

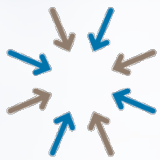
# Are Your Policies Ready?

Aligning and Updating Policies to the Uniform Guidance

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# Learning Objectives

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1. Raise awareness about key areas where OMB has identified a need or assurance that written policies and procedures are in place.
2. Identify other areas that may require an organization to update its policies to align with the uniform guidance.
3. Improve skills about writing policies.



# Learning Objectives

4. Discover how to develop procedures from written policies (the next step).
5. Establish ways to update an organization's policies to better align with current federal guidance.





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# Introduction: Written Policies and Procedures

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# Introduction

## Uniform Grant Guidance

The Office of Management and Budget's (OMB's) uniform grant guidance requires nonfederal entities to have written policies.



# Introduction

## Uniform Grant Guidance

Written policies and procedures give nonfederal entities a viable defense in case of a governmental investigation, providing “reasonable assurance” to an auditor that the recipient is making a good faith attempt to comply with the grant.



# Introduction

## Uniform Grant Guidance

Properly written policies and procedures provide a nonfederal entity with flexibility. The uniform guidance indicates what must be done, but does not define how.

Written policies and procedures allow an organization to define the “how,” documented in writing.



# Introduction

## Uniform Grant Guidance

Properly written policies and procedures are also one of the best ways to improve your organization's internal controls, minimizing the likelihood of fraud, waste and abuse.





# Introduction

## Uniform Grant Guidance

While many nonfederal entities have written policies and procedures in place, there are updates that need to be addressed as the uniform grant guidance is implemented.



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# Learning Objective 1:

## Key Areas Identified by OMB Requiring Written Policies and Procedures

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# LO1: Key Policy Areas Identified by OMB

## Where To Start?

- All existing grants policies and procedures will require review
  - Some will require updates and revisions
  - Some may remain as written
- Some new policies and procedures may need to be created



# LO1: Key Policy Areas Identified by OMB

## Strategies

- First, identify the policies and procedures OMB has indicated are necessary (LO1)
- Second, look at other existing local policies and procedures for updates, changes (LO2)
- Third, consider new policies and procedures, as appropriate (LO2 and LO3)



# LO1: Key Policy Areas Identified by OMB

## **OMB Interest in Written Policies**

- Internal Controls
- Travel
- Financial Management and Accounting
- Personnel Compensation (Time and Effort)
- Conflict of Interest/Disclosures
- Procurement
- Report Certification



# LO1: Key Policy Areas Identified by OMB

## Internal Controls (§200.303)

- Uniform guidance requires effective controls to manage federal awards
  - Show compliance with federal statutes, regulations and terms and conditions of the award
  - Identify how organization evaluates and monitors compliance



# LO1: Key Policy Areas Identified by OMB

## Internal Controls (§200.303)

- Five areas of internal control
  - Control environment (approval processes)
  - Risk assessment (processes to assess risk)
  - Control activities (processes to check accuracy)
  - Information and communication (training)
  - Monitoring (review processes)
- Identify what steps are taken to correct issues
- Provide reasonable assurance



# LO1: Key Policy Areas Identified by OMB

## Internal Controls (§200.303)

- New: PII
- Personally Identifiable Information
- Must have reasonable procedures in place to protect personally identifiable information and other information identified as sensitive
- Policy can address how an organization stores, accesses and shares PII data





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# LO1: Key Policy Areas Identified by OMB

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## Internal Controls (§200.303)

*Internal controls flow through all procedures.*



# LO1: Key Policy Areas Identified by OMB

## Travel (§200.474)

- Travel costs can be charged on a actual cost basis, a per diem basis, or a combination of the two as long as charged the same way for the whole trip.
  - Travel costs must be consistent with entity' s written travel policy
  - Conference attendance must have supporting documentation and be retained by recipient



# LO1: Key Policy Areas Identified by OMB

## Travel (§200.474)

- New: family-friendly policies
- Dependent care costs 200.474 (c) (1) must be consistent with entity's documented travel policy



# LO1: Key Policy Areas Identified by OMB

## Travel (§200.474)

- What happens if federal travel differs from local travel, i.e., mileage reimbursement?
  - Is local mileage rate higher than federal?
  - Is local mileage rate lower than federal?
- Travel costs must be reasonable and in accordance with entity's written policy



# LO1: Key Policy Areas Identified by OMB

## Financial Management (§200.302)

- Financial system must identify federal awards by:
  - CFDA number and title
  - Federal award ID and year
  - Name of federal awarding agency
  - Pass-through entity's name



