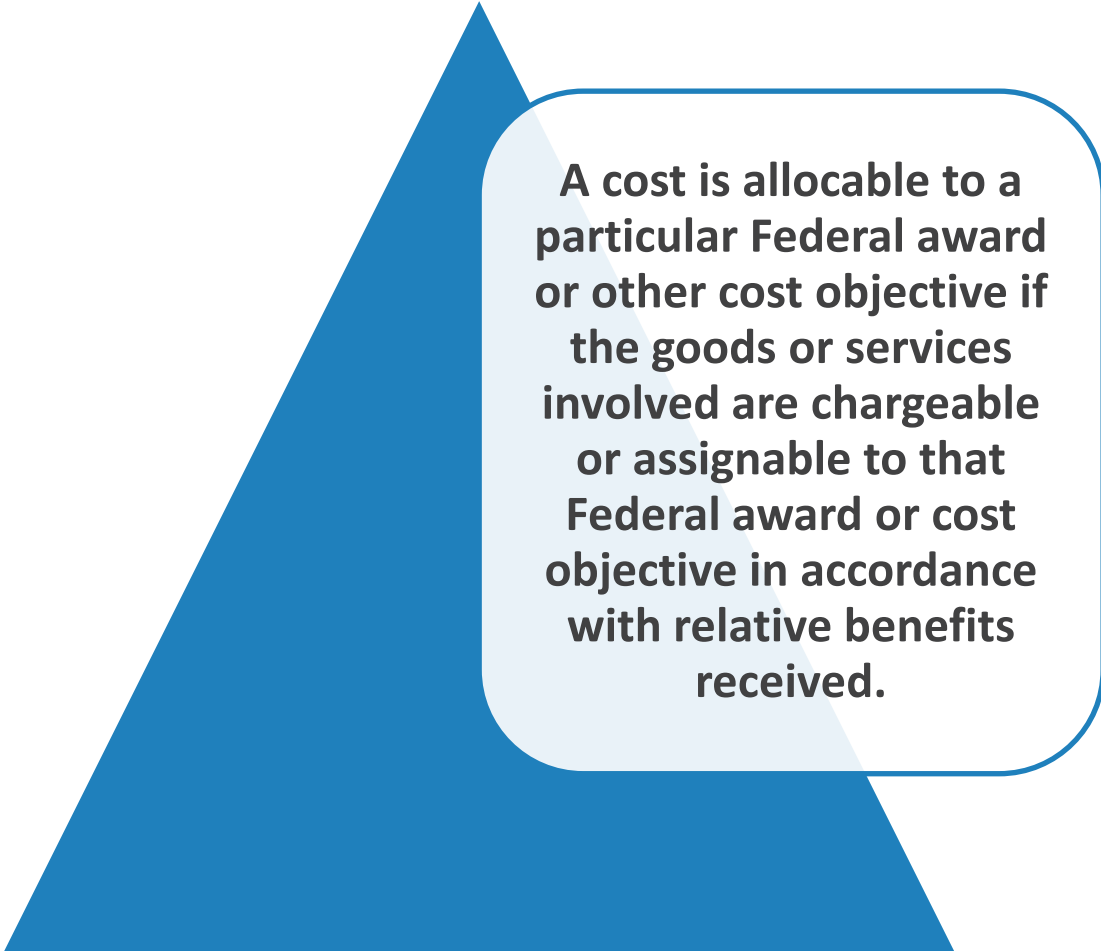
A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost.

§200.404 Reasonable costs.

In determining reasonableness of a given cost, consideration must be given to:

- (a) Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the non-Federal entity or the proper and efficient performance of the Federal award.
- (b) The restraints or requirements imposed by such factors as: sound business practices; arm's-length bargaining; Federal, state, local, tribal, and other laws and regulations; and terms and conditions of the Federal award.
- (c) Market prices for comparable goods or services for the geographic area.
- (d) Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the non-Federal entity, its employees, where applicable its students or membership, the public at large, and the Federal Government.
- (e) Whether the non-Federal entity significantly deviates from its established practices and policies regarding the incurrence of costs, which may unjustifiably increase the Federal award's cost.

§200.405 Allocable costs.



A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received.

§200.405 Allocable costs.

This standard is met if the cost:

(1) Is incurred specifically for the Federal award;

**(2) Benefits both the Federal award and other work of the non-Federal entity and can be distributed in proportions that may be approximated using reasonable methods;
and**

(3) Is necessary to the overall operation of the non-Federal entity and is assignable in part to the Federal award

§200.405 Allocable costs.

