

**Huron**

**OMB** 2016  
**Uniform Guidance**

# ASSESSING THE OMB UNIFORM GUIDANCE: MAJOR CHANGES AND IMPACTS

The Office of Management and Budget (OMB) published the federal government's consolidated guidance on Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal awards in late 2013.

The Uniform Guidance supersedes OMB Circulars A-21, A-87, A-122; Circulars A-89, A-102, A-110, and A-133 and the guidance in Circular A-50 on Single Audit Act follow-up.

Huron has reviewed the Uniform Guidance against the original proposed guidance and previous Circulars; we have summarized the major changes to the regulations and the institutional impact of the final guidance in a tabular format for easy and on-going reference.

During 2014, the federal government and institutions will be preparing to

implement the changes resulting from the new Uniform Guidance. If you have any questions on the guidance or wish to discuss how your institution can successfully navigate any associated operational changes, please contact:

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ORIGINAL ADVANCED NOTICE OF PROPOSED GUIDANCE	FINAL OMB UNIFORM GUIDANCE	INSTITUTIONAL IMPACT AND IMPLICATIONS
REFORMS TO COST PRINCIPLES: MERGES AND CHANGES TO OMB COST PRINCIPLE CIRCULARS A-21, A-87 AND A-122 AND 45 CFR PART 75.		
<p><b>Consolidation:</b> Consolidate the cost principles into a single document with limited variations by type of activity.</p>	<p><b>Appendix III - Indirect (F&amp;A) Costs Identification and Assignment, and Rate Determination for Institutions of Higher Education (IHE)</b></p> <p><b>Appendix IV - Indirect (F&amp;A) Costs Identification and Assignment, and Rate Determination for Nonprofit Organizations</b></p> <p><b>Appendix V - State/Local Government and Indian Tribe-Wide Central Service Cost Allocation Plans</b></p> <ul style="list-style-type: none"> <li>Language from the A-87, A-21, and A-122 cost principles are consolidated, merged and clarified into a single document, with limited variations by type of entity. Applicability of the requirements (and exceptions) is outlined in tabular format. Exceptions (by Subpart) include agreements for loans, loan guarantees, interest subsidies, and insurance and cost-reimbursement contracts and subcontracts awarded under the Federal Acquisition Regulations.</li> </ul>	<p>A single, common set of cost principles creates common accounting standards for all grant recipients, regardless of institutional type.</p>

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<p><b>F&amp;A Rate:</b> For Facilities and Administrative cost, use a flat rate instead of a negotiated rate.</p> <ul style="list-style-type: none"> <li>A mandatory flat rate would be established and would be discounted from the already negotiated rate.</li> <li>Institutions would have the option of accepting a flat rate or negotiating a rate.</li> </ul>	<p><b>Subpart D - Post Award Requirements 200.331</b></p> <p><b>Subpart E - Cost Principles 200.414</b></p> <ul style="list-style-type: none"> <li>Federal agencies are required to accept an institution's negotiated indirect cost rate unless an exception is required by statute or regulation or approved by the awarding agency head.</li> <li>Institutions can elect to accept a de minimis indirect cost rate of 10% of MTDC if a negotiated indirect cost rate has never been established.</li> <li>Entities have the option of extending federally negotiated rates for up to four years with cognizant agency approval.</li> <li>Pass-through entities must grant subrecipients F&amp;A cost amounts that either: <ul style="list-style-type: none"> <li>honor the F&amp;A rates negotiated by the subrecipient institution at the federal level, or</li> <li>provide the minimis flat rate or 10% Modified Total Direct Cost (MTDC) in the absence of a federally negotiated rate for the subrecipient</li> </ul> </li> </ul>	<p>F&amp;A rates can be extended up to four years under a one-time request, reducing the frequency of rate calculations and negotiations between an institution and its cognizant agency.</p> <p>Institutions willing to accept a flat indirect rate of 10%, and that have not previously negotiated a rate, do not need to conduct a rate calculation, provided they are willing to accept the 10% de minimis rate.</p> <p>Sponsoring agencies will be required to accept federally negotiated rates unless government statute applies or if the use of another rate (different from the negotiated rate) is approved by the agency head.</p>

