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| **Assessing the OMB** **Uniform Guidance:** | Changes, Implications, and Recommendations for HUD/ONAP Recipients |

The Office of Management and Budget (OMB) issued the ***Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*** (the OMB’s new “Uniform Guidance); Final Rule, which became effective on December 26, 2014. The new rule incorporates existing guidance from OMB Circulars A-21, A-50, A-87, A-89, A-102, A-110, A-122, A-133 and removes 2 CFR 215, 220, 225, and 230. It also includes administrative requirements for federal agencies and grant recipients, and replaces 24 CFR Parts 84 and 85.

While the purpose of the new Uniform Guidance is to streamline the Federal government’s guidance on Administrative Requirements, Cost Principles, and Audit Requirements for Federal awards, the consolidation process also implemented new language in the revised regulations. As a training aid, this document highlights some of the major changes initiated by the new Uniform Guidance impacting HUD/ONAP Recipients. The following chart discusses the practical implications of that change and recommendations for addressing the change.

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| **Topic/Subject**  | **Changes Enacted by Uniform Guidance**  | **Implications/ and or Recommendations** |
| **Exceptions to Uniform Guidance**  | **§200.102** Exceptions.*With the exception of Subpart F—Audit Requirements of this part, OMB may allow exceptions for classes of Federal awards or non- Federal entities subject to the requirements of this part when exceptions are not prohibited by statute. However, in the interest of maximum uniformity, exceptions from the requirements of this part will be permitted only in unusual circumstances. Exceptions for classes of Federal awards or non-Federal entities will be published on the OMB Web site at www.whitehouse.gov/omb.* | Implications:Previously, exceptions to the Uniform Administrative Requirements (24 CFR Part 85) and Cost Principles (A-87) were codified at 24 CFR 1000.26 for the IHBG, and 24 CFR 1003.501 for the ICDBG program. On December 7, 2015, HUD/ONAP published a final rule (at 80 FR 75944) amending 24 CFR 1000.26 and 24 CFR 1003.501 to conform to 2 CFR 200, by revising cross references, and making other conforming changes and corrections.NOTE: New or revised exceptions to the UG will also be noted where applicable in this document. Recommendations: * Review the Federal Register notice closely to identify exceptions to the UG compared to previous exceptions at 24 CFR 1000.26 and 24 CFR 1003.501. Ensure your policies and procedures are revised and updated as needed to comply with the UG.

[NOTE: see side by side comparisons of 1000.26 (IHBG), and 1003.501 (ICDBG) attached under TABs 7A & 7B\_\_of this training manual. ALSO, be aware that previously the regulations at 1000.26 (IHBG) and 1003.501 (ICDBG) inserted the **applicable** sections to the Uniform Administrative Requirements (24 CFR Part 85), however, the December 7, 2015 amendments are now described in the reverse providing the **excepted** sections to the new Uniform Guidance (2 CFR 200)] |
| **Effective/ Applicability Date** | **§200.110** Effective/applicability date.Effective **December 26, 2014** unless different provisions are required by statute or approved by OMB. For the procurement standards in §§200.317-200.326, non-Federal entities may continue to comply with the procurement standards in previous OMB guidance for two additional fiscal years, but must document this decision in their internal procurement policies. | Implications:The Uniform Guidance (2 CFR 200) is now in effect. Beginning with all new awards received after **December 14, 2014**, HUD/ONAP Recipients must comply with the requirements of 2 CFR 200.The two year period is counted as the entities two full fiscal years which begins on or after December 26, 2014. For example If your entity’s fiscal year ends September 30th, the grace period expires September 30, 2017.While there is a grace period for implementing the procurement standards of §§200.317-200.326, HUD/ONAP Recipients may recognize that these procurement standards are based on current standards (24 CFR Part 85.36) and so with few exceptions (noted below) Recipients have already implemented most of these standards that may otherwise be new for other non-federal entities (i.e. non-profits and IHEs) .Recommendations: * Prepare a compliance checklist based on §§200.317-200.326 and conduct an assessment of current procurement policies and procedures. Based on assessment of your procurement policies and procedures, revise as needed and adopt updated policies.
* If utilizing two year grace period to implement certain provisions of §§200.317-200.326, document decision in your procurement policy and ensure you notify/provide to your auditor.