(d) Direct cost allocation principles.

If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost must be allocated to the projects based on the proportional benefit.

If a cost benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved, then the costs may be allocated or transferred to benefitted projects on any reasonable documented basis.

Allowable Costs

The costs of certain activities are not allowable as charges to Federal awards

Allowable and unallowable costs can also be specific to each federal program

Subpart E of the Uniform Guidance lists out general provisions for selected items of cost



Subpart E: Selected Items of Cost

Advertising and public relations.

Advisory councils.

Alcoholic beverages.

Alumni/ae activities.

Audit services.

Bad debts.

Bonding costs.

Collections of improper payments.

Commencement and convocation costs.

Compensation—personal services.

Compensation—fringe benefits.

Conferences.

Contingency provisions.

Contributions and donations.

Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringements.

Depreciation.

Employee health and welfare costs.

Entertainment costs.

Equipment and other capital expenditures.

Exchange rates.

Fines, penalties, damages and other settlements.

Fund raising and investment management costs.

Gains and losses on disposition of depreciable assets.

General costs of government.



Subpart E: Selected Items of Cost

Goods or services for personal use.

Idle facilities and idle capacity.

Insurance and indemnification.

Intellectual property.

Interest.

Lobbying.

Losses on other awards or contracts.

Maintenance and repair costs.

Materials and supplies costs, including costs of computing devices.

Memberships, subscriptions, and professional activity costs.

Organization costs.

Participant support costs.

Plant and security costs.

Pre-award costs.

Professional service costs.

Proposal costs

Publication and printing costs.

Rearrangement and reconversion costs.

Recruiting costs.

Relocation costs of employees.

Rental costs of real property and equipment.

Scholarships and student aid costs.

Selling and marketing costs.

Specialized service facilities.

Student activity costs.

Taxes (including Value Added Tax).

Termination costs.

Training and education costs

Transportation costs.

Travel costs.

Trustees.



Indirect Costs

De Minimus Rate

Non-federal entities that does not have a current negotiated rate may elect to charge a de minimus rate of 10% of modified total direct costs

No documentation is required to justify the 10% de minimis indirect cost rate

Must use consistently on all awards until rate is negotiated, which entity may do at any time

Indirect Costs

Federal agencies must accept negotiated indirect cost rates

Pass-through entities are required to honor an organization's negotiated indirect cost rate or negotiate a rate

Organization's that are receiving direct funding and do not have a negotiated rate may need to negotiate an indirect cost rate

Cognizant agency for indirect cost rates is the Federal agency with the largest value of direct federal awards (excluding pass-through awards)

Indirect Costs

Automatic Extension

Entities with an approved federally negotiated indirect cost rate can now apply for a one-time extension of up to four years without further negotiation

Can only use one-time extension if there have been no major changes to indirect costs and approval from the cognizant agency is received

If approved, entity may not request a review of the rate until extension period is up





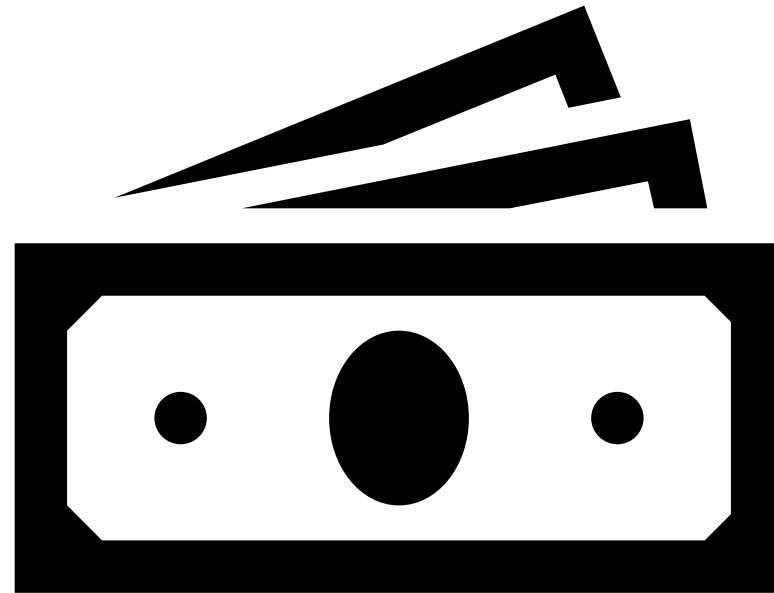
Single Audit Requirements

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Audit Requirements 200.501

- A non-Federal entity that expends \$750,000 or more during the non-Federal entity's fiscal year in Federal awards must have a single audit conducted



Basis for determining Federal awards expended.