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<p><b>Effort Reporting:</b> Consider alternatives to effort reporting requirements.</p> <ul style="list-style-type: none"> <li>Continue existing pilots related to effort reporting.</li> <li>Develop new pilots.</li> <li>Explore ideas that would maintain integrity/accountability related to personnel effort, provide the ability for external audit verification, but at the same time achieve these outcomes in a manner that lessens the administrative burden articulated by institutions.</li> </ul>	<p><b>Subpart E - Cost Principles 200.430</b></p> <ul style="list-style-type: none"> <li>Institutions must maintain high standards for internal controls over salaries and wages on sponsored awards and processes to review after-the-fact compensation charges on federal awards.</li> <li>However, guidance allows for additional flexibility in how entities implement processes to meet those standards.</li> <li>In general, the previous requirements for appropriate personal compensation still apply: <ul style="list-style-type: none"> <li>Compensation for services provided must be in accordance with institutional policy and procedure and federal statute.</li> <li>For IHEs, the guidance further establishes the concept of institutional base salary (IBS) as a basis for salary for calculating payroll distributions with time and effort.</li> <li>For IHEs, summer salary on federal awards cannot exceed the IBS rate and sponsoring agencies may apply a salary cap that must be incorporated into HE compensation.</li> </ul> </li> <li>The Standards for Documentation of Personnel Expenses have been consolidated across institution types and contain many of the same basic elements of the previous requirements to ensure compensation charged to the federal award is accurate, allowable, and properly allocated: <ul style="list-style-type: none"> <li>Practices must comply with an institution's documented policies and procedures.</li> <li>100% of an individual's compensated effort must be accounted for in an institution's documentation procedures.</li> <li>Cost share salaries must be documented in the same manner as direct charged compensation.</li> </ul> </li> </ul> <p>The revisions have removed formal reference to many elements of guidance, including specific examples of appropriate methodologies for monitoring effort, prescribed effort reporting time periods and specification on who must certify/document compensation costs.</p>	<p>The general principles of time and effort still apply, but all institution types have the ability to implement independent practices for certifying time and effort as long as they follow the federal guidelines.</p> <p>Institutions now have flexibility to determine the frequency of their effort reporting procedures that is best aligned with their institutional calendar and policies and procedures. However, processes must still reflect "after-the-fact" review of charges or budget estimates.</p> <p>The complex language and example methods have been eliminated, clarifying the federal requirements for institutions. Standards for documentation and who certifies effort reports have greater flexibility; however, the principle remains the same that the institutions have "records that accurately reflect the work performed."</p>

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<p><b>Utility Cost Adjustment (UCA):</b> Expand the UCA factor to include more institutions.</p>	<p><b>Appendix III - Indirect (F&amp;A) Costs Identification and Assignment, and Rate Determination for Institutions of Higher Education (IHE)</b></p> <ul style="list-style-type: none"> <li>IHEs have been extended provisions that allow for recovery of increased utility costs associated with research.</li> <li>A utility cost adjustment of up to 1.3 percentage points may be included in the negotiated indirect cost rate of IHEs for organized research.</li> </ul>	<p>All IHEs will have the ability to calculate a UCA up to 1.3 points for their Organized Research F&amp;A Rate. The calculation will be based on the effective square footage calculation.</p>
<p><b>Direct Charges:</b> Clarify when institutions can charge directly allocable administrative support as a direct cost.</p>	<p><b>Subpart E - Cost Principles 200.413</b></p> <ul style="list-style-type: none"> <li>Identification with a federal award rather than the nature of the goods and services involved is the determining factor in distinguishing direct from indirect costs on federal awards.</li> <li>Administrative and clerical staff salaries may be directly allocable if they are integral to a project or activity AND these salaries are explicitly included in the budget or have the prior written approval of the federal awarding agency.</li> <li>Examples of "Major Projects" have been eliminated.</li> </ul>	<p>Institutions may charge administrative and clerical salaries, as well as other items of cost, directly to a federal award when it is appropriate, allocable and meets the conditions outlined in the federal guidance. The burden for justifying direct costs as allocable to an award remains with the institution and consistency of charging will be a critical element of institutional practices to monitor.</p> <p>Institutions will have to ensure proper sponsor agency approvals are in place prior to directly charging administrative and clerical salaries to a federal award.</p> <p>Depending on the institution, the likely impact to the F&amp;A rate calculation process will be a decrease in the Department Administration Pool and an increase to the MTDC.</p>

