

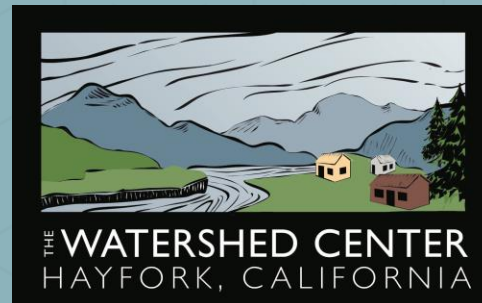
Federal Grants Compliance and Audit Requirements:

BEST PRACTICES AND WATCH-OUTS

PART ONE

Clark Nuber PS

www.clarknuber.com



February 18, 2025

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Zoom Reminders



Chat

Please use the chatbox for our interactive activities (or similar).



Q&A

Enter questions for presenters at any time.



Closed Caption

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Record

This webinar is being recorded.



The Watershed Research and Training Center is a non-profit organization located in the heart of Trinity County, California. We conduct the full gamut of land and watershed management services, lead state biomass and fire resilience partnerships, and through partnerships with communities, organizations, and public agencies we steward our landscape, create and sustain quality jobs, and connect people to the land and each other.



People learning and working together are the foundation of fire adaptation.

FAC Net invests in people and in place-based efforts to change relationships with fire. Together, we empower leaders, resource strategic action, develop tools, and create and share approaches to increase wildfire resilience.

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RELATED TRAININGS & RESOURCES

- “Navigating Match” primer and template
- Introduction to SAM.gov and Grants.gov
- Understanding Forest Service Grants and Agreements

WRTC Community Navigator Project



[thewatershedcenter.com
/featured-projects-cnp](https://thewatershedcenter.com/featured-projects-cnp)

Funding FAC Work



fireadapted.org/funding-fac

This presentation is supported through funding from the U.S. Forest Service

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About Clark Nuber



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300+ employees



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Services: Audits, Reviews, & Compilations; Tax Compliance & Planning; International, State, & Local Tax Services; Software Assessment and Selection; CFO, Bookkeeping, & Accounting Services; IT audits and more.



70+ years in existence



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Meet the Clark Nuber Team

Current Practice Focus

- ✓ Shareholder in the not-for-profit, public sector, Single Audit & Federal grant advisory practices
- ✓ WSCPA Government Committee – Auditing Subcommittee Chair
- ✓ GAQC Executive Committee member – prior

Personal

- ✓ Indiana Native
- ✓ Identical twin University of Washington Husky daughters



Troy Rector, CPA

Shareholder



Jen Keller, CPA

Principal

Current Practice Focus

- ✓ Federal Compliance Advisory Services & NFP Accounting Services
- ✓ National Grants Management Association, PNW Chapter Vice Chair

Personal

- ✓ Returned Peace Corps Volunteer - Niger
- ✓ Worked for international and national not-for-profits before joining Clark Nuber in 2018

Session Overview

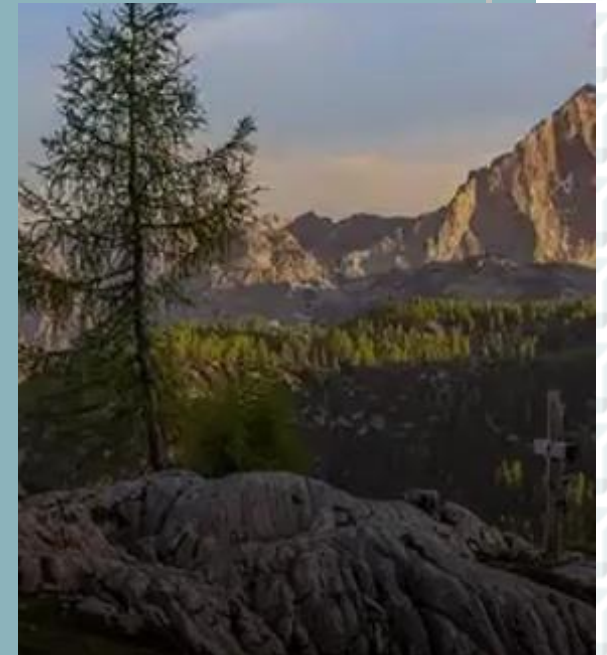
Federal Grants Compliance and Audit Requirements: Best Practices and Watch-outs

Part One | February 18, 2025

Part Two | February 27, 2025

Part Three – Special Q&A | February 28, 2025

Registration is open!



