

Navigating the New EDGAR



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AGENDA

- Importance of EDGAR
- New Structure of EDGAR
- Roadmap of Part 76
- The New 2 CFR Part 200
- Major Changes in Administrative and Cost Rules
- Financial Management
- Allowability
- Procurement
- Inventory
- Monitoring / Audits
- Reconsideration of Compliance Supplement Internal Controls

KEY PARTS OF EDGAR

- **Title 34**
 - Part 75 – Direct Grant Programs
 - Part 76 – State-Administered Programs
 - Part 77 – Definitions
 - Part 81 – Enforcement
- **Title 2**
 - Part 200 – Cost/Administrative/Audit Rules

EFFECTIVE DATES FOR 2 CFR PART 200

- December 26, 2014 – Direct Grants from ED
- July 1, 2015 – State Administered Programs
- July 1, 2016 – Procurement Rules – One Year Grace Period
- Indirect Cost Rates When Due For Renegotiation

ADOPTION OF 2 CFR PART 200 79 FEDERAL REGISTER 7609 I

- ED Adopts OMB “Guidance” in 2 CFR Part 200 except for:
 - 1) 2 CFR 200.102(a)
 - 2) 2 CFR 200.207(a)

“Exception” to 2 CFR 200.102(a)

- Authority for granting exceptions to regulations vested in OMB
- But “Department of Education Organization Act” 20 U.S.C. 3472 does not permit Secretary to delegate “exceptions” to OMB. Secretary will consult within OMB.

“CLARIFICATION” TO 2 CFR 200.207 “HIGH RISK STATUS”

- The Secretary retains the authority under 74.14 and 80.12 to impose high risk conditions on individual grants and individual grantees at time award is made or after an award is made.



ROADMAP OF PART 76

STATE-ADMINISTERED PROGRAMS

PROGRAMS TO WHICH PART 76 APPLIES

- **76.1 / 76.50 / 76.51**
- **Program Statute Authorizes Fund Allocation to States by Formulas**

- 
- State allocates funds by formula (Title I, IDEA-B, Perkins) or Competitively (AEFLA, 21st Century)

THE GENERAL STATE APPLICATION



- 76.101
 - Meets requirements of Section 44I of GEPA

LEA LOCAL APPLICATION



- 76.301
 - Meets requirements of Section 442 of GEPA

DISAPPROVAL OF AN APPLICATION

- 76.401
 - Due Process and State Agency Hearing

ALLOWABLE COSTS



- 76.530
 - The general principles to be used in determining costs applicable to grants is 2 CFR Part 200 Subpart E

INDIRECT COST RATES

- 76.560  76.569
 - Incorporates language from 2 CFR Part 200
79 FR 76094

GENERAL ADMINISTRATIVE RESPONSIBILITIES

- 76.700 → 76.702
 - Incorporates 2 CFR Part 200 Subpart D

WHEN A STATE MAY BEGIN TO OBLIGATE FUNDS

- 76.703
 - If plan submitted in “Substantially Approvable Form” funds available for obligation on date funds available to Secretary for obligation

WHEN OBLIGATIONS ARE MADE

- 76.707
 - Note differences on obligation dates
 - Adds new category  pre-agreement costs approved by Secretary are obligated on 1st day of grant performance period.

OBLIGATION PERIOD

- 76.708 → 76.710
 - 708(c) references 2 CFR Part 200 on Pre-Agreement Costs

REPORTS AND RECORDS



- 76.720  76.731
 - References new reporting requirements on financial management in 2 CFR 200.302 (performance reporting)

FUNDS UNDER MORE THAN ONE PROGRAM TO ASSIST A SINGLE ACTIVITY

- 76.760
 - Must comply with req. of each program
 - Proper accounting

PROCEDURES TO ENSURE COMPLIANCE

- 76.770 → 76.863
 - Goes beyond req. of 2 CFR Part 200, Subpart D

FEDERAL PROCEDURES TO ASSURE COMPLIANCE

- 76.900 → No waivers, unless specifically authorized
- 76.901 → OALJ
- 76.902 → Judicial Review
- 76.910 → Cooperation with Audits

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

THE MAJOR CHANGES IN FEDERAL GRANTS MANAGEMENT

1. Focus on Outcomes
2. Performance Metrics
3. Risk Assessments
4. Financial Management Policies
5. Equipment Use
6. Micro Purchases
7. Corrective Action
8. Family Friendly Policies
9. False Claims Certifications
10. Audit Thresholds

FINANCIAL MANAGEMENT CONTROLS

THE KEY COMPONENT TO FEDERAL GRANTS





THE MORE ATTENTION PAID TO FINANCIAL
MANAGEMENT CONTROLS, FEWER HEADACHES DOWN
THE ROAD!!!