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<p><b>Computing Devices:</b> Include the cost of certain computing devices as allowable direct cost supplies.</p>	<p><b>Subpart E - Cost Principles 200.453</b></p> <ul style="list-style-type: none"> <li>Charging computing devices (laptop and desktop computers and associated supplies) as direct costs is allowable for devices that are essential and allocable, but not solely dedicated, to the performance of a federal award.</li> <li>Computing devices, defined as supplies when the cost is the lesser of the entity's capitalization level or \$5,000, are subject to the less burdensome administrative requirements of supplies (as opposed to equipment) if the acquisition cost is less than the capitalization threshold.</li> </ul>	<p>Computing devices not considered a depreciable asset by an institution's capitalization policy may be charged and treated as supplies.</p> <p>The special burden of obtaining permission for such purchases is reduced.</p> <p>When charging computing devices to sponsored awards, institutions must follow the same practices for determining and documenting allocability (direct or indirect use and charging) as used for all items of cost.</p>
<p><b>Unused Supplies:</b> Clarify that \$5,000 is the threshold for an allowable maximum residual inventory of unused supplies that may be retained for use on another federal award.</p>	<p><b>Subpart E - Cost Principles 200.453</b></p> <ul style="list-style-type: none"> <li>A residual inventory of unused supplies exceeding \$5,000 upon completion of the project (if the supplies are not needed for any other federal award) can be retained for use on other activities or be sold, but the federal government must be compensated for its share.</li> <li>The amount of funds to be returned to the federal sponsor for unused supplies must be computed in the same manner as the amount of compensation returned to the federal government in cases where federally purchased and institutionally retained equipment is sold to a third party.</li> </ul>	<p>The award closeout process for addressing remaining inventory, appropriate disposal and re-expensing of unused inventory is simplified.</p>
<p><b>Reasonable Cost Studies:</b> Eliminate requirements for institutions to conduct studies of cost reasonableness for large research facilities.</p>	<p><b>Subpart E - Cost Principles</b></p> <p>Institutions are expected to maintain reasonable costs in the operations of large research facilities; however, the prior requirement to conduct cost reasonableness studies for these facilities has been eliminated.</p>	<p>Reduction in the administrative burden associated with these cost reasonableness studies.</p>

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<b>Use of Reimbursed Depreciation:</b> Eliminate the restriction that certain institutions have on the use of indirect cost recoveries associated with depreciation or use allowance.	<b>Subpart E - Cost Principles 200.436</b>  Restrictions on the use of indirect costs recovered for depreciation or use allowances are eliminated.	Reduction in administrative burden associated with monitoring and accounting for depreciation or use allowances.
<b>Lease-Purchase Analysis:</b> Eliminate the need to perform a lease purchase analysis to justify interest costs associated with facility construction that benefits federal programs.	<b>Subpart E - Cost Principles 200.449</b>  Institutions do not need to conduct a leaseopurchase analysis to justify interest costs or to notify the cognizant agency prior to relocating federally sponsored activities from a facility financed by debt.	Reduction in administrative burden associated with undergoing the lease-purchase analysis in order to justify the incurrence and charging of interest costs (as a direct or indirect charge) on federally sponsored programs.
<b>Budgeting for Contingency Funds:</b> Budgeting for contingency funds for certain federal awards for the construction or upgrade of a large facility, instrument, or IT systems is an acceptable and necessary practice.	<b>Subpart E - Cost Principles 200.433</b>  On certain awards, for construction or upgrades to large facilities or instruments, or IT systems, budgeting for and disbursing funds for costs associated with possible events or conditions arising from causes which are indeterminable at the time of budgeting are allowable if the following conditions are met:  <ul style="list-style-type: none"> <li>• Estimated with broadly accepted methodologies</li> <li>• Approved at time of award</li> <li>• Verifiable from non-federal entity's records</li> </ul>	Institutions may budget for contingency amounts in grantee proposed budgets and, if awarded, these amounts will be incorporated into the awarded amounts. Institutions must estimate these amounts using broadly-accepted cost estimating methodologies and specify this practice in the budget documentation of the proposal.
<b>Disclosure Statements:</b> Request that the Cost Accounting Standards Board (CASB) consider increasing the minimum threshold for institutions to file a disclosure statement from \$25 million to \$50 million in federal awards per year.	<b>Subpart E - Cost Principles 200.419</b>  The threshold for IHEs to comply with Cost Accounting Standards and submit a Disclosure Statement (DS-2) is raised to \$50 million in aggregate federal awards to align with the threshold in the Federal Acquisition Regulations. The process for federal agency review of changes in accounting practices is streamlined to reduce risk of noncompliance.	IHEs with less than \$50 million in aggregate federal awards received in a given fiscal year are no longer required to file or maintain a disclosure statement, lessening the burden of an institution to draft and file a DS-2.