200.502

The determination of when a Federal award is expended must be based on when the activity related to the Federal award occurs. Generally, the activity pertains to events that require the non-Federal entity to comply with Federal statutes, regulations, and the terms and conditions of Federal awards, such as:

- expenditure/expense transactions associated with awards
 - including grants,
 - cost-reimbursement contracts under the FAR
 - cooperative agreements
- the disbursement of funds to subrecipients;
- the use of loan proceeds under loan and loan guarantee programs;
- the receipt of property;
- the receipt of surplus property;
- the receipt or use of program income



Single Audit Testing

- **Auditor's test compliance requirements applicable to the federal grant as well as internal controls**
 - Grant agreements
 - Compliance supplement
 - Other statutes and regulations
- **OMB Compliance Supplement used as audit program for testing**



Compliance Requirement Audit Areas

Activities allowed or unallowed	Allowable costs	Cash management	Eligibility
Equipment and real property management	Matching, level of effort, earmarking	Period of performance	Procurement and suspension and debarment
Program Income	Reporting	Subrecipient monitoring	Special tests and provisions

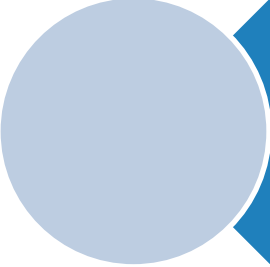
Reports Issued in a Single Audit



**Report on the schedule of
expenditures of federal awards, in
relation to financial statements**



**Report on internal controls over
financial reporting**



**Report on internal controls and
compliance that are direct and
material to each major program tested**



Internal Control Deficiencies

- Reasonable possibility that a material misstatement or material noncompliance will not be prevented, or detected and corrected on a timely basis
- Material noncompliance with a type of compliance requirement of a federal program

Material Weakness

- Less severe than a material weakness
- Merits attention by those charged with governance

Significant Deficiency

How Findings are Reported

Deficiency in Internal Control over Financial Reporting

- Segregation of duties
- Financial statement preparation
- Adjusting journal entries

Single Audit findings

- Significant deficiency or material weakness in internal controls over major programs
- Non-compliance with provision of laws, regulations, contracts, or grant agreements applicable to major programs
- Known questioned costs over \$25,000 in a program, whether it is tested as a major program or not
- Known fraud affecting a federal award



How Findings are Reported – Other Areas

Schedule of Findings and Questioned Costs

- Finding Reference Number
- Identification of Program
- Finding Criteria
- Statement of Condition
- Questioned Costs
- Recommendation
- Management Response and Corrective Action Plan

Summary Schedule of Prior Audit Findings

Data Collection Form



Management Decisions

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§200.521 Management decision.

(c) *Pass-through entity.* As provided in §200.332(d), the pass-through entity must be responsible for issuing a management decision for audit findings that relate to Federal awards it makes to subrecipients.

§200.521(a) Management decision.

The management decision must clearly state whether or not the audit finding is sustained, the reasons for the decision, and the expected auditee action to repay disallowed costs, make financial adjustments, or take other action.

If the auditee has not completed corrective action, a timetable for follow-up should be given.

Prior to issuing the management decision, the Federal agency or pass-through entity may request additional information or documentation from the auditee, including a request for auditor assurance related to the documentation, as a way of mitigating disallowed costs.

The management decision should describe any appeal process available to the auditee.

While not required, the Federal agency or pass-through entity may also issue a management decision on findings relating to the financial statements which are required to be reported in accordance with GAGAS.



§200.521 Management decision.

(d)

- *Time requirements.* The Federal awarding agency or pass-through entity responsible for issuing a management decision must do so within six months of acceptance of the audit report by the FAC. The auditee must initiate and proceed with corrective action as rapidly as possible and corrective action should begin no later than upon receipt of the audit report.

(e)

- *Reference numbers.* Management decisions must include the reference numbers the auditor assigned to each audit finding in accordance with §200.516(c).



Thank You!

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