# LO1: Key Policy Areas Identified by OMB

## Financial Management (§200.302)

- Must have written procedures for determining allowability of costs
  - Subpart E Cost Principles
  - Terms and conditions of the award
    - Equipment, for example, may not be allowable under an award



# LO1: Key Policy Areas Identified by OMB

## Financial Management (§200.302)

- Subpart E – Cost Principles
- 55 items of costs
  - Allowable costs
  - Unallowable costs
  - New costs (social media, family friendly travel)
- Chart of accounts must align with uniform guidance as well as written policies



# LO1: Key Policy Areas Identified by OMB

## Financial Management (§200.302)

- Written procedures to implement the requirements of §200.305 payment
  - States follow Cash Management Improvement Act
  - Minimize the time between transfer of funds and disbursement
  - Advance payments, maintain accountability





# LO1: Key Policy Areas Identified by OMB

## Personnel/Time & Effort (§200.430(i))

- Written procedures required
  - Documentation must include grant and non-grant time, all totaling 100 percent (new).
  - Also used in meeting cost sharing or matching requirements (§200.430(i)(4)).
  - Percentages may be used instead of hours in the entity's records (200.430 (i)(1)(ix)).



# LO1: Key Policy Areas Identified by OMB

## Conflict of Interest (§200.112)

- Recipients must disclose in writing any potential conflict of interest
- Recipients must define how it handles conflict of interest based on the federal agency's policy.
- It is especially important for procurement activities
- Conflict of interest extends to Boards, donors, partners



# LO1: Key Policy Areas Identified by OMB

## **Mandatory Disclosures (§200.113)**

- Applicants and recipients must disclose violations in writing that involve fraud, bribery or gratuities that may affect a federal award.
- Policies must address timeliness of notification and what steps are taken to address the violation.



# LO1: Key Policy Areas Identified by OMB

## Procurement (§§200.317-326)

- States follow same policies and procedures for procurements with federal or nonfederal funds.
- Nonfederal entities including institutions of higher education, nonprofits and hospitals that were previously governed by OMB Circular A-110 have option of one additional fiscal year grace period.



# LO1: Key Policy Areas Identified by OMB

## Procurement (§§200.317-326)

- Records of sufficient detail to provide a historical or audit trail.
- Full and open competition that are consistent with uniform guidance standards
- Noncompetitive (sole source) procurement and when it can be used



# LO1: Key Policy Areas Identified by OMB

## Procurement (§§200.317-326)

- Risk assessments in selection process
- Contract award provisions must include representations and certifications in Appendix II



# LO1: Key Policy Areas Identified by OMB

## Certification (§200.415)

- New certification for an entity's authorizing official (who can legally bind the organization).
- Recipient policies must include the certification for the organization's management to sign and may need to define what steps or reviews are required prior to signing.



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# Learning Objective 2: Other areas that may require an update to policies

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## LO2: Other Areas for Updates

### What To Update First?

- List by last date procedure was updated or established, or
- Determine what procedures will have most impact on organization if not updated within a specified timeframe, or
- Identify what award activities will occur early on and may need procedures, or



## LO2: Other Areas for Updates

### What To Update First?

- Review any audit findings associated with procedure and correct any deficiencies, or
- Review changes in staff that may alter approval requirements (names and titles)

Create a schedule for updates, revisions. Document when procedures were updated.



## LO2: Other Areas for Updates

### All updating requires

- Review the procedures for a particular process currently being used
- Review the uniform guidance
  - Compare, identify changes, revise
  - The “what” and the “how”



## LO2: Other Areas for Updates

### All updating requires

- Review and approval of new procedure
- Signature of authorized representative and date



## LO2: Other Areas for Updates

### **Provisions in Uniform Guidance with Changes**

- Financial reporting
- Performance reporting
- Prior written approval
- Documentation
- Indirect costs
- Risk assessments
- Cooperative audit resolution (CAROI)



## LO2: Other Areas for Updates

### **Financial Reporting (§200.327)**

- Requires use of OMB-approved data collection instrument (currently SF-425)
- Procedures should describe when to start collecting data for the report, who shall review the report, who shall sign the report, and when the report will be submitted
- Procedures should include timely report submissions



## LO2: Other Areas for Updates

### **Performance Reporting (§200.328)**

- Federal awarding agencies must include performance goals or measures in awards
- May require change in reporting process
- May require different data collection activity



## LO2: Other Areas for Updates

### **Performance and Financial Reporting (§200.301)**

- Uniform guidance requires recipients to relate financial data to performance accomplishments (200.301)
- May require change in reporting process
- May require change in budget development
  - Sub-budgets by program objective