WHY??

All oversight will examine financial management controls:

- 1) OIG Audit
- 2) Single Audit
- 3) Federal Program Monitoring
- 4) “Pass Through” Monitoring

CROSSWALK BETWEEN OLD RULE 80.20(b) AND OMNI CIRCULAR 200.302(b)

Current Requirements

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**)

I) IDENTIFICATION OF AWARDS (NEW)

- All federal “awards” received and expended
- The name of the federal “program”
- Identification # of award
 - CFDA Title and Number
 - Federal Award I.D. #
 - Fiscal Year of Award
 - Federal Agency
 - Pass-Through (If S/A)



2) FINANCIAL REPORTING

- New shift to OMB approved performance metrics



2) FINANCIAL REPORTING (CONT.)

- Generally requires accurate, current, complete disclosure of financial results of each award
 - **NEW: 200.327** – Federal awarding agency can only collect OMB approved data elements, no less than annually, no more than quarterly
 - **NEW: 200.328** – Non federal entity must submit performance reports at intervals required by federal agency or pass through.
 - Annual performance reports due 90 days after reporting period; Quarterly performance reports due 30 days after reporting period

2) FINANCIAL REPORTING (CONT.)

- **NEW Performance Metrics:**
 1. Compare actual accomplishments to objectives. (quantify to extent possible)
 2. Reasons goals were not met if appropriate
 3. Additional pertinent information (e.g. analysis and explanation of cost overruns, high unit costs)
 - 200.328(b)(2)

2) FINANCIAL REPORTING (CONT.)

4. Significant developments

- a. Problems, delays. Adverse conditions that would impair ability to meet objective of the award
 - b. Favorable developments. Finishing sooner or at less cost
- 200.328(d)

2) FINANCIAL REPORTING (CONT.)

- OMB allows ED to waive “performance metrics” not required.



- How will ED reconcile performance metrics with accountability / performance indicators of ESEA, IDEA, CTE, AEFLA ??

3) ACCOUNTING RECORDS (SOURCE DOCUMENTATION)

Combines 80.20(b)(2) and 80.20(b)(6):

■ Source Documentation Must Be Kept On:

1. Federal Awards
2. Authorizations
3. Obligations
4. Unobligated balances
5. Assets
6. Expenditures
7. Income
8. Interest (New) (***Eliminated liabilities***)

4) INTERNAL CONTROLS

Essentially same as old requirements 80.20(b)(3):

- Effective control over and accountability for:
 1. All funds
 2. Property
 3. Other assets
- Must adequately safeguard all assets
- Use assets solely for authorized purpose

5) BUDGET CONTROL

- Same as old rules 80.20(b)(4)
- Comparison of expenditures with budget amounts for each award

6) WRITTEN CASH MANAGEMENT PROCEDURES

- Written procedures to implement the requirements of 200.305 (payment)

6) WRITTEN CASH MANAGEMENT PROCEDURES

- 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)

6) WRITTEN CASH MANAGEMENT PROCEDURES 200.305

- 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

6) WRITTEN CASH MANAGEMENT PROCEDURES 200.305 (CONT.)

- **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

6) WRITTEN CASH MANAGEMENT PROCEDURES 200.305 (CONT.)

- **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
- Interest earned must be remitted annually to HHS

7) WRITTEN ALLOWABILITY PROCEDURES

- **NEW:** Written procedures for determining allowability of costs in accordance with Subpart E – Cost Principles

7) WRITTEN ALLOWABILITY PROCEDURES (CONT.)

- 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



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 200.4 | 3

- **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

NEW: REQUIRED CERTIFICATIONS 200.415

- **NEW**: 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.”

SELECTED ITEMS OF COST

THE “OMNI” NOW HAS 55
SPECIFIC ITEMS OF COST!

200.420



SELECTED ITEMS OF COST (CONT.)