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| **Conflict of Interest** | §**200.112** Conflict of interest.The Federal awarding agency must establish conflict of interest policies for Federal awards. The non-Federal entity must disclose in writing any potential conflict of interest to the Federal awarding agency or pass-through entity in accordance with applicable Federal awarding agency policy.**§200.318 (c)(2)** is **new language** that addresses a requirement for written standards of conduct covering “organizational conflicts of interest.” Provision applies only if the non-Federal entity has a parent, affiliate, or subsidiary organization that is not a state, local government, or Indian tribe. | Implications:Refers to conflicts that might arise around how a non-Federal entity expends funds under a Federal award (see COFAR FAQ.112-1). §200.112 is not a new requirement for ONAP recipients. HUD requirements for disclosure of conflict of interests have previously been implemented as detailed in 24 CFR 1000.30-36 (IHBG) and 24 CFR 1003.606 (ICDBG).However, recipients who are TDHEs or non-profits, and who have a parent, affiliate, or subsidiary organization that is not a state, local government, or Indian tribe, will need to evaluate the application of this requirement and ensure written policies and other management controls are implemented to prevent organizational conflicts of interest from occurring. Recommendations: * Utilize this opportunity to re-assess management systems and recent practice in complying with the IHBG or ICDBG conflict of interest provisions and related procurement procedures meeting compliance with §200.318 (c) (1) and (2)
* If you are a TDHE, or Non-Profit that has a parent, affiliate, or subsidiary organization that is not a state, local government, or Indian tribe, then ensure your board policy and procurement policy addresses standards of conduct pertaining to organizational conflicts of interest.
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| **Required Disclosures** | **§200.113** Mandatory disclosures.The non-Federal entity or applicant for a Federal award must disclose, in a timely manner, in writing to the Federal awarding agency or pass-through **entity all violations of Federal criminal law involving fraud, bribery, or gratuity violations potentially affecting the Federal award**. Failure to make required disclosures can result in any of the remedies described in §200.338 Remedies for noncompliance, including suspension or debarment. (See also 2 CFR part 180 and 31 U.S.C. 3321).Also, non-Federal entities that have received a Federal award including the term and condition outlined in Appendix XII to Part 200—Award Term and Condition for Recipient Integrity and Performance Matters are required to report certain civil, criminal, or administrative proceedings to SAM. | Implications:This is a new requirement for HUD/ONAP recipients. Similar to the amendment of December 7, 2015, for IHBG at 24 CFR 1000.26 (a) (1), …*§200.113* *applies, except that, in lieu of the remedies described in § 200.338, HUD shall be authorized to seek remedies under subpart F of this part.*Recommendations:* Evaluate whether or not the tribe/TDHE has a management system (board policy, personnel policy) to ensure information pertaining to violations of federal criminal law involving fraud, bribery, or gratuity violations are collected and disclosed to HUD in a timely manner.
* If the total value of current grants, cooperative agreements, and procurement contracts from all Federal awarding agencies exceeds $10,000,000 for any period of time during the period of performance of this Federal award, then tribe/TDHE must maintain the currency of information reported to the System for Award Management (SAM) that is made available in the designated integrity and performance system (currently the Federal Awardee Performance and Integrity Information System (FAPIIS)) about civil, criminal, or administrative proceedings (see Appendix XII of 2 CFR 200.
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| **Financial Management****System** | **§200.302**  Financial management. (b) The financial management system of each non-Federal entity must provide for the following: (1) Identification, in its accounts, of all Federal awards received and expended and the Federal programs under which they were received. Federal program and Federal award identification must include, as applicable, the CFDA title and number, Federal award identification number and year, name of the Federal agency, and name of the pass-through entity, if any. | Implications:The language of this standard is moved here from A-133 §.300 (a) Auditee responsibilities. This move places **new** emphasis on the requirement and adds it to the checklist of minimum standards for a financial management system. This standard is necessary in order for non-federal entities to meet the auditee requirement of §200.510 *Schedule of expenditures of Federal awards.* Recommendations:* Re-check current accounting procedures pertaining to the establishment of new accounts in the tribe/TDHEs accounting system and ensure a procedure is established for accounting personnel to implement this standard.
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| **Financial Management****System** | **§200.302** Financial management. (b)(2):If a Federal awarding agency requires reporting on an accrual basis from a recipient that maintains its records on other than an accrual basis, the recipient must not be required to establish an accrual accounting system. This recipient may develop accrual data for its reports on the basis of an analysis of the documentation on hand. The above requirement also applies to a pass-through entity with a subrecipient. | Implications:Moved from OMB A-110, this is **new** language for HUD/ONAP recipients and therefore a new requirement to assess.Recommendations:* If you are a pass through entity, assess the financial management standards you require of subrecipients and ensure you do not require them to establish accrual accounting systems, and allow them to develop accrual reports based on documentation on hand.
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| **Financial Management****System** | **§200.302** Financial management. (b)(6):Written procedures to implement the requirements of §200.305 Payment. | Implications:**New** language added to make explicit what was previously implied.Recommendations:* Assess your written accounting procedures and ensure your written procedure adequately implements the requirements of §200.305 Payment. If determined no written procedure exists, draft procedures and implement as soon as possible.
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| **Financial Management****System** | **§200.302** Financial management. (b) (7): Written procedures for determining the allowability of costs in accordance with Subpart E—Cost Principles of this part and the terms and conditions of the Federal award. | Implications:**New** language added to make explicit what may be implied.Recommendations:* Assess your written accounting procedures and ensure the written procedure adequately describes how costs are determined to be allowable. Ensure the procedure assigns specific responsibility to appropriate staff with adequate internal controls.