## LO2: Other Areas for Updates

### **Prior Approvals (§200.407)**

- The uniform guidance provides a list of 22 actions that require prior written approval
- Policy and/or procedures may want to include the list and steps to take in advance of expending funds



## LO2: Other Areas for Updates

### Documentation

- The requirement of documentation is used throughout the uniform guidance.
  - Travel
  - Procurement
  - Personnel/Time & Effort
  - Performance Reports
  - Financial Reports



## LO2: Other Areas for Updates

### Documentation

- Policy and/or procedures may want to include requirements for documentation
  - Identify with the award ID on the document
  - Include any organizational ID
    - Project number
    - Account number
    - Department number
  - Steps to take before reimbursements (receipts)



## LO2: Other Areas for Updates

### Indirect Costs (200.414)

- New: Federal agencies must accept negotiated indirect cost rate of recipients
- New: “*De minimis*” flat rate of 10 percent for nonfederal entities that never had a negotiated indirect cost rate
- New: Pass-through agencies must accept negotiated indirect cost rate of subrecipients



## LO2: Other Areas for Updates

### Indirect Costs (200.414)

- New: If no indirect cost rate exists but subrecipient wants to charge indirect costs, the pass-through agencies must
  - Negotiate an indirect cost rate, OR
  - Allow the “*de minimis*” flat rate of 10 percent
- Policies and procedures should reflect changes



## LO2: Other Areas for Updates

### **Risk Assessments (§200.205)**

- Policy and/or procedures may want to include basic indicators of risk, how risk is monitored and corrected
  - Include reasonable assurance
    - Past performance
    - Experienced leadership
    - Favorable registration in SAM.gov
    - Requirements for subrecipients or partners



## LO2: Other Areas for Updates

### **Cooperative Audit – CAROI (§200.513)**

- Policy and/or procedures may want to include intent to reduce outstanding audit findings
  - Document process
  - Include timelines





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# Learning Objective 3: Defining and Developing Policies

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## LO3: Developing Policies

### Some Distinctions - Policy

- Policy: Broad stated guidance or guiding principles of an organization developed by the organization's governing body or management team that are used to direct its operating activities to achieve long-term program and administrative goals.



## LO3: Developing Policies

### Some Distinctions – Procedures

- Procedures: Step-by-step instructions or course of action for an associated policy that have start and end points, and must be followed in order to complete a specific task or action usually requiring a decision or approval.



## LO3: Developing Policies

### **Some Distinctions - Internal Controls**

A system of internal control or internal controls:

- Provides reasonable assurance that federal funds will be managed and expended as intended.
- Written policies and procedures strengthen an organization's system of internal control.



# LO3: Developing Policies

## Flexibility

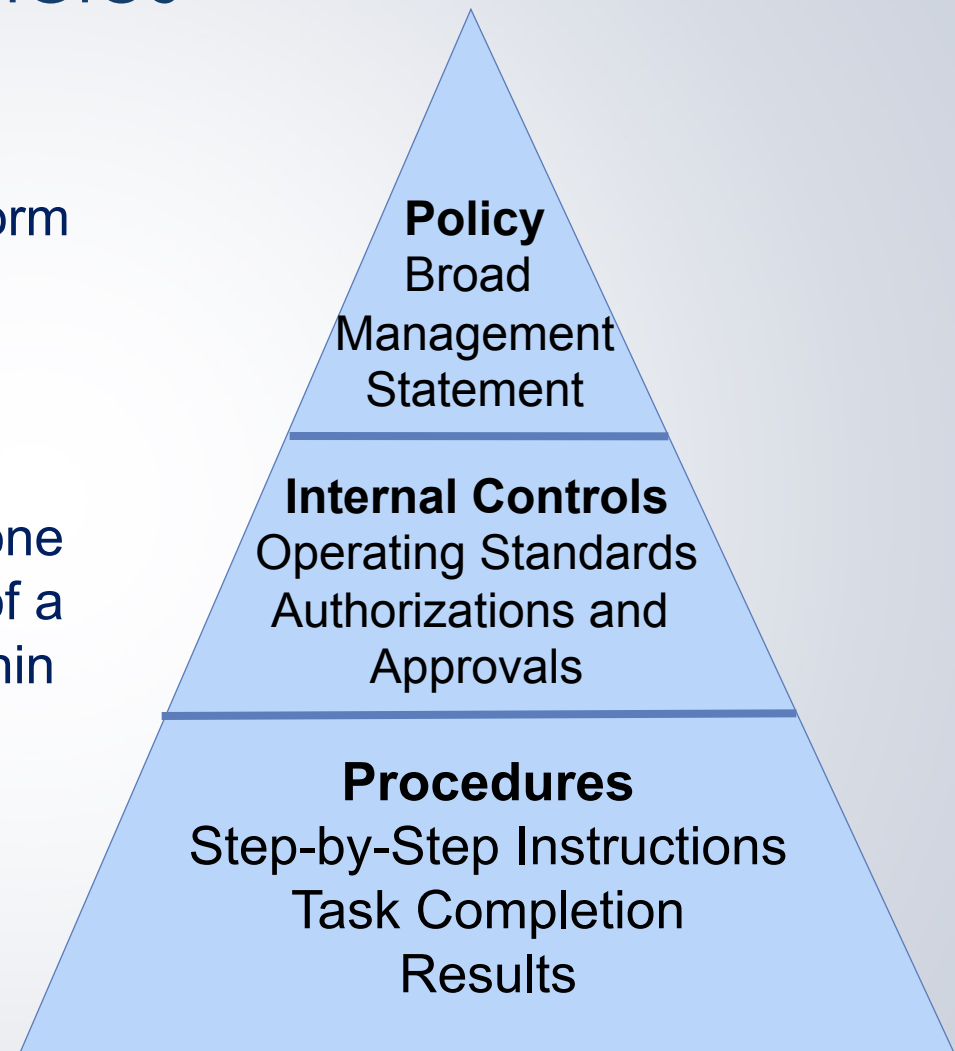
Federal, pass-through and recipient entities have some flexibility about the how, but need:

- To provide written documentation that outlines the steps they will take.
- To analyze their current policies and procedures to incorporate the uniform guidance requirements.



# LO3: Developing Policies

Terms are used throughout the uniform guidance. Policies, internal controls and procedures also define an oversight or authorization/approval process and includes what is often called separation of duties, so that one person is not undertaking all steps of a procedure and actions are done within a specified timeframe.



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# LO3: Developing Policies

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## How To Develop Policy

- Identify need - Review current organization's program goals, objectives, mission statement and assess current activities and responsibilities. Review external environment and interactions.
  - Determine if there is a goal, objective or activity that requires definition.
  - Determine if an activity needs to be defined in order to meet organization's legal responsibility.



# LO3: Developing Policies

## How To Develop Policy

- Identify need – There are many sections in the uniform guidance that require revision of local policies previously based on the OMB circulars:
  - Updates to outdated policies (travel, procurement).
  - New items of cost
  - New certifications
  - New data requirements
  - Pre-approvals



# LO3: Developing Policies

## How To Develop Policy

- Identify need – There are many challenges at the local level that require revision of local policies:
  - Communication
  - Internal controls
  - Training
  - Audit procedures
  - Signatures
  - More





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# LO3: Developing Policies

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## Example – Payment Advances/ Drawdowns

- Are requests being made within allowed timeframes? If answer is no—consider policy
- Does the organization hold the funds for an unusual period of time routinely? If answer is yes—consider policy

Broad Policy Statement: Organization will minimize the timeframe between an advance request or drawdown and meeting payment obligations.



# LO3: Developing Policies

## Policy Template - Format

### I. Purpose

- Define why the policy is being written.
- Example – Advance payments

To provide for the better management of use of funds and to comply with federal requirements.



# LO3: Developing Policies

## Policy Template - Format

### II. Policy

- Define in a broad statement the organization's policy; provide the description of the policy.
- Example – Advance payments

Organization will minimize the timeframe between an advance request or drawdown and meeting payment obligations.

The organization will request advance payment or make drawdowns within timeframes that eliminates excessive holding times of federal funds.



# LO3: Developing Policies

## Policy Template - Format

### III. Authority

- Include organization's authority and/or insert the federal citation.
- Example – Advance payments  
Any organizational statement or authority about sound financial management.  
Uniform guidance, §200.305.

### IV. Signature, Effective Date





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# Learning Objective 4: Development of Procedures from Written Policies

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# LO4: Developing Procedures

## Definition of Procedure

- Procedures are:
  - Specific, step-by-step instructions to perform a task or part of a process
  - Work instructions; desk procedures
  - Structured by subject



# LO4: Developing Procedures

## Questions To Consider When Writing Procedures

- Procedures define:
  - Who performs the procedure
  - What steps are performed
  - When the steps are performed
  - How it is performed



# LO4: Developing Procedures

## Example – Advance Payment Questions

- Who initiates advance payment? Is requestor authorized to make request? Who performs the procedure?
- What is needed to support the request, e.g., documents, cash on hand to meet obligations?
- Why: Under what circumstances would an advance payment be appropriate?





