



Risk Assessment and the Uniform Grant Guidance

SC Education and Business Summit
Hershula Davis and Audrey Shifflett
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Molly M. Spearman – State Superintendent of Education

Risk Assessment

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Why Are We Doing This?

2 CFR Part 200.331 requires evaluation of...

- Each subrecipient's **risk of noncompliance** with
- federal statutes,
 - regulations, and
 - terms and conditions of each subaward.

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Factors to Consider

- Subrecipient's **prior experience** with same or similar subawards;
- **Results of previous audits** including whether or not the subrecipient receives a Single Audit;
- Whether subrecipient has **new personnel** or new or substantially **changed systems**; and
- **Extent and results of federal awarding agency monitoring** (e.g., if subrecipient also receives awards directly from a federal awarding agency).

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SCDE's Risk Assessment

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What SCDE Did to Comply

- Formulated a working group to address regulations
- Developed specific risk assessment criteria, tiers, and weightings
- Solicited input of all federal program grant managers
- Calculated risk scores for LEAs and non-LEAs (will be done each year) and identified LEAs and non-LEAs as high, medium, or low risk.

The SCDE will use risk scores in making federal subaward decisions.

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SCDE's LEA Risk Criteria

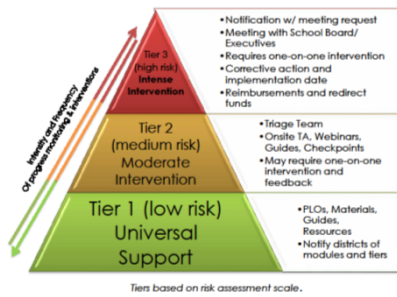
SCDE's Agency Assessment of Subrecipient's Risk for LEAs (Districts)

Risk Criteria	Low	Medium	High
Criteria 1: Personnel Turnover	Experienced key personnel	Stability in key personnel	High turnover in key personnel
Criteria 2: Required Reporting	Required reporting submitted timely	Required reporting submitted but not timely	Required reporting not submitted
Criteria 3: Program Compliance	Very minimal or no instances of programmatic non-compliance	Minor programmatic deficiencies noted during monitoring visits	Significant programmatic non-compliance noted during monitoring visits
Criteria 4: Fiscal Compliance	Very minimal or no instances of fiscal non-compliance	Minor fiscal deficiencies noted during monitoring visits	Significant fiscal deficiencies noted during monitoring visits
Criteria 5: Performance	Met performance requirements, expectations, and outcomes	Met most performance requirements, expectations, and outcomes	Failed to meet performance requirements, expectations, and outcomes
Criteria 6: Technical Assistance	Request needs for support and technical assistance	Minimal needs for support and technical assistance	Extensive need for assistance
Criteria 7: Audit Report	Annual audit report received on or before the December 1st due date	Annual audit report received within 30 days of the December 1st due date	Annual audit report received more than 30 days after the December 1st due date
Criteria 8: Management Systems	Strong internal controls/strong or no federal award non-compliance findings	Minor and/or one internal control finding or one federal award non-compliance finding	Major and/or more than one internal control finding or more than one federal award non-compliance finding
Criteria 9: Financial Stability	Assigned general fund balance is 10% or more of general fund available expenditures in accreditation years or clearing violations	Assigned general fund balance is between 5% and 10% of general fund available expenditures in accreditation years or clearing violations	Assigned general fund balance is less than 5% of general fund available expenditures in accreditation years or clearing violations
Criteria 10: Other Material Factors such as Accreditation and Test Security and Cheating Violations			Direct or indirect punitive violations

LEA Risk Criteria

- personnel turnover,
- required reporting,
- program compliance,
- fiscal compliance,
- performance,
- technical assistance,
- timely submission of Single Audit Report,
- management systems,
- financial stability, and
- other material factors (accreditation, test security, cheating violations, etc).

Risk Score = Level of Technical Assistance Provided Response to Intervention (RTI)



Risk Scores for FY 16-17

- LEAs have been determined to be in every risk area: low, medium, and high
- The Office of the State Superintendent notifies all subrecipients identified at **risk of noncompliance (high risk)**
- SCDE can and will impose **specific subaward conditions**, allowable under 2 CFR Part 200.207(b).

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Remedies for Noncompliance

The SCDE may take one or more actions (2 CFR Part 200.338):

- **Temporarily withhold cash payments** pending correction (or more severe enforcement action)
- **Disallow** (i.e., deny both use of funds and any applicable matching credit for) all or part of cost of noncompliant activity/action
- Wholly or partly **suspend** or **terminate** the award
- Recommend the federal agency **initiate suspension or debarment proceedings** as authorized under regulations
- **Withhold further federal awards** for project/program
- Take **other remedies** that are **legally** available.