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Establish and effectively utilize internal controls	<b>Subpart D - Post Award Requirements 200.303</b>  Non-federal entities must establish and maintain effective internal controls over federal awards that provide reasonable assurance that the entity is managing the award in compliance with federal statutes, regulations, and the terms and conditions of the federal award.  Internal controls should be in compliance with the "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).	Non-federal entities must take measures to ensure institutional controls are in line with previously defined frameworks.
Set standards for financial and program management	<b>Subpart D - Post Award Requirements 200.328</b>  <ul style="list-style-type: none"> <li>• Federal awarding agencies must collect performance information data using standard, OMB-approved data elements (including performance progress reports, Research Performance Progress Report, or other tools approved by OMB).</li> <li>• Performance must be measured in a way that will help the federal awarding agency and entities to improve program outcomes, share lessons learned, and spread the adoption of promising practices.</li> <li>• Institutions will be accountable to the federal government to demonstrate responsible procurement and costing practices.</li> </ul>	Institutions will also be accountable to the federal government to demonstrate responsible procurement and costing practices.  For the research community where there are standard forms and tools broadly in use to collect information on sponsored project performance (such as the RPPR – NIH Progress Reports) that do not relate financial information to performance data, there will be no additional requirement to also report and link financial spending to overall progress.

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Establish productive and positive cost sharing policies	<p><b>Subpart D - Post Award Requirements 200.306</b></p> <ul style="list-style-type: none"> <li>Voluntary cost sharing will not be used as a factor in the review of applications.</li> <li>Cost sharing is only required when clearly defined in the funding opportunity notice.</li> <li>Voluntary committed cost sharing is prohibited for federal research proposals except where otherwise required by statute.</li> <li>Only mandatory cost sharing or cost sharing specifically committed in the project budget must be included in the organized research base for computing the indirect (F&amp;A) cost rate or reflected in any allocation of indirect costs.</li> </ul>	<p>Institutions will have additional regulations-based support to discourage voluntary cost share commitments.</p> <p>Institutions have added clarity in how to account for voluntary and mandatory cost sharing in the preparation and calculation of the indirect cost rate.</p>
Revise Procurement Standards	<p><b>Subpart D - Post Award Requirements 200.318-322</b></p> <ul style="list-style-type: none"> <li>Where there is a conflict between state or tribal law and the federal guidance with respect to the administration of a federal award, the federal guidance prevails, including requirements prohibiting the use of statutorily or administratively imposed state or local geographical preferences in the evaluation of bids or proposals.</li> <li>The threshold for small purchase procedures is raised to \$150,000 to be consistent with the simplified acquisition threshold in the Federal Acquisition Regulation (FAR).</li> <li>Non-federal entities must avoid acquisition of unnecessary or duplicative items. Approaches to be considered by entities include consolidating or breaking out procurements to obtain a more economical purchase and where appropriate, conducting a lease versus purchase or other analysis to determine the most economical approach.</li> <li>Revisions were made to the procurement requirements in order to be inclusive enough to account for varied purchases. However, specific procurement methodologies are required: <ul style="list-style-type: none"> <li>Procurement by micro-purchases</li> <li>Procurement by small purchase procedures</li> <li>Procurement by sealed bids (formal advertising)</li> <li>Procurement by competitive proposals</li> <li>Procurement by noncompetitive proposals</li> </ul> </li> </ul>	<p>The increase in the cost or price analysis threshold, set in accordance with the simplified acquisition threshold, will streamline institutional procurement processes because small purchase procedures can be utilized for a larger volume of purchases.</p> <p>However, other actions, such as inter-entity agreements for shared services and additional actions to avoid duplicative acquisition, will require additional administration in procurement areas.</p>