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| **Internal Controls****“should vs. must”** | **§200.303** Internal controls.(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls **should** be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States and the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).[Emphasis added] | Implications:The Internal controls language was moved here from A-133 with new language added citing “Standards for Internal Control in the Federal Government” (Green Book) and “Internal Control Framework” issued by the Committee on Sponsoring Organizations (COSO), as guidance that entities “should” be in compliance with. The COFAR FAQ 303-3 clarifies that “should” is not “must.” It summarizes that:*…While non-Federal entities must have effective internal control, there is no expectation or requirement that the non-Federal entity document or evaluate internal controls prescriptively in accordance with these three documents or that the non-Federal entity or auditor reconcile technical differences between them. They are provided solely to alert the non-Federal entity to source documents for best practices. Non-Federal entities and their auditors will need to exercise judgment in determining the most appropriate and cost effective internal control in a given environment or circumstance to provide reasonable assurance for compliance with Federal program requirements.*Recommendations:* To more effectively maintain compliance with Internal Controls, consider further training and study of the COSO Framework and/or Green Book to apply to current management systems and to implement best practices for internal controls to assure compliance with Federal program requirements.
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| **Banking Standards** | **§200.305** Payment.(7) Standards governing the use of banks and other institutions as depositories of advance payments under Federal awards are as follows.(i) The Federal awarding agency and pass-through entity must not require separate depository accounts for funds provided to a non-Federal entity or establish any eligibility requirements for depositories for funds provided to the non-Federal entity. However, the non-Federal entity must be able to account for the receipt, obligation and expenditure of funds. | Implications:This is new language added in the UG. Formerly the language stated “*grantee or subgrantee shall maintain a separate bank account only when required by Federal-State agreement.”* While the language at §200.305 (7)(i) is more explicit language prohibiting the requirement of separate depository accounts, and while this is not stated as an exception to the UG in §1000.26, the regulation at §1000.58 (d) does provide a regulatory exception for this requirement when investing the IHBG: *“…IHBG funds shall be held in one or more accounts separate from other funds of the recipient. Each of these accounts shall be subject to an agreement in a form prescribed by HUD sufficient to implement the regulations in this part and permit HUD to exercise its rights under §1000.60.”*Additionally, under *§*1000.239, recipients may establish and maintain reserve accounts for administration and planning. HUD/ONAP has determined (see ONAP Program Guidance 2014-01), that P&A reserve amounts must be held in one or more accounts separate from other funds. Aside from the above exceptions, recipients who have sufficient accounting systems to account for the receipt, obligation and expenditure of funds, are not required to establish separate depository accounts (e.g. separate bank accounts for IHBG vs. ICDBG funds etc.)Recommendations:* If you are a pass through entity, assess the financial management standards you require of subrecipients to ensure you do not require them to establish separate depository accounts when they have sufficient accounting systems to account for the receipt, obligation and expenditure of funds.
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| **Banking Standards – Interest Retained Threshold** | **§200.305** Payment (8) … must maintain advance payments of Federal awards in interest-bearing accounts, unless the following apply: * Total federal awards for year are less than $120,000, or
* Anticipated interest earnings are less than $500 per year, or
* Minimum balance requirements of bank make it not feasible, or
* A foreign government or banking system precludes interest bearing accounts.

ALSO: (9) …Interest earned amounts up to $500 per year may be retained for administrative expenses. | Implications:This is new language for HUD/ONAP recipients. Also, the Uniform Guidance increases the threshold for retained interest from $100 to $500. Recommendations:* Evaluate current accounting procedures and management systems to determine if sufficient controls are in place to ensure on going compliance with this requirement.
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| **Program Income** | **§200.307**Per the program specific requirement at 24 §1000.26(a)(5) this section of the Uniform Guidance does not apply to the IHBG programPer program specific requirement at 24 CFR §1003.501(a)(3) this section does apply to the ICDBG program *as modified by §1003.503.* | Implications:Recipients of ICDBG funds should be aware that there are significant modifications of the definition and use of program income specified in §1003.503. Recommendation:* Evaluate current accounting procedures and management systems to determine if sufficient controls are in place to ensure on going compliance with this requirement.
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| **Equipment Title** | **§200.313** Equipment(a) Title. …Unless a statute specifically authorizes the Federal agency to vest title in the non-Federal entity without further obligation to the Federal government, and the Federal agency elects to do so, the title must be a conditional title.  | Implications:This is new language for HUD ONAP recipients introducing the term “conditional title.” However, COFAR FAQ .313-1 clarifies that “… *there is no change intended in the Uniform Guidance for how non-Federal entities should account for equipment ownership. The concept of “conditional title” always has been in effect, and simply means that equipment ownership vests in the non-Federal entity at the time of acquisition and that it is contingent on meeting the requirements for use, management, and disposition of the equipment as required in section 200.313.”*Recommendations:For Information and clarification only. |
| **Equipment - Use** | **§200.313** Equipment(c) Use.(1) …When no longer needed for the original program or project, the equipment may be used in other activities supported by the Federal awarding agency, in the following order of priority:(i) Activities under a Federal award from the Federal awarding agency which funded the original program or project, then(ii) Activities under Federal awards from other Federal awarding agencies. This includes consolidated equipment for information technology systems.(2)… Use for non-federally-funded programs or projects is also permissible. User fees should be considered if appropriate. | Implications:This is new expanded language which adds order of priority for use of equipment when no longer needed for original program or project. New language was added to clarify use of equipment for non-federally funded projects is also permissible (must not interfere with project/program originally funded).Recommendations:* Update Equipment/Property Management policies to include priority use language if this provision is used.