Learning Objectives



- Outlining the regulations that apply to Federal grants management
- Defining the Uniform Guidance and its importance
- Introduction to Single Audits & how it relates
- Standards for Financial & Program Management
- Review Subchapter D Provisions & Common Watch-outs!

Acronyms

Acronym	Meaning		Acronym	Meaning
ALN	Assistance Listing Number		PII	Personal Identifiable Information
CAP	Corrective Action Plan		PTE	Pass-through Entity
CFR	Code of Federal Regulation		R&D	Research & Development
GAGAS	Generally Accepted Government Auditing Standards		S&D	Suspension & Debarment
NICRA	Negotiated Indirect Cost Rate Agreement		SEFA	Schedule of Expenditures of Federal Awards
NoA	Notice of Award		UG	Uniform Guidance/ 2 CFR 200
OMB	Office of Management and Budget		UEI	Unique Entity Identifier



Objective

Outlining the regulations that apply to Federal grants management

What is a Federal Grant?

A Federal grant involves the transfers of anything of value from the federal government to a non-federal entity to carry out a public purpose authorized by U.S. Law. ([Grants.gov](https://www.grants.gov))

A government grant is a form of funding that does not require repayment. Government grants are typically awarded based on certain criteria, such as the applicant's eligibility, project proposal, or the alignment of the project with the government's objectives or priorities. These grants can support a wide range of activities including research, education, community development, healthcare, and environmental initiatives.

What is a Contract?

A contract is a legally binding agreement between two or more parties that outlines obligations and rights of those involved. They are used to obtain property, goods, and services.