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REFORMS TO ADMINISTRATIVE REQUIREMENTS: CHANGES TO OMB CIRCULARS A-102, A-110 AND A-89.		
Create a consolidated, uniform set of administrative requirements.	<p><b>Subpart C - Pre Award Requirements</b></p> <p>Unless otherwise noted in A-110 Crosswalk, language in uniform guidance is adopted from A-110.</p>	Uniform administrative requirements are provided for all recipients of federal awards.
Require consideration of each proposal's merit and each applicant's financial risk in advance of a funding/ award determination.	<p><b>Subpart C - Pre Award Requirements 200.204, 205, 207</b></p> <ul style="list-style-type: none"> <li>The merit and risks associated with a potential award must be evaluated prior to making an award.</li> <li>Criteria used to evaluate an award shall be described in the funding opportunity announcement.</li> <li>Proposal reviews include a risk-based approach of elements such as: (1) financial stability; (2) ability to meet the government's management standards (3) history of performance, (4) audit reports and findings and (5) the applicant's ability to effectively implement statutory, regulatory, or other requirements.</li> <li>Merit-based selection criteria are distinguished from eligibility criteria to guide the review and selection of federal awards.</li> </ul>	<p>Transparency in the award-making process will better inform institutions and investigators of the process, enabling the increased quality of proposals and resultant awarded projects.</p> <p>Awardees will see more special conditions on awards to mitigate potential risks of waste, fraud, and abuse, before the money is spent.</p>
Require agencies to provide 90-day notice of funding opportunities.	<p><b>Subpart C - Pre Award Requirements 200.203</b></p> <ul style="list-style-type: none"> <li>Available federal financial assistance must be made public via the Catalog of Federal Financial Assistance numbers (CFDA #s).</li> <li>All funding opportunities must generally be open for application for at least 60 days, with some exceptions; but no funding opportunity should be available for less than 30 days (unless exigent circumstances apply).</li> </ul>	Applicants will have additional time and information (depending on current practices) in preparing applications via the updated Catalog of Federal Financial Assistance.

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Provide a standard format for announcements of funding opportunities.	<p><b>Subpart C - Pre Award Requirements 200.203</b></p> <p><b>Appendix I - Full Text of Notice of Funding Opportunity</b></p> <ul style="list-style-type: none"> <li>A standard set of data elements to be included in all federal notices of funding opportunities is outlined, including criteria used in evaluation of applications and how they will be used.</li> <li>Agencies cannot add additional application requirements beyond OMB-approved data elements.</li> </ul>	Guidelines standardize recipient requirements within funding opportunities. The federal government will evaluate options for further standardization of funding opportunities in the future.
Provide a standard set of information in federal awards.	<p><b>Subpart C - Pre Award Requirements 200.210</b></p> <ul style="list-style-type: none"> <li>A federal award must include General Federal Award Information; General Terms and Conditions; Federal Awarding Agency, Program, or Federal Award Specific Terms and Conditions; and Federal Award Performance Goals.</li> </ul>	Institutions will receive a consistent set of information for each federal award received, which should reduce the administrative burden and costs associated with managing this information throughout the life of the award.
<b>REFORMS TO AUDIT REQUIREMENTS: MERGING AND CONSISTENT ALIGNMENT OF OMB CIRCULAR A-133 AND CIRCULAR A-50</b>		
<p>Concentrate audit resolution and oversight on higher dollar, higher risk awards:</p> <ul style="list-style-type: none"> <li>Entities that expend less than \$1 million in federal awards would not be required to conduct a Single Audit.</li> <li>Entities that expend between \$1 million and \$3 million in federal awards would be required to undergo a Single Audit with a more specific focus on major internal controls.</li> </ul>	<p><b>Subpart F - Audit Requirements 200.5XX</b></p> <ul style="list-style-type: none"> <li>The threshold for a single audit increases from \$500,000 to \$750,000 in federal spending, maintaining Single Audit coverage for over 99% of federal dollars.</li> <li>Federal awarding agencies must designate a Senior Accountable Official responsible for overseeing effective use of the Single Audit tool and implementing metrics to evaluate audit follow-up.</li> <li>Federal awarding agencies must make effective use of cooperative audit resolution practices in order to reduce repeated audit findings.</li> <li>Audits must be focused on the areas with internal control deficiencies that have been identified as material weaknesses.</li> <li>Timely audit reporting is a criterion for low risk auditee. Entities with biennial audits, "unclean" audits, and material weaknesses cannot be low risk, even with approval.</li> </ul>	Reduces the pool of audited entities and focuses audit attention on the highest risk areas of program oversight.