* Depending on anticipated use of equipment by other federal programs or non-federally funded programs, develop appropriate use fees for use.
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| **Equipment - Disposition** | **§200.313** Equipment(d) DispositionPer the program specific requirement at 24 CFR §1000.26(a)(8) and §1003.501(a)(6) “in all cases where the equipment is sold, the proceeds shall be program income.” | Implications:Not a new requirement, but added here as an important reminder and opportunity to evaluate ongoing compliance.Recommendations: * Take this opportunity to revisit Equipment/Property Management policies and applicable accounting procedures to ensure compliance with this requirement
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| **Supplies** | §200.314 Supplies. Per the program specific requirement at 24 CFR 1000.26 (a)(9) [and 1003.501 (a)(7)] §200.314, “Supplies,” applies, except in all cases in which the supplies are sold, the proceeds shall be program income.ALSO, new language added in paragraph (b) of this section:…As long as the Federal government retains an interest in the supplies, the non-Federal entity must not use supplies acquired under a Federal award to provide services to other organizations for a fee that is less than private companies charge for equivalent services, unless specifically authorized by Federal statute. | Implications:This is new exception language added for both the IHBG and ICDBG programs. In the prior language it references “at the termination or completion of the award…” supplies may be sold. Because the new language replaces this with “at the termination or completion of the program or project,” IHBG recipients should not interpret that to mean leftover supplies may be sold after completion of a particular project to generate program income. Generally supplies would be needed for other ongoing projects the housing program. Disposition of supplies (exceeding $5000) would generally only be done if the tribe/TDHE was no longer a recipient of the IHBG. Recommendations: * Update Equipment/Property Management policies to specify proceeds for the sale of equipment and supplies are accounted for as program income.
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| **Time and Material Contract** | §200.318 General procurement standards.j. (1) and (2) …Since this formula generates an open-ended contract price, a time-and-materials contract provides no positive profit incentive to the contractor for cost control or labor efficiency. Therefore, each contract must set a ceiling price that the contractor exceeds at its own risk. Further, the non- Federal entity awarding such a contract must assert a high degree of oversight in order to obtain reasonable assurance that the contractor is using efficient methods and effective cost controls.[Emphasis added] | Implications:Expanded and new language to better define and articulate the conditional use of a ‘time and materials’ contracts. HUD/ONAP recipients should note the new language added in the UG to emphasize that the non-federal entity *“must assert a high degree of oversight”* to ensure effective cost control of such contracts. Recommendations:* Re-evaluate contract administration procedures to evaluate oversight procedures and ensure that conditions for using time and materials contracts are articulated in the written procedures.
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| **Procurement – development of RFPs** | §200.319 Competition.(a)…In order to ensure objective contractor performance and eliminate unfair competitive advantage, contractors that develop or draft specifications, requirements, statements of work, and invitations for bids or requests for proposals must be excluded from competing for such procurements. | Implications:This is significant new language and requirement. This new requirement impacts HUD/ONAP recipients who utilize contractors or consultants to assist them in preparing RFPs or invitation for bids who then also compete in the procurement process.Recommendations:* Update procurement policies to ensure this new requirement is implemented. Provide training to staff on new requirement.
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| **Procurement – micro-purchase thresholds** | §200.320 Methods of procurement to be followed.(a) Procurement by micro-purchases. …the aggregate dollar amount of which does not exceed $3,000 (or $2,000 in the case of acquisitions for construction subject to the Davis-Bacon Act). To the extent practicable, the non-Federal entity must distribute micro-purchases equitably among qualified suppliers. Micro- purchases may be awarded without soliciting competitive quotations if the non-Federal entity considers the price to be reasonable. | Implications:This is new language in the Uniform Guidance and a new procurement method. However, IHBG recipients have a program specific requirement at 24 CFR 1000.26 (a) (11) (i) De minimus procurement. A recipient shall not be required to comply with 2 CFR 200.318 through 200.326 with respect to any procurement, using a grant provided under NAHASDA, of goods and services with a value of less than $5,000.Recommendations:* Update procurement policies to incorporate $5,000 micro-purchase threshold for the IHBG program vs. $3,000 ($2,000 for construction) threshold for all other federally funded programs.
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| **Procurement - Price Cost Analysis** | §200.323 Contract cost and price.(a) The non-Federal entity must perform a cost or price analysis in connection with every procurement action in excess of the Simplified Acquisition Threshold including contract modifications. The method and degree of analysis is dependent on the facts surrounding the particular procurement situation, but as a starting point, the non-Federal entity must make independent estimates before receiving bids or proposals. | Implications:The new language changes the requirement for cost or price analysis when procurement exceeds $150,000 (current Simplified Acquisition Threshold). The language explaining the conditions or trigger for completing cost or price analysis has been removed. Recommendations:* Update procurement policies to require cost/price analysis for procurements over $150,000.