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New Legislation – Section 59-20-90

Fiscal Practices and Budgetary Conditions

- 3 escalating levels of fiscal & budgetary concern
 - Fiscal caution
 - Fiscal watch
 - Fiscal emergency
- LEAs determined to be high risk based on fiscal factors are affected by this new legislation.

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What Should You Do?

- Familiarize yourself and comply with all federal and state statutes, regulations, and guidance that affects your federal award
- Attend technical assistance sessions
- Contact staff in the program offices for assistance with any questions or concerns you may have.

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What More Should You Do?

- Ensure timely submission of reimbursement claims, programmatic reports, and Single Audit Reports
- Ensure that programmatic requirements, expectations, and outcomes are being met and achieved
- Ensure that adequate internal controls exist within your agency.

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Questions



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Contact Information

Hershula D. Davis, Audits Manager
South Carolina Department of Education
Office of Auditing Services
(803) 734-6022
hdavis@ed.sc.gov

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Disclaimer

This presentation is designed to help participants understand parts of the Uniform Grant Guidance in 2 CFR Part 200.

This presentation is *not a substitute* for reading the regulations.

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Federal “Rules” = Regulations

Program Specific Regulations

US Department of Education’s “EDGAR”
Education Department General Administrative Regulations
34 CFR Parts 75–79, 81, and 79–99

US Department of Agriculture
General Program Administrative Regulations 2 CFR Part 415
National School Lunch Program 7 CFR Part 210

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Cross-Cutting Regulations

- 2 CFR Part 25—Universal Identifier and System for Award Management
- 2 CFR Part 200—Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards

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What is 2 CFR Part 200?

- Regulations for federal grants and subgrants, effective as of December 24, 2014
- Contains uniform administrative requirements, cost principles, and audit requirements
- Effort to streamline federal regulations to reduce risks of waste, fraud, and abuse.

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This Means You!

The UGG applies to **all** “nonfederal entities” expending federal awards.

You are accountable and responsible for subgrant award management.

Federal funds require responsible stewardship.

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Subgrant Recipients Must Follow

- Administrative requirements (what must be done? How must it be done?)
- Cost principles (how can funds be spent?)
- Audit (how will use of this taxpayer money be assessed?)

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Overview of 2 CFR Part 200

- Subpart A – Acronyms and Definitions
- Subpart B – General Provisions
- Subpart C – Pre-Award Requirements and Contents of Federal Awards
- Subpart D – Post-Award Requirements
- Subpart E – Cost Principles
- Subpart F – Audit Requirements

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Things to Know

- If federal program statute/regulation differs from UGG, statute/regulation governs
- Know what regulations affect your organization
- Know where to find answers to questions.

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Greater Emphasis on...

- Performance (not just compliance)
- Internal controls
- Written policies and procedures
- Assessing subrecipient risk.

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Subgrant recipients should anticipate...

- increased oversight and accountability expectations
- increased expectations for electronic reporting in open, machine-readable formats.

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Be Proactive!

- Submit all reports on time by deadlines
- Review and update written policies and procedures
- Review financial systems to verify compliance
- Take every step to avoid adverse findings.

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Who Should Work Together?

- Program office staff
- Finance office staff
- Superintendent's/Executive director's office
- All of the above
- None of the above

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Key Policy Areas

- Internal Controls
- Personally Identifiable Information (PII)
- Travel
- Financial Management and Accounting
- Personnel Compensation (Time and Effort)
- Conflicts of Interest/Disclosures
- Procurement
- Report Certification.

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Internal Controls

- Effective accountability and control over funds, property, and assets
- Provide reasonable assurance that funds are being managed in compliance with statutes, regulations, and terms and conditions.

2 CFR Part 200.303

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Personally Identifiable Information (PII)

- Reasonable safeguards to protect anything considered sensitive PII
- Consistent with federal, state, and local laws on privacy and obligations of confidentiality.

2 CFR Part 200.303(e)

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Travel

- New—"family friendly" regulations
- Written policies must be compliant
- Must follow state's per diem and GSA rates (see Terms and Conditions for Federal Subawards, item **J. Travel Costs**).