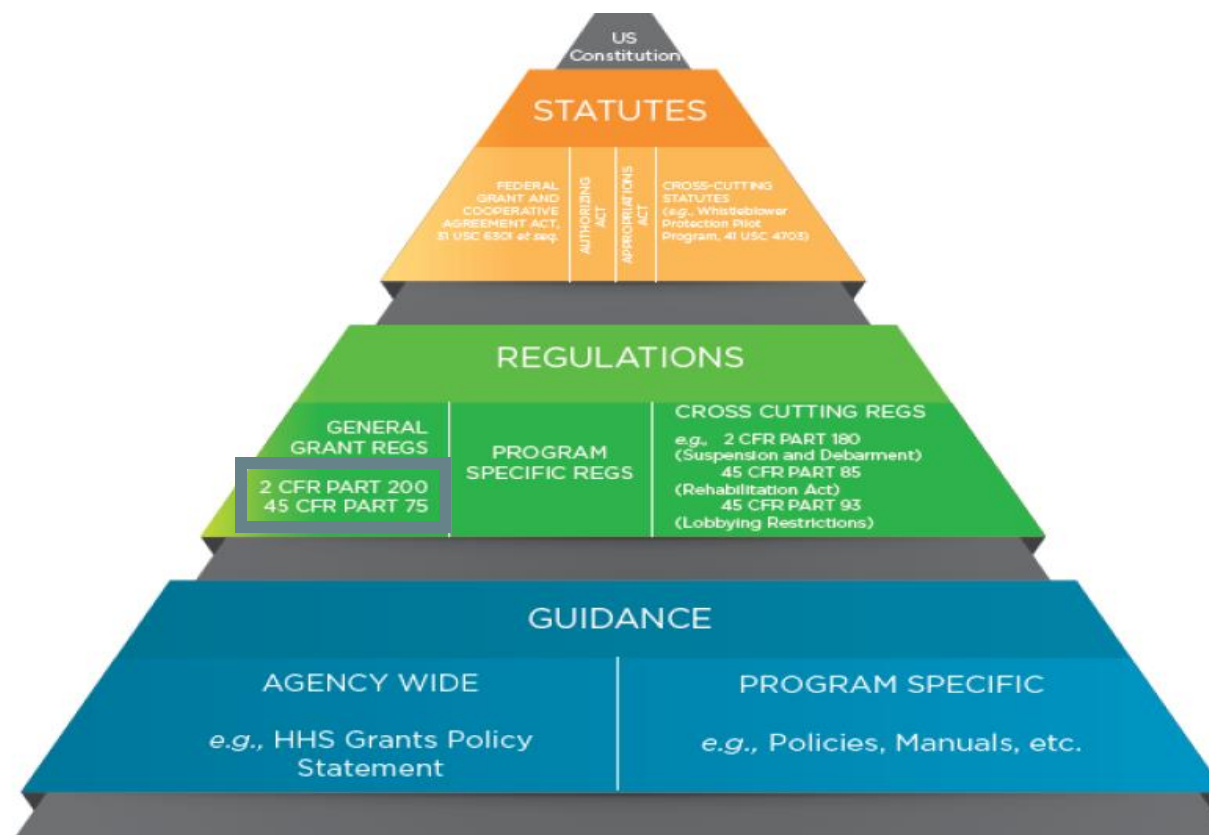
Questions



We Receive...

1. Federal grants
2. Contracts
3. Federal subawards
4. All of the above

Where do the rules come from?





Objective

Defining the Uniform Guidance and Its Importance

Where do the rules come from?

2 CFR	Title
Part 1	About Title 2 of the Code of Federal Regulations
Part 25	Unique Entity Identifier and System for Award Management
Part 170	Reporting Subaward and Executive Compensation Information
Part 175	Award Term for Trafficking in Persons
Part 180	OMB Guidance to Agencies on Government-Wide Suspension and Debarment
Part 182	Government-Wide Requirements For Drug-Free Workplace
Part 183	Never Contract With the Enemy
Part 200	Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards

To WHOM Does it Apply?

**State and
Local
Governments**

**Institutes of
Higher
Education**

**Not-For Profit
Organizations**

**Subrecipients
– NFP or
Commercial**

Not Included:

- Commercial and foreign entities - can be subject to all Subparts except for Subpart F (*DHHS OMB exception*)
- Hospital cost principles included in separate appendix
 - Subpart E not applicable

UG Reminder:



MUST is a must



SHOULD is a best practice

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

**2 Code of Federal
Regulations Part
200**

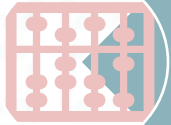
[https://www.ecfr.gov/
current/title-
2/subtitle-A/chapter-
II/part-200](https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200)

- Subchapter A - Acronyms and Definitions
- Subchapter B - General Provisions
- Subchapter C - Pre-Award Federal Requirements and Contents of Federal Awards
- Subchapter D - Post Federal Award Requirements
- Subchapter E - Cost Principles
- Subchapter F - Audit Requirements
- Appendices – Contract provisions, Indirect Cost appendices



Revised UG: A Quick Glance

Why the Revisions?



Incorporating statutory requirements and administrative priorities



Reducing agency and recipient burden



Clarifying section that agencies or recipients have interpreted in different ways



Rewriting in plain language, improving flow and addressing inconsistent use of terms

OMB UG Revisions Resources

Final Rule +
Preamble

2 CFR
Revisions 2024
Redline Version

New UG FAQ's
1/2025

2 CFR UG
Revisions
Crosswalk

2024 Revisions
Overview

COFFA/OMB Effective Date Guidance

COFFA
Implementation
Guidance -
August 2024

COFFA
Additional
Guidance -
January 2025

UG Revisions: Navigating the Effective Date

- Subpart F effective for fiscal years beginning on or after October 1, 2024
- Subparts A to E are effective based on award issuance date and references provisions
- Evaluating Federal Direct/Prime awards
 - New Federal awards issued on or after October 1, 2024 that apply OMB's guidance in 2 CFR, but do not specifically reference which version of the guidance they apply, may be assumed to apply the 2024 Revisions
 - Amendments issued on or after October 1, 2024 to existing awards made before October 1, 2024 that applied a previous version of OMB's guidance in 2 CFR may be assumed to continue applying the previous version of the guidance unless the amendment explicitly applies the 2024 Revisions to the award.
 - Federal awards issued before October 1, 2024 that applied a previous version of OMB's guidance in 2 CFR and have not been amended may be assumed to continue applying the previous version of


UG Revisions: Navigating the Effective Date

➤ Evaluating Federally Funded Subawards

Subawards issued under Federal awards applying the 2024 Revisions (either at the time of issuance or through amendment) must also apply the 2024 Revisions. However, if the Federal award to a recipient applies a previous version of the 2 CFR guidance, then the previous version also applies to the subaward—even if the subaward itself is made after October 1, 2024.