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| **Contract Provisions** | Appendix II to Part 200—Contract Provisions for Non-Federal Entity Contracts Under Federal AwardsNew provision added:(J) Byrd Anti-Lobbying Amendment (31 U.S.C. 1352)—Contractors that apply or bid for an award of $100,000 or more must file the required certification.(k) Procurement of Recovered Materials (applies to states only)Provisions removed:* regulations pertaining to copyrights and rights in data
* Access to paper, documents, records
* Retention of records for 3 years
 | Implications:Language for each provision expanded to provide background and purpose of contract provisions. Substantially the same.Recommendations: * Update tribe/TDHE contract forms to comply with Appendix II to Part 200—Contract Provisions.
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| **Subrecipient and Contractor Determinations** | §200.330A pass-through entity must make a case-by-case determination whether each agreement it makes casts the party receiving the funds in the role of a subrecipient or contractor in accordance with the criteria provided in this section. | Implications:Recipients will need to re-evaluate their existing contracts to ensure they are properly determined and are not in fact (based on the substance of the agreement), a subrecient.  Recommendations: * Review new requirements with staff who are assigned responsibility for procurement and subrecipients. Determine procedures to be used to implement this requirement.
* Revise policies and procedures to formalize and implement this requirement going forward
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| **Subrecipient Relationships** | **§200.331** Requirements for pass-through entities.Significantly expanded language. Most notable new requirements in this section are:(a) (4)  An approved federally recognized indirect cost rate negotiated between the subrecipient and the Federal government or, if no such rate exists, either a rate negotiated between the pass-through entity and the subrecipient (in compliance with this part), or a de minimis indirect cost rate as defined in §200.414 Indirect (F&A) costs, paragraph (b) of this part.(b) Evaluate each subrecipient's risk of noncompliance… [extensive new language added here]ALSO there is expanded language/and provisions for monitoring and enforcement of subrecipients.  | Implications:The language in new UG includes significant changes with expanded language and new requirements to implement. Pass-through entities should complete a “deeper dive” review and analysis of this section to ensure ongoing compliance.Recommendations:* Tribes/TDHEs who are pass-through entities should review subrecipient agreement forms to evaluate compliance with the provisions of §200.331.
* Provide staff training on new requirements
* Review/revise policy and procedures for revisions necessary to incorporate new requirements
* Inform/train subrecipients on new requirements; enter into revised agreements with subrecipients to implement new or missing provisions in compliance with UG.
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| **Fixed Subawards** | **§200.332** Fixed amount subawards.With prior written approval from the Federal awarding agency, a pass-through entity may provide subawards based on fixed amounts up to the Simplified Acquisition Threshold, provided that the subawards meet the requirements for fixed amount awards in §200.201 Use of grant agreements (including fixed amount awards), cooperative agreements, and contracts. | Implications:This is new language to the UG. Recommendations:* Evaluate benefits and opportunities for use of fixed amount subawards (§200.201) vs. other subrecipient agreements.
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| **Prior Approval for Certain Items of Cost** | **§200.407** Prior written approval (prior approval).Extensive list of 22 items of cost that require prior approval because *“the reasonableness and allocability of certain items of costs may be difficult to determine.”* | Implications:This is new language added in the UG, however both the IHBG and ICDBG have program specific requirements which apply:  [For the IHBG, per 24 CFR 1000.26 (b) (1), …with respect to the applicability of cost principles, all items of cost listed in 2 CFR 200.420 through 200.475 which require prior Federal agency approval are allowable without the prior approval of HUD to the extent that they comply with the general policies and principles stated in 2 CFR part 200, subpart E and are otherwise eligible under this part, except for the following: (i) Depreciation method for fixed assets shall not be changed without the approval of the Federal cognizant agency.(ii) Penalties, damages, fines and other settlements are unallowable costs to the IHBG program.(iii) Costs of housing (e.g., depreciation, maintenance, utilities, furnishings, rent), housing allowances and personal living expenses (goods or services for personal use), regardless of whether reported as taxable income to the employees (2 CFR 200.445) requires HUD prior approval. [This is NEW item of cost requiring HUD prior approval][For the ICDBG, per 24 CFR 1003.501 (b) (1), the same exceptions for prior approval apply except there is one additional and new item of cost requiring prior approval:(iv) Organization costs (2 CFR 200.455) also requires HUD prior approval.Recommendations:* As part of the requirement of §200.302 (b)(7), recipient must have written procedures for how the determination of allowable costs are made. As part of this procedure, the exceptions noted above for items of cost requiring prior approval of HUD should be added to your written procedures.