# LO4: Developing Procedures

## Example – Advance Payment Questions

- When is analysis needed regarding cash? When is the request made (the first of month/ middle of month). When is a response expected?
- How is the procedure done, such as preparing a request form, getting authorization, submission of request?



# LO4: Developing Procedures

## Other Examples – Travel Questions

- What is required in order to pay travel?
- When will travel reimbursements be made?
- What will payment be based on, actual costs or a special daily rate (per diem)?
- What supporting documents are needed for payment?



# LO4: Developing Procedures

## Other Examples – Travel Questions

- When and where are requests submitted?
- Who has to authorize travel and reimbursement payments.
- What happens if local rates differ from federal rates?



# LO4: Developing Procedures

## Procedures Template - Format

### I. Purpose

- Define why the procedure is being written.
- Example – Advance payments

The purpose of this procedure is to describe the steps needed to complete an advance payment/drawdown request. It supports the “funds request” policy and supports federal policy.



# LO4: Developing Procedures

## Procedures Template - Format

### II. Authority

- Include organization's authority (it's policy) and/or insert the federal citation.
- Example – Advance payments

Refer to the new advance payments policy, include date or policy number, as appropriate.

Based on uniform guidance, §200.305.



# LO4: Developing Procedures

## Procedures Template - Format

### III. Staff Responsibilities

- Identify what staff is involved and who is responsible for specific actions
- Example – Advance payments

Project Director, Director of Accounting Services, Subrecipient project director, federal program officer



# LO4: Developing Procedures

## Procedures Template - Format

### IV. Definitions

- Define terms used in the procedure.
- Example – Advance payments

Advance payment request, drawdown, letter of credit, reimbursement process



# LO4: Developing Procedures

## Procedures Template - Format

### V. Procedures

- Write out the step-by-step instructions, using the who, when, what, how questions
- Example – Advance payments

The Project Director will notify the Director of Accounting Services that a subrecipient requests an advance payment. The Director of Accounting Services will verify that the subrecipient is eligible for advance payments, and will obtain prior approval from the federal agency. After federal approval...





# LO4: Developing Procedures

## Procedures Template - Format

### VI. Reports

- Identify if reports are required and include data elements and when reports are due
- Example – Advance payments

Report may not be applicable,

or

May be applicable if details of the expenditure of funds, accountability of funds and performance outcomes associated with the advance payment are required.



# LO4: Developing Procedures

## Procedures Template - Format

### VII. Supersession (replacement)/Cancellation:

- Identify whether this is a replacement procedure or a cancellation of a procedure
- Example – Advance payments

This advance payments procedure updates and replaces the prior procedure number..., dated ..., to incorporate changes that resulted from the uniform grant guidance, effective Dec. 26, 2014.



# LO4: Developing Procedures

## Procedures Template - Format

### **VIII. Maintenance:**

- Identify the organizational unit/staff who developed the procedure; when it will be reviewed and updated (annually, for example), the date to be completed and communicated to the organization.

### **IX. Signature, Effective Date**

- Approval Box: Provide name and signature line of approving official; date of approval; effective date.

### **X. Distribution List**

- Internal/external



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# Learning Objective 5: Updating Policies and Procedures To Align with Federal Regulations

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# LO5: Alignment with Federal Regulations

## Why Policies Need Update

- There are many reasons to update policies;
  - Commitment – by a specific date/annually.
  - New legal responsibilities or mission statement
  - New requirements from funding organization
  - **Change in federal regulations**
  - Change in internal activities or external relationships



# LO5: Alignment with Federal Regulations

## Steps To Consider

- Identify if a policy or procedure needs to be completely rewritten or just modified
  - Rewritten documents should be drafted and reviewed and accepted by the management team
  - Modified documents may only need minor changes



# LO5: Alignment with Federal Regulations

## Steps To Consider

- Communicate changes using cover transmittal or email transmittal
  - Staff/internal dissemination
  - External dissemination, as appropriate
- Provide training to staff, if needed



# LO5: Alignment with Federal Regulations

## Steps To Consider

- Provide instructions how to make changes
  - Organizational policy and procedure handbooks
  - Electronic documents
  - Website posts
  - Where and when the changes will be posted





# Conclusion

- It is important for recipient organizations to have written policies and procedures in place, such as personnel/employment, travel, procurement, general management oversight
- Award management requires looking at broad operating practices (policy), but needs to include internal controls or the step-by-step procedures required by the uniform guidance



# Conclusion

- Nonfederal entities should review the uniform guidance with an eye to what may need further written procedures on how to handle a particular topic
- It may be helpful to review any audits that the organization may have had that indicated a weakness in internal control or policy and procedures



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