- For new subawards entered into after October 1, 2024, terms of the subaward must be reviewed and, if needed, communication with the grantor to determine if the 2024 Revisions are applicable

Navigating Different UG Versions

Displaying the eCFR in effect on 9/30/2024.  [view current version](#)







Table of Contents for Title 2—Grants and Agreements


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
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ECFR CONTENT

▼ **Title 2** Grants and Agreements

▼ **Subtitle A** Office of Management and Budget Guidance for Grants and Agreements

▼ **Chapter II** Office of Management and Budget Guidance

▼ **Part 200** Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards

▼ **Subpart A** Acronyms and Definitions

▼ Acronyms

§ 200.0 Acronyms.

§ 200.1 Definitions.

▶ **Subpart B** General Provisions

▶ **Subpart C** Pre-Federal Award Requirements and Contents of Federal Awards

Part / Section

1 – 299

200 – 299

200.0 – 200.521

200.0 – 200.1

200.0 – 200.1

200.100 – 200.113

200.200 – 200.216

Questions



Which of the following changes to the UG would you like to hear more about in our next session?

1. De Minimis rate increased from 10 percent up to 15 percent
2. Modified Total Direct Costs – subaward threshold increased from \$25,000 to \$50,000
3. Equipment definition – maximum increased from \$5,000 to \$10,000
4. Mandatory disclosure amended to reference credible evidence
5. Close-out costs now allowable
6. Single Audit threshold – increased to \$1,000,000
7. All of the above



Objective

Introduction to Single Audits &
how it relates

Who Needs a Single Audit?

- Non-federal entities that expend over \$750k of federal awards in a fiscal year (§200.501)
 - *If less than threshold, entities still need to comply with federal requirements*
 - *Threshold increased to \$1,000,000 for audits of fiscal year's beginning on or after October 1, 2024*
- Program-specific audit if only one federal award
 - Follow a program specific audit program (§200.507)
- Both must be conducted annually (§200.504)

Single Audit Objectives

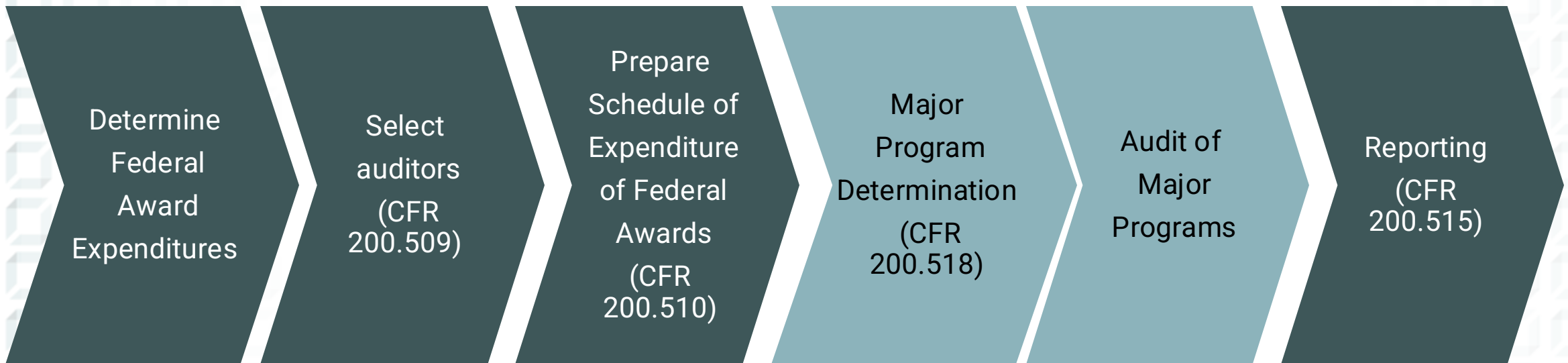
Report on Compliance for Each Major Federal Program

- Determine whether the auditee has complied with laws, regulations and provisions of contracts or grant agreements pertaining to federal awards that may have a direct and material effect on each of its major programs