■ **Conferences 200.432 (Changed)**

- Prior Rule: Generally allowable
- Conference is meeting, seminar, workshop, event for the purpose of disseminating technical info **beyond the nonfederal entity (?)**
- Allowable conference costs include rental of facilities, speaker fees, meals and refreshments, and transportation, unless restricted by the federal award
- **New:** Costs related to identifying, but not providing, locally available dependent-care resources
 - **New:** But 200.474 “travel” allows costs for “above and beyond regular dependent care”
- 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)**

- Prior rule: allowable with certain restrictions
- Travel costs may be charged on actual, per diem, or mileage basis
- Travel charges must be reasonable and consistent with entity's written travel reimbursement policies
- Grantee must retain documentation that participation of individual in conference is necessary for the project
- **New:** Dependent care costs above and beyond regular dependent care that directly result from travel to conferences may be allowable (consistent with written policy)

OMB CIRCULARS TIME AND EFFORT RULE

New Name: Time Distribution Records “Standards for Documentation of Personnel Expenses”

- If federal funds are used for salaries, then time distribution records are required.
- How staff demonstrate allocability
 - Paid in whole or in part with federal funds 200.430 (i)(1)
 - Used to meet a match/cost share requirement 200.430(i)(4)

COST OBJECTIVES 200.28

- What is a cost objective? (**slightly changed**)
 - 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.

TIME AND EFFORT (CURRENT A-87 RULE)

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

“STANDARDS FOR DOCUMENTATION OF PERSONNEL EXPENSES” 200.430

- **NEW:** Charges for salaries must be based on records that accurately reflect the work performed
 1. Must 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%

“STANDARDS FOR DOCUMENTATION OF PERSONNEL EXPENSES” 200.430 (CONT.)

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

“STANDARDS FOR DOCUMENTATION OF PERSONNEL EXPENSES” 200.430 (CONT.)

- Budget estimates alone do not qualify as support for charges to Federal awards 200.430(i)(1)(viii)
- **NEW:** Percentages may be used for distribution of total activities 200.430(i)(1)(ix)

“STANDARDS FOR DOCUMENTATION OF PERSONNEL EXPENSES” 200.430 (CONT.)

- Grantees encouraged to adopt “substitute systems” if approved by cognizant agency for indirect cost 200.430(i)(5)
- Acceptable to allocate sampled employees’ supervisors, clerical and support staffs, based on results of sampled employees

“STANDARDS FOR DOCUMENTATION OF PERSONNEL EXPENSES” 200.430 (CONT.)

- **NEW:** If records meet the standards: the non-federal entity *will NOT be required to provide additional support or documentation for the work performed* (200.430(i)(2))
- **BUT**, if “records” of grantee do not meet new standards, ED may require PARs (200.430(i)(8))
 - PARs are not defined!!

Procurement



PROCUREMENT STANDARDS

State, Local and Tribal Governments:

- States may use their own procurement policies and procedures to procure equipment.
- Other grantees and subgrantees must follow policies and procedures that meet the standards set out in EDGAR 80.36.