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| **Indirect Cost Rate – de minimis** | §200.414 Indirect (F&A) costs.(f) …any non-Federal entity that has never received a negotiated indirect cost rate…may elect to charge a de minimis rate of) 10% of modified total direct costs (MTDC) which may be used indefinitely. | Implications:This is a new provision. Since it is rare for IHA’s/TDHEs to have negotiated indirect cost rates, this may be most applicable to Tribes who have never had a negotiated rate before. ALSO, perhaps this new option is most applicable to subrecipients of the IHBG or ICDBG who do not have a negotiated rate. Recommendations:* As a tribe/TDHE, if you do not have a negotiated indirect cost rate, evaluate the overall cost benefit of directly charging administrative costs vs. applying the 10% MTDC rate, and utilize the option most beneficial to you.
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| **Allowable Cost – Audits** | §200.425 Audit services.In paragraph (a)… *reasonably proportionate share* of the costs of audits was added in the description of allowable audit costs…… However, the following audit costs are unallowable:(1)  Any costs when audits required by the Single Audit Act and Subpart F—Audit Requirements of this part *have not been conducted or have been conducted but not in accordance therewith*; and(2)  Any costs of auditing a non-Federal entity that is exempted from having an audit conducted under the Single Audit Act and Subpart F—Audit Requirements of this part because its expenditures under Federal awards *are less than $750,000* during the non-Federal entity's fiscal year. | ImplicationsThe added language “reasonably proportionate share” of the costs of audits clarifies the requirement that costs of audits are shared across federal funds. Tribes/TDHEs should be aware that if, for example, the cost of a tribes audit is weighted disproportionately to the IHBG, it could result in a finding and disallowed cost to the IHBG.Also with the expanded paragraph’s (1-2) defining audit costs that are unallowable, Tribes/TDHEs should make sure that in developing RFP’s for audit services that the scope of work and subsequent contract with auditor meets the standards of the Single Audit Act (Subpart F). Note that the threshold for exemption from the Single Audit Act has been raised from $500,000 to $750,000 in expenditures of federal awards during your fiscal year. Cost for Single Act Audits for exempt entities would be an unallowable cost to the IHBG or ICDBG. Recommendations:* Conduct a review of past RFP’s and auditor contracts to ensure scope of audit was completed in compliance with standards of Subpart F of the UG. Revise as needed.
* Conduct review of the allocation of costs to pay for the Single Audit to ensure the cost was proportionately shared across federal funds. Also important to determine if the cost of audits is included in a negotiated indirect cost pool, but then find that the IHBG is also charged a direct portion of the audit cost, then this would constitute duplicate charge to the IHBG, and thus disallowed.
* Update accounting manual/procedures to ensure the above standards are implemented.
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| **Allowable Cost – Outside Professional Activities** | **§200.430** Compensation—personal services.(c)  Professional activities outside the non-Federal entity. Unless an arrangement is specifically authorized by a Federal awarding agency, a non-Federal entity must follow its written non-Federal entity-wide policies and practices concerning the permissible extent of professional services that can be provided outside the non-Federal entity for non-organizational compensation. Where such non- Federal entity-wide written policies do not exist or do not adequately define the permissible extent of consulting or other non-organizational activities undertaken for extra outside pay, the Federal government may require that the effort of professional staff working on Federal awards be allocated between: entity activities and non-organization professional activities.If the Federal awarding agency considers the extent of non-organizational professional effort excessive or inconsistent with the conflicts-of-interest terms and conditions of the Federal award, appropriate arrangements governing compensation will be negotiated on a case-by-case basis. | Implications:This is new language added in the cost principles and increases the emphasis on accountability of the Tribe/TDHE to ensure that outside employment is not excessive or inconsistent with the conflicts-of-interest terms and conditions of the Federal award.Recommendations:* Review and update your personnel policies to ensure your policy addresses the permissible extent of outside employment (i.e. not excessive or inconsistent with conflicts of interest terms and conditions of IHBG/ICDBG program).
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| **Allowable Cost – Incentive compensation** | **§200.430** Compensation—personal services.(f)  Incentive compensation…based on cost reduction, or efficient performance, suggestion awards, safety awards, etc., is allowable to the extent that the overall compensation is determined to be reasonable and such costs are paid or accrued pursuant to an agreement entered into in good faith between the non-Federal entity and the employees before the services were rendered. | Implications:This is new language in the cost principles for Tribes/TDHEs. Recommendations:For information only. |
| **Allowable Costs – Standards for Documentation of Personnel Expenses** | **§200.430** Compensation—personal services.(i) Standards for Documentation of Personnel Expenses... be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;NOTE: The language in this section in the Uniform Guidance has been significantly expanded and revised however the changes reflect an overall shift in emphasis from specifying particular methods for documenting salary charges to federal awards (i.e. personnel activity reports etc.) to a system that is premised on strong internal controls. | Implications:Generally if Tribes/TDHEs were meeting standards for documentation according to former language of this item of cost, this revision is not expected to be a significant impact. Tribes/TDHEs can continue to use current system of documenting personnel expenses as long as it meets the “reasonable assurance” test. Recommendations: * Conduct an evaluation of your current system for documenting personnel expenses against the standards described §200.430 (i), adjust system as needed.