Report on Internal Control Over Compliance

- Obtain an understanding of the internal control over compliance for each major program
- Assess the control risk of noncompliance
- Perform tests of those controls (unless the controls are deemed ineffective)

Single Audit Process



What is a Federal Award? (§200.502)

- Grants
- Cost reimbursement contracts under the FAR
- Compacts with Indian Tribes
- Cooperative agreements
- Direct appropriations
- Loan or loan guarantees
- Interest subsidy
- Endowment funds
- Free rent
- Non-cash assistance (free rent, food, pharmaceuticals, commodities, donated property) – record at FMV at time of received or assessed value by Federal agency

When are Federal Funds Expended Excluded and Not Subject to Single Audit? (§200.502)

- Medicare and Medicaid payments to non-federal entities for patient care to individuals
- Federal awards received as a contractor or beneficiary
 - Subrecipient vs. Contractor determination
 - Determination is made by pass-through entity
 - Beneficiary of program funds

Note: Per 2 CFR 200.331 one must use judgement in making the subrecipient versus contractor determination. The substance of the relationship is more important than the form of the agreement.

When are Funds Expended? (§200.502)

- When the activity related to the Federal award occurs. Generally, when events occur that require the non-federal entity to comply with federal regulations:
 - Expense transaction incurred
 - Disbursement of funds to subrecipient (not when subrecipient expense was incurred)
 - New loans
 - Loans from prior periods with continuing compliance requirements (*Reported at amounts as specified in Uniform Guidance or by the Federal Agency*)
 - Receipt of property
 - Receipt or use of program income
 - Distribution or consumption of food or other commodities
 - Period when insurance is in force

Single Audit Common Findings

Schedule of Expenditures of Federal Award

Reporting of Programs + Expenditures

- Missing Federal pass-through subawards
 - What are the indicators of Federally funded subawards?
- Improper basis for determining when awards are expended including subaward costs
- Federal expenditures (in error) include Matching costs
- Non-cash awards missing - for example, USDA food commodities (Food Bank operations)

Presentation-Related Issues

- Incorrect or missing Assistance Listing #'s
- Names of pass-through entities omitted
- Missing pass-through contract number

Preparing for Your Single Audit

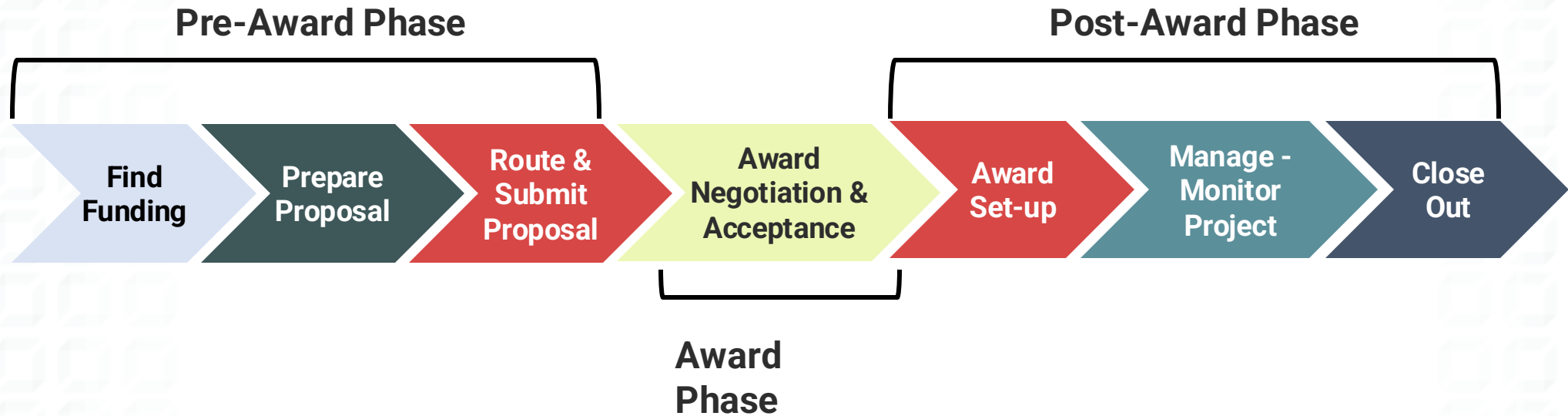
- Adequate Training and Resources available to comply with Federal grant requirements.
- Ensure books are closed for the fiscal year.
- Ensure grant documentation is organized and accessible.
- Ensure key people are working and available during the audit.
- Provide auditors with access to personnel, accounts, books, records, supporting documentation and other information as needed.
- Be prepared to provide information on any changes to policies and procedures throughout the year.
- Prepare the SEFA.