2 CFR Part 200.474

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Financial Management/Accounting

1. Identification of federal awards **new**
2. Financial reporting
3. Accounting records
4. Internal controls
5. Budget controls
6. Written procedures to implement **new**
7. Written procedures to determine allowability of costs **new**

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Must Identify Federal Awards

- Receipt and expenditure of all funds
- Federal program awards
 - Catalog of Federal Domestic Assistance (CFDA) title and number
 - Federal award identification number (FAIN)
 - Year of award
 - Name of federal awarding agency and name of pass-through entity.

2 CFR Part 200.302(b)(1)

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Financial Reporting

Must be able to support accurate, current, and complete disclosure of each federal award or program’s financial results that meet reporting requirement set forth in subgrant award.

2 CFR Part 200.302(b)(2)

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Accounting Records

Must maintain records to identify source and application of funds for grant activities

Must include with source documentation:

- Authorizations
- Obligations and unobligated balances
- Expenditures
- Assets
- Income and interest.

2 CFR Part 200.302(b)(3)

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Internal Controls

“The non-federal entity must adequately safeguard all assets and assure that they are used solely for authorized purposes.”

In other words, demonstrate sound internal controls over federal funds.

2 CFR Part 200.302(4) and § 200.303

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Budget Controls

Must allow for and enable comparison of expenditures with approved subaward budget.

2 CFR Part 200.302(b)(5)

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Written Financial Management Procedures

- Set procedures for payment requests and payments
- Determine allowability of costs compliant with Subpart E, Cost Principles and terms and conditions of subaward.

2 CFR Part 200.302(b)(6–7)

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Allowability of Costs

- Necessary, reasonable, and allocable
- Conform with federal laws and grant terms
- Consistent with state and local policies
- Consistently treated
- In accordance with generally accepted accounting principles (GAAP)
- Excluded as cost share or match
- Adequately documented.

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Determining Allowability

- Is cost identified in approved budget/application?
- Is cost needed for proper and effective performance of grant program?
- Is there a benefit to grant program associated with cost?
- Does cost align with identified needs based on results and findings from needs assessment?
- Does cost address program goals and objectives and is it based on program data?

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**Personnel Compensation
(a.k.a. Time & Effort)**

- Must maintain documentation for all employees
 - Paid in whole or in part with federal funds
 - With salaries used for match/cost share requirement
 - Who are not contractors
- Must demonstrate allocability (shows employee worked on specific federal cost objective)
- Must account for 100% of employee's time (both grant & non-grant activities)

2 CFR Part 200.430(i)(1)

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Personnel Activity Reports (PARs)

- For employee working on multiple cost objectives:
 - Complete after the fact
 - Account for total activity (100% of time)
 - Signed by employee
 - Prepare at least monthly AND coincide with one or more pay periods
- Entities have flexibility in format and design of PARs, but must have written policy.

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Conflicts of Interest/Disclosures

- Must disclose *in writing* any potential conflict of interest to federal awarding agency or pass-through entity (**2 CFR Part 200.112**)
- Conflict of interest policies for procurement mean *written standards* for
 - Conduct covering conflict of interest and standards for employees selecting contractors
 - Organizational conflicts of interest if entity has parent or affiliate organization relationship.

2 CFR Part 200.318

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Procurement

- Must have *written* procurement policies that comply with federal and state statutes
- Must follow applicable state and local laws (that comply with regulations)
- Must oversee contractors
- Will require more time for procurement.

2 CFR Part 200.318–326

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Report Certification

- Required for payment/reimbursement requests and annual/final fiscal reports
- Must be signed by official authorized to legally bind the non-federal entity
- Language is in SCDE's GAPS (grants accounting processing system).

2 CFR Part 200.415

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Certification Language

“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.
(U.S. Code Title 18, Section 1001 and Title 31, Sections 3729-3730 and 3801-3812).”

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Questions



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More Information

- Electronic Code of Federal Regulations (eCFR): www.ecfr.gov
- 2016 Summer Training for Federal Subgrant Recipients: <http://ed.sc.gov/finance/grants/scde-grants-program/2016-summer-training-for-federal-subgrant-recipients/>
- EDGAR: <http://www2.ed.gov/policy/fund/reg/edgarReg/edgar.html>

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More Information, cont.

- USED technical assistance on UGG: <https://www2.ed.gov/policy/fund/guid/uniform-guidance/index.html>
- Applicable regulations in subaward
- US Government Accountability Office (GAO)'s "Green Book" (internal control): www.gao.gov/greenbook

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SCDE Grants Program

Grants@ed.sc.gov
803-734-5810

Audrey Shifflett, Grants Manager
Russell Knight, Grants Coordinator
Julie Hicks, Program Coordinator

<http://ed.sc.gov/finance/grants/>

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