PROCUREMENT STANDARDS 200.308

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

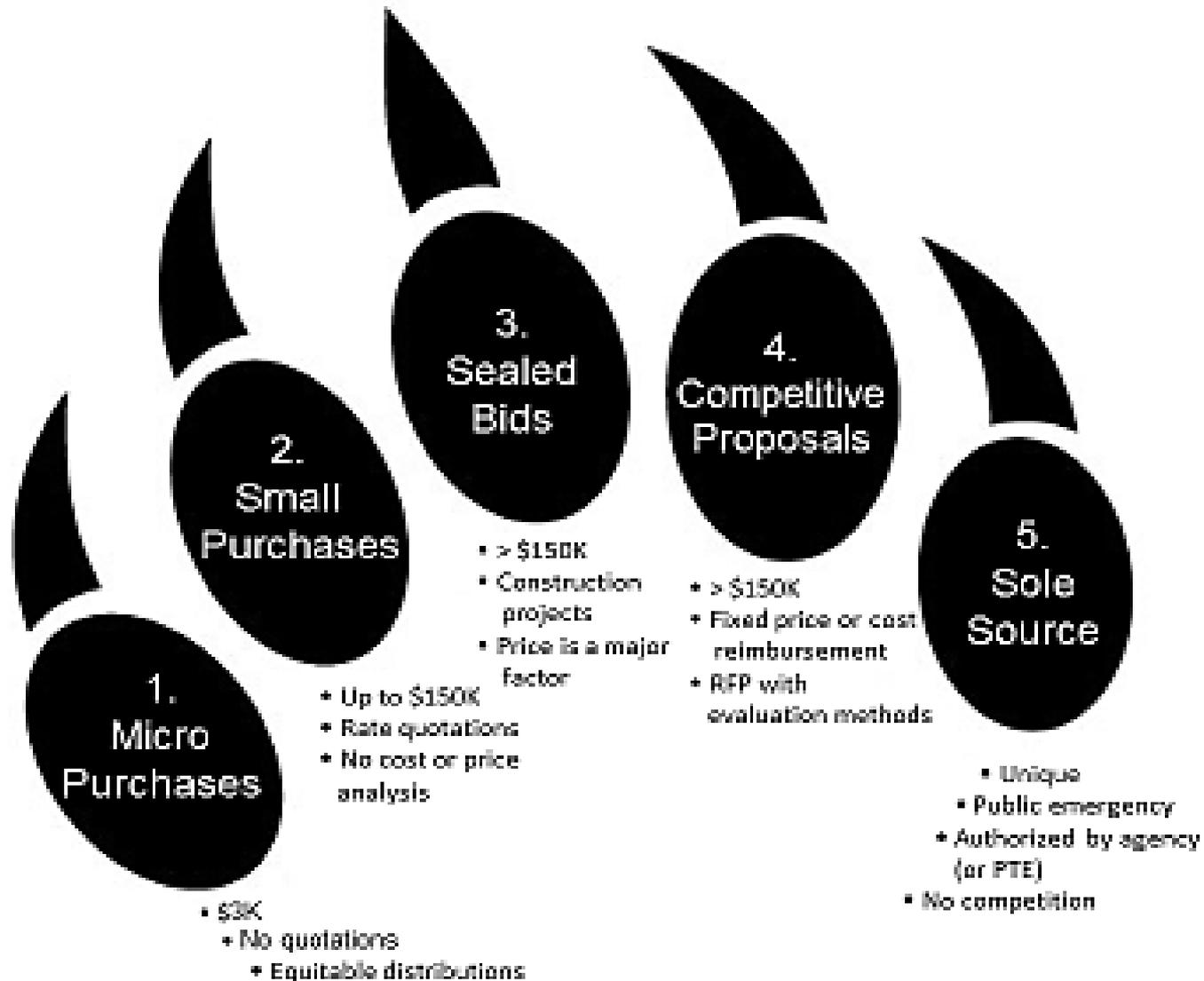
CONFLICT OF INTEREST

- **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!
200.318(b)(2)

VENDOR SELECTION PROCESS 200.320

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

Procurement "Claw" (Section 200.320)



VENDOR SELECTION PROCESS: MICRO-PURCHASE

300.320(a)

- **NEW:** Acquisition of supplies and services under \$3,000 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.

VENDOR SELECTION PROCESS: NONCOMPETITIVE PROPOSALS

- Appropriate only when:
 - The good or services is available only from a single source (sole source)
 - There is a public emergency
 - The awarding agency authorizes
 - **NEW:** awarding agency or pass-through must expressly authorize noncompetitive proposals in response to written requires from nonfederal entity - 200.320(f)(3)
 - After soliciting a number of sources, competition is deemed inadequate

Property Management



INVENTORY MANAGEMENT

- Must have adequate controls in place to account for:
 - Location of equipment
 - Custody of equipment
 - Security of equipment



EQUIPMENT

- Defined 200.33
- Significant changes on use and dispositions (200.3 | 3)
 - Shared use allowed if use will not “interfere”
 - **Clarified:** shared use priorities: (1) projects supported by same federal awarding agency; (2) projects funded by other federal agencies; (3) nonfederal programs
 - **New:** may “trade in” when acquiring replacement equipment without recourse federal agency

SUPPLIES 200.94

- Anything that is not equipment is considered supplies.
 - “Significant Technological Devices”
- **NEW:** Computing devices
 - Machines used to acquire, store, analyze, process, public data and other information electronically
 - Includes accessories for printing, transmitting and receiving or storing electronic information
 - Computing devices are supplies if less than \$5,000

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.”

Records and Reviews



METHODS FOR COLLECTION, TRANSMISSION AND STORAGE OF INFORMATION 200.335

- **NEW:** When original records are electronic and cannot be altered, there is no need to create and retain paper copies.
- When original records are paper, electronic versions may be substituted through the use of duplication or other forms of electronic media provided they:
 - Are subject to periodic quality control reviews,
 - Provide reasonable safeguards against alteration; and
 - Remain readable.

REQUIREMENTS OF PASS- THROUGH ENTITIES



FEDERAL AWARDING AGENCY REVIEW OF RISK POSED BY APPLICANTS 200.205

- **NEW:** Fed Agency and “Pass-Through” must have in place a framework for evaluating risks before applicant receives funding
 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

Fed agency or “Pass Through” may impose “additional Federal award conditions”:

- Require reimbursement;
- Withhold funds until evidence of acceptable performance;
- More detailed reporting
- Additional monitoring;
- Require grantee to obtain technical or management assistance; or
- Establish additional prior approvals.