Objective

Standards for Financial & Program Management

Internal Grant Process



Award Phase: Award Negotiation & Acceptance

Read through the Notice of Grant Award carefully and verify:

- ☐ Period of Performance & Budget Period
- ☐ Award Amount
- ☐ Approved Budget & Narrative
- ☐ Cost Sharing & Matching Requirements
- ☐ Indirect Cost Rate
- ☐ General Terms & Conditions
- ☐ Internal Controls
- ☐ Specific Conditions
 - ☐ Key personnel
- ☐ Reporting Deadlines
- ☐ Method of Payment
- ☐ Reporting and Payment Portals

Post Award Phase: Award Set-up

- Communication and Documentation are Key
- Assign an internal point person to administrate the award
- Get to Know Your Grant Administrator
Revisit the list of pre-approvals
- Create a one page “cheat sheet” for the award or enter key award information into your grant management tool
- Assign your grant a unique identifier in your financial software for expense tracking and cash management

Financial Management Systems [200.302]

Financial management system

- Tracking of Federal awards
 - Consider separate project code in GL system
- Accounting requirements
 - Ability to prepare required reports
 - Ability to prepare SEFA
 - Note - does not require accrual accounting
- Budget-to-actual comparison
- Required written procedures
 - To implement requirements of 200.305 (payment)
 - For determining allowability of costs in accordance with Subpart E- Cost Principles

Single Audit Common Findings

Financial and Program Management

- Lack of understanding of Uniform Guidance and Federal program specific regulations
- Lack of effective grant intake process and related compliance organization efforts
- Lack of adequate policies and procedures covering compliance requirements
- Inadequate internal controls (oversight) over financial and compliance activities



Objective

Subchapter D: Post Federal Award Requirements

Subpart D: Post-Award Requirements

Standards for Financial and Program Management

- Financial management systems
- Internal controls
- Payment (cash management)
- Cost sharing
- Revision of budget and program plans

Property standards

Procurement standards

Subrecipient monitoring

UG At-A-Glance:

Payment - 200.305

Advance Payments [mostly Direct awards]

- Minimize time lapse between the draw down of federal funds and the disbursement of those funds
- What would be considered acceptable minimize time lapse?
 - To meet actual, immediate cash requirements
 - As close as is administratively feasible
 - For example, 3 to 5 days for HHS – Payment Management System

Reimbursement Method [mostly Subawards]

- Organization must have incurred costs before requesting reimbursement
- US Government and/or Pass Through Entity must make payment within 30 calendar days of receipt of billing

Single Audit Common Findings

Cash Management/Payment

Advance Payment

- NFP has an advance payment award and draws down funds to cover next quarters expenses.
- NFP does not retain documentation of underlying costs incurred to support the draw down
- Lack of review/approval of drawdown requests

Reimbursement Method

- Request for reimbursement submitted prior to incurring cost [think accrual accounting]

Resources

- **Uniform Guidance:**

<https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200?toc=1>

- **Uniform Guidance Frequently Asked Questions:**

<https://www.cfo.gov/assets/files/2%20CFR%20Revised%20FAQs.pdf>

- **2024 OMB Compliance Supplement:**

https://bidenwhitehouse.archives.gov/omb/office-federal-financial-management/current-compliance-supplement/?utm_medium=email&utm_source=SFMC_RAVE&utm_campaign=&utm_content=808698&AdditionalEmailAttribute2=&AdditionalEmailAttribute3=&AdditionalEmailAttribute4=&AdditionalEmailAttribute5=

- **AGA Subrecipient vs. Contractor Checklist:**

<https://www.agacgfm.org/Resources/intergov/SubrecipientvsContractor.aspx>



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Thank You

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