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Streamline the universal compliance requirements in the Circular A-133 Compliance Supplement.	<p><b>Subpart F - Audit Requirements Appendix XI</b></p> <ul style="list-style-type: none"> <li>The Compliance Supplement is published as part of a separate process, but is incorporated by reference into the final guidance.</li> <li>Future updates will reflect a focus on the areas with internal control deficiencies that have been identified as material weaknesses.</li> </ul>	<p>No changes were made to the Compliance Supplement process at this time. The Compliance Supplement will be published as a separate process.</p> <p>Future changes to the Compliance Supplement may be made based on available evidence on past findings and the potential impact of non-compliance for each type of compliance requirement.</p> <p>Public outreach will be conducted prior to making any structural changes to the Compliance Supplement to mitigate potential increase in an administrative burden.</p>
Strengthen the guidance on audit follow-up for federal awarding agencies.	<p><b>Subpart F - Audit Requirements 200.511, 200.521</b></p> <ul style="list-style-type: none"> <li>A list of valid reasons for considering an audit finding as not warranting further action is provided.</li> <li>Management decisions must be issued within six months of acceptance of the audit report.</li> <li>Auditees are required to initiate and proceed with corrective action in an expeditious manner, but no later than upon receipt of the audit report.</li> </ul>	Auditees must review and respond to and address all audit findings as quickly as possible, and not wait until audit reports are submitted.

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<p>Reduce burden on pass-through entities and subrecipients by ensuring cross-agency coordination and reducing duplicative audit follow-up.</p>	<p><b>Subpart F - Audit Requirements</b> <b>200.512, 200.513</b></p> <ul style="list-style-type: none"> <li>• Federal agencies and pass-through entities are explicitly required to review the Federal Audit Clearinghouse for existing audits and to rely on those prior to commencing an additional audit.</li> <li>• The cognizant agency for audit must be responsible for coordinating a management decision for audit findings that affect the programs of more than one federal agency.</li> <li>• Pass-through entities must only verify, rather than ensure, that a subrecipient has an audit as required by the circular.</li> </ul>	<p>Multiple agency audits and additional agency audits should be better coordinated and in line with each other.</p> <p>The requirements for subrecipient monitoring are substantively unchanged from existing guidance.</p>
<p>Facilitate subrecipient monitoring and management</p>	<p><b>Subpart D - Post Award Requirements</b> <b>200.331</b></p> <ul style="list-style-type: none"> <li>• The review of performance and financial reports is required only to the extent of what the pass-through entity has decided to require in order to meet their own requirements under the federal award.</li> <li>• Pass-through entities' monitoring of subrecipients must include issuance of management decision for audit findings pertaining to the federal award provided to the subrecipient from the pass-through entity.</li> <li>• Only when findings pertain to federal award funds provided to the subrecipient by the pass-through entity does the pass-through entity have to follow up, ensure corrective action, and issue management decisions on weaknesses.</li> </ul>	<p>Prime awardee institutions decide what responsibilities for monitoring subrecipients are necessary to meet their own requirements under federal awards.</p> <p>Prime awardee institutions are required to issue management decisions for subrecipients when audit findings relate directly to the prime awardee's awards.</p> <p>Pass-through entities must manage corrective actions only when findings pertain to federal awards provided to subrecipients from the pass-through entity.</p>

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