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| **Allowable Costs – fringe benefits** | **§200.431** Compensation—fringe benefits.(b)  Leave…“family-related” and “administrative” leave added to example of types of leave allowable.(f) Automobiles…portion of costs allocated for personal use (including to and from work) is an unallowable cost, even if cost is reported as taxable income to the employees.(i) Severance pay- section expanded providing more description and qualifiers for allowed and unallowed severance pay | Implications:This may an impact Tribes/TDHEs who assign housing vehicles to certain staff (i.e. maintenance staff), who may also use the vehicle for personal use. Recommendations:* Evaluate status of vehicles assigned to staff to determine level of personal use. Amend vehicle use policies to prohibit personal use of vehicles.
* As part of the requirement of §200.302 (b) (7), recipient must have written procedures for how the determination of allowable costs are made. Ensure written procedures are updated to ensure new language for determining allowable costs for fringe benefits.
* Provide training to staff on your procedures.
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| **Allowable Costs - Conferences** | **§200.432** Conferences.The language for this cost item has doubled in size providing greater clarity and expanding on the types of meetings and types of associated costs that are allowable.NEW ADDITIONS:*…costs of identifying, but not providing, locally available dependent-care resources are allowable.**…Conference hosts/sponsors must exercise discretion and judgment in ensuring that conference costs are appropriate, necessary and managed in a manner that minimizes costs to the Federal award.* *…The Federal awarding agency may authorize exceptions where appropriate for programs including Indian tribes, children, and the elderly.* | Implications:The addition in the language for costs for identifying locally available dependent-care is consistent with the allowability of temporary dependent care costs as a travel cost (§200.474)Recommendations:* As part of the requirement of §200.302 (b) (7), recipient must have written procedures for how the determination of allowable costs are made. Ensure written procedures are updated to ensure new language for allowable costs for conferences is included.
* Provide training to staff on your procedures.
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| **Allowable Costs – Contributions/****donations** | **§200.434** Contributions and donations.(b)…value of donated services and property may be used to meet cost sharing or matching requirements.ALSO:… Depreciation on donated property allowed, as long as the donated property is not counted towards cost sharing or matching requirements. | Implications:This is new language in the UG added to be consistent with depreciation allowances (§200.436)Recommendations:For information and clarification only. |
| **Legal Costs** | §200.435 Defense and prosecution of criminal and civil proceedings.The language for this cost item was expanded significantly, generally to provide greater definition and types of legal expenses that are unallowable. Now specifically mentions Whistleblower Protection Act. | Implications:The requirements and conditions for allowable legal costs required in the administration of Federal programs are limited. Recommendations:* Tribes/TDHEs should exercise caution in making expenditures for legal costs they interpret to be related to administration of the grant and closely evaluate against .435
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| **Depreciation** | §200.436 Depreciation.COFAR notes the new language denotes shift GASB Statement 51 to GAAP.*[Use allowance* method eliminated from the UG…under previous language, *a reasonable use allowance may be negotiated for any assets that are considered to be fully depreciated…*NEW LANGUAGE:…(4)  No depreciation may be allowed on any assets that have outlived their depreciable lives.  …(5) Where the depreciation method is introduced to replace the use allowance method, depreciation must be computed as if the asset had been depreciated over its entire life (i.e., from the date the asset was acquired and ready for use to the date of disposal or withdrawal from service). The total amount of use allowance and depreciation for an asset (including imputed depreciation applicable to periods prior to the conversion from the use allowance method as well as depreciation after the conversion) may not exceed the total acquisition cost of the asset. | Implications:Program specific requirement at 24 CFR 1000.26 (b) (1) (i), IHBG and 24 CFR 1003.501 (b) (1) (i), ICDBG:*Depreciation method for fixed assets shall not be changed without the approval of the Federal cognizant agency*.  [Note: previously the stated exception for depreciation stated *shall not be changed without specific approval of HUD or, if charged through a cost allocation plan, the Federal cognizant agency*. Recommendations:For information and clarification only. |
| **Allowable Costs – Employee Morale removed** | **§200.437** Employee health and welfare costs.This cost item was amended to remove the previously allowable cost of “employee morale” | Implications:This may impact tribes/TDHE who currently fund activities determined to be for “employee morale.” Recommendations:* Review activities funded under cost category of “employee morale” and discontinue activity.
