The U.S. Office of Management and Budget (OMB) has combined many federal circulars into a single document of government-wide grant management policies and guidelines. Known as Uniform Grant Guidance (UGG) or 2 CFR 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, these new regulations became effective December 26, 2014.

If you are not familiar with the rules and have your policies and procedures in place, you will limit your eligibility for federal funds and lessen the wards you receive. Every federal agency was required to rewrite their policies and procedures based on the new UGG, so they are very focused on increased efficiency and strengthened oversight. The term “internal control” is used 46 times in the guidance and the term “written” is used 66 times.

UGG is intended to:

1. Eliminate duplication and conflicting guidance.
2. Focus on performance over compliance for accountability.
3. Encourage efficient use of information technology and shared services.
4. Provide for consistent and transparent treatment of costs.
5. Limit allowable costs to make the best use of federal resources.
7. Encourage non-federal entities to have family-friendly policies.
8. Strengthen oversight.
9. Target audit requirement on risk of waste, fraud and abuse.

What do you need to do now?

If you do not have policies and procedures in place regarding a financial management system, procurement system or inventory management system, you must begin work on those policies and procedures as well as new procedures required in the UGG.

1. Review the UGG.
2. Look for guidance from pass-through agencies and seek out applicable training.
3. Update your internal procurement policies to reflect the changes in the uniform guidance to identify the five allowable methods outlined in the guidance.
4. Ensure that your current employee conflict of interest policies include the required language.
5. Ensure that the mandatory conflict of interest policy is written.
6. Disclose, in writing, any potential conflict of interest with the Minnesota Department of Education.
7. Communicate within your organization with management, staff, and others who work with grants as well as any sub-recipient.
Internal Controls

Strong internal controls provide reasonable assurance that a non-federal entity is managing its awards in compliance with federal statutes, regulations, and the terms and conditions of the federal grant. Sections 200.303 and 200.61 emphasize the importance of having documented internal controls.

All federal fund recipients must have written policies and procedures to ensure that costs are allowable in accordance with the Cash Management Act (200.302). In addition, the financial management system must be sufficient to permit the preparation of required reports and trace expenditures to be able to determine funds meet federal statutes, regulations and award terms and conditions. Costs must also be consistent with policies and procedures that are uniformly applied to be federally funded and other activities (200.403). Prior written approval may be required or advisable for certain special/unusual costs (200.407 & 200.308).

Procurement Requirements

Subpart E-Cost Principles and section 200.317-.326 list procurement requirements. You must have written procurement policies that require your purchases to be necessary and reasonable, and adequately documented. Policies must include principles for avoiding potential conflicts of interest, should identify who is responsible, and include written standards or conduct. There are requirements to disclose in writing any potential conflicts of interest and any violations of federal criminal law potentially affecting the award. Procurement procedure must also reflect applicable state, local and tribal laws and regulations.

There are specific procedures based on the size and nature of purchases.

- Micro purchases not exceeding $3,000 do not require competitive quotations but should be made equitably among qualified suppliers.
- Small purchase procedures not exceeding $150,000 require price or rate quotations from an adequate number of qualified sources.
- A cost price analysis is required for purchases in excess of the simplified acquisition threshold.
- Sealed bid is the preferred method for construction.

Procurement by noncompetitive proposals is allowable:

- When the item is available only from a single source,
- When emergency does not allow a delay,
- When competition is determined inadequate after solicitation, or,
- When authorized by a federal agency.

Your procedures should require affirmative steps to assure those minority businesses, women’s business enterprises, and labor surplus area firms are used when possible. Remember to document how your selection of vendors or contractors is determined and how any evaluations of proposals will be completed.