MONITORING AND REPORTING PROGRAM PERFORMANCE 200.328, 200.33 I

81

NEW: Monitoring by the Nonfederal Entity (self-assessment)

- Must monitor its activities to assure compliance with applicable federal requirements and performance expectations are achieved
- Must cover each program, function or activity (see *also 200.33 I, Requirements for the “Pass Through” entity*)
- Must submit “performance reports” at least annually

REQUIREMENTS FOR PASS-THROUGH ENTITIES

200.33 I

82

- Pass-through must monitor its subrecipients to assure compliance and performance goals are achieved
- Monitoring must include:
 1. Review financial and programmatic reports
 2. Ensure corrective action
 3. Issue a “management decision” on audit findings if the award is from the pass-through

REQUIREMENTS FOR PASS-THROUGH ENTITIES

200.33 I

83

- **NEW:** Depending on assessment of risk, the following monitoring tools may be useful for the pass-through entity to ensure proper accountability and compliance with program requirements and achievement of performance goals:
 1. Training + technical assistance on program-related matters
 2. On-site reviews
 3. Arranging for “agreed-upon-procedures” engagements (described in 200.425)

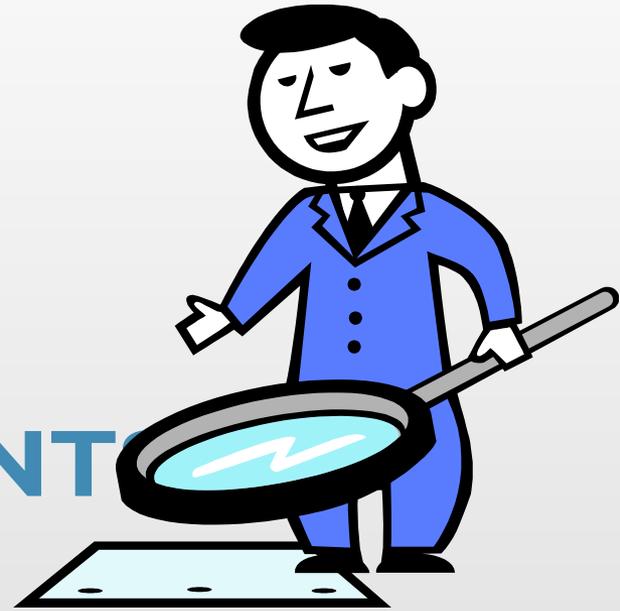
REQUIREMENTS FOR PASS-THROUGH ENTITIES

200.33 I

- Pass-through must consider taking enforcement action (200.338) based on non compliance:
 1. Temporarily withhold cash payments pending correction
 2. Disallow all or part of the cost
 3. Wholly or partly suspend the award
 4. Recommend to federal awarding agency suspension / debarment
 5. Withhold further federal awards
 6. Other remedies that may be legally available



AUDIT REQUIREMENT



AUDIT REQUIREMENTS

- ❑ Current threshold \$500,000.
- ❑ **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

87

- ❑ **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 200.5 | 6

- ❑ 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**



Reconsideration of Compliance Supplement Internal Controls

“NOTICE OF INTENT”

2/28/12 - 77 FR 11780

- The Uniform Guidance will “streamline compliance requirements” to better target areas of risk



NPRM

2/1/13 – 78 FR 7294

- OMB/COFAR proposed limiting the types of requirements for auditors in the Compliance Supplement

PROPOSED

COMPLIANCE SUPPLEMENT TO COVER:

1. Allowable Activities
2. Allowable Costs
3. Cash Management – Minimizing Time
4. Eligibility
5. Financial and Performance Reporting
6. Subrecipient Monitoring
7. Requirements Unique to the Program

PROPOSED

COMPLIANCE SUPPLEMENT NOT TO COVER:

1. Davis-Bacon
2. Inventory Management
3. MOE / Earmarking
4. Period of Availability
5. Procurement
6. Program Income
7. Real Property Acquisition

FINAL RULE 78 FR 78608 12/26/13

- While most comments were in favor of proposed reduction of the number of compliance requirements, many voiced concern about the process
 - Federal Agencies adding back provisions under special tests would increase burden
 - Increased burden on pass-throughs

2015 COMPLIANCE SUPPLEMENT (APRIL 2015)

- Streamline the audit objectives and procedures for the 14 types of compliance requirements
 - OMB / COFAR FAQ, Aug/14 (p.15)

QUESTIONS?



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