

## New OMB Requirements Effective in December 2014: Administrative Requirements for Non-Federal Entities (Subpart D)

In the previous issue of *LvHJ Insights*, we notified you of upcoming implementation of Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Grant Guidance). We would like to pay closer attention to **Subpart D** at this time, which includes many of the **administrative requirements of non-federal entities** that receive federal awards, as changes are effective as of **December 26, 2014**.

Highlights of key changes in Subpart D are the following:

- **Internal controls:** A non-federal entity must 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. This is a much more explicit internal control requirement for auditees than that described in the current grant-related requirements.
  - The Uniform Grant Guidance also states that the non-federal entity's 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 (GAO's Green Book) and the "Internal Control Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) [Note: The term "should" as used in the Uniform Grant Guidance is not intended to be presumptively mandatory].
- **Procurement Standard:** There are five procurement methods outlined in the Uniform Grant Guidance (see below). In general, the new procurement standards adopt

the majority of the language used from Circular 102. Therefore, non-federal entities that are currently subject to Circular A-110 will likely be affected more significantly. Please note that, for **compliance** with the new procurement standard only, the federal government is providing a grace period of **one full fiscal year after December 26, 2014**.

- Small purchase procedures which are subject to the Simplified Acquisition Threshold
  - Micro-purchases
  - Sealed bids
  - Competitive proposals
  - Noncompetitive proposals
- **Subrecipient Monitoring and Management:** Guidance on determining subrecipients versus contractors is now included in Section 200.330 of the Uniform Grant Guidance. Section 200.331 provides details about what information needs to be included by a pass-through entity in its subawards at the time the subaward is made such as federal award identification, all requirements imposed by the pass-through entity, certain indirect cost information, access requirements, and terms and conditions surrounding closeout.
    - Requirements are also included in this Section regarding a pass-through entity's responsibility to evaluate each subrecipient's risk and develop appropriate subrecipient monitoring in response to the assessed risk.



### Coming Up In October

*New OMB Requirements Effective in December 2014: Reform to the Cost Principles (Subpart E)*



If you have any questions or concerns regarding the new OMB requirements and implementation, please contact: **Charlotte Tay**, Partner at [ctay@lvhj.com](mailto:ctay@lvhj.com) or 415-905-5440.

[Click here to read more about Charlotte Tay.](#)

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