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| **Allowable Costs - Entertainment** | **§200.438** Entertainment costsNEW LANGUAGE ADDED:Unallowable…except where specific costs that might otherwise be considered entertainment have a programmatic purpose and are authorized either in the approved budget for the Federal award or with prior written approval of the Federal awarding agency.[Emphasis added] | Implications:This may have some implications for IHBG recipients who provide youth or elder programs and or other crime prevention programs. Such activities would need to be specifically approved by ONAP in the Indian Housing Plan. Recommendations:For information and clarification only. |
| **Allowable Costs – Fund Raising** | **§200.442** Fund raising and investment management costs.Still stated as unallowable cost however NEW conditional language added:(a)… Fund raising costs for the purposes of meeting the Federal program objectives are allowable with prior written approval from the Federal awarding agency.AND… (c)  Costs related to the physical custody and control of monies and securities are allowable. | Implications:This is a significant change in policy for HUD/ONAP recipients. Prior language stated “unallowable, regardless of the purpose for which the funds will be used.”Per program specific regulation at 24 CFR 1000.26(b)(1), written approval is not needed, and is allowable if consistent with program objectives.Recommendations: For information only. |
| **Allowable Costs – General Costs of Government** | **§200.444** General costs of government.Remains unallowable cost…however one change in the language in (b) with regard to the allowance of costs *for portion of salaries and expenses directly attributable to managing and operating Federal programs by the chief executive and his or her staff* …Up to 50% of these costs can be included in the indirect cost calculation without documentation. | Implications:Applies to tribes with negotiated indirect cost rates. Reduces burden to justify cost in the indirect cost proposal.Recommendations: For information only. |
| **Allowable Costs – Goods (personal use)** | **§200.445** Goods or services for personal use.NEW allowable cost added:(b)  Costs of housing (e.g., depreciation, maintenance, utilities, furnishings, rent), housing allowances and personal living expenses (goods or services for personal use), regardless of whether reported as taxable income to the employees (2 CFR 200.445) if approved in advance by a Federal awarding agency. | Implications:The December 7, 2015 amendments to the Uniform Guidance provided the following program specific requirements as follows for HUD/ONAP programs:For IHBG – requires HUD prior approval per §1000.26 (b) (1) (iii)For ICDBG – requires HUD prior approval per §1003.501 (b) (1) (iii) |
| **Allowable Costs – Insurance** | §200.447 Insurance and indemnification.NEW PROVISION:…(4)  Costs of insurance on the lives of trustees, officers, or other employees holding positions of similar responsibilities are allowable only to the extent that the insurance represents additional compensation (see §200.431 Compensation—fringe benefits). The cost of such insurance when the non-Federal entity is identified as the beneficiary is unallowable. | Implications:May be of no impact for most recipients, but if provided as additional fringe benefit, important for tribe/TDHE to ensure tribe/TDHE is not named the beneficiary. Recommendations:For information and clarification purposes only. |
| **Allowable Costs – Organization Costs** | **§200.455** Organization costsNEW item of cost for recipientsCosts… in connection with establishment or reorganization of an organization, are unallowable except with prior approval of the Federal awarding agency. | Implications:The December 7, 2015 amendments to the UG provide the following program specific requirements as follows for HUD/ONAP programs:For IHBG – allowable per pre-approval language of §1000.26 (b) (1) [and otherwise an eligible activity of NAHASDA]For ICDBG – requires HUD prior approval per §1003.501 (b) (1) (iv) |
| **Allowable Costs – Participant support** | **§200.456** Participant support costs. NEW item of cost for recipients.Participant support costs are allowable with the prior approval of the Federal awarding agency. …means direct costs for items such as stipends or subsistence allowances, travel allowances, and registration fees paid to or on behalf of participants or trainees (but not employees) in connection with conferences, or training projects. …Now excluded from MTDC | Implications:For IHBG – allowable per pre-approval language of §1000.26 (b) (1) [and otherwise an eligible activity of NAHASDA]For ICDBG - requires prior approval  |
| **Allowable Costs -Travel**  | **§200.474** Travel costsNEW travel cost allowed in UG:(d) (1) Airfare costs in excess of the *basic least expensive unrestricted* accommodations class (formerly *standard commercial airfare (coach or equivalent)…*(c)(1) Temporary dependent care costs…above and beyond regular dependent care.**…Allowable provided that:** * Costs are consistent with travel policy;
* Specific only for the travel period.

…Dependent travel expenses are UNALLOWABLE | Implications:Provides option for Tribes/TDHE to offer more family-friendly opportunities for employees. In order to utilize this option tribes/TDHE will need to include in their respective travel policies. If a tribe/TDHE does not have a travel policy, this cost would be unallowable. Recommendation: * Amend and update travel policy to include provision for temporary dependent care.
* Evaluate and decide whether to implement “least expensive unrestricted” airfare or remain with “coach or equivalent’ airfares. Amend policy accordingly.
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| **Auditor Selection** | §200.509 Auditor selection.NEW language:“…the non-Federal entity must request a copy of the audit organization's peer review report which the auditor is required to provide under GAGAS. | Implications:This is expected to be significant impact for Tribes/TDHEs. Recommendations:* Tribes/TDHEs should ensure that in developing RFP’s for audit services that they request a copy of audit organization’s peer review report as part of the evaluation of proposals process. If an auditor cannot provide a recent peer review report, determine the proposal is unresponsive.
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| **Auditee**  | **§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.[Emphasis added] | Implications:This is a change in the time requirement. Previous language stated *corrective action should be initiated within six months after receipt of the audit report.*Recommendations:* Revise timelines for completing audit process (ensuring corrective is initiated as rapidly as possible). Provide training to necessary staff.
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