



# Office of the Washington State Auditor

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Pat McCarthy

## **Federal Procurement and Equipment Requirements Under Uniform Guidance**

Washington Public Treasurers Association

April 13-14, 2017

Felicia Den Adel  
Single Audit Specialist  
Office of the Washington State Auditor

# Class Objectives

The purpose of today's class is to discuss federal procurement and equipment requirements so that you:

- Understand the objectives of the requirements and what auditors are required to look for.
- Gain insight on common causes of findings and how to avoid them in order to:
  - Reduce the number of audit issues; and
  - Have an even more positive audit experience!

# Topics

A

- Overview of Uniform Guidance
- Frequent Findings

B

- Federal Procurement Requirements Vs. State Bid Law Requirements

C

- Federal Equipment Requirements

D

- Resources and Contacts

# Section A

- Overview of Uniform Guidance
  - Frequent Findings

# Overview of Uniform Guidance

***Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Final Rule*** issued December 26, 2013.

Reform Area	Guidance Previously Located In
Administrative Requirements	OMB Circulars <b>A-102 (the Common Rule)</b> , Circular A-110 and Circular A-89
Cost Principles	OMB Circulars A-21, <b>A-87</b> , and A-122
Audit Requirements	OMB Circulars <b>A-133</b> and A-50



**2 CFR 200 “Uniform Guidance”**

# Overview of Uniform Guidance

## ■ 2 CFR 200 Uniform Guidance

- Subpart B – General Provisions (§.100-.113)
- Subpart C – Pre-Federal Award Requirements and Contents of Federal Awards (§.200-.211)
- Subpart D – Post Federal Award Requirements (§.300-.345)
- Subpart E – Cost Principles (§.400-.475)
- Subpart F – Audit Requirements (§.500-.521)

Administrative  
Requirements



# Effective Dates of Uniform Guidance

December 2013						
Su	Mo	Tu	We	Th	Fr	Sa
24	25	26	27	28	29	30
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31	1	2	3	4

December 2014						
Su	Mo	Tu	We	Th	Fr	Sa
30	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31	1	2	3

December 2015						
Su	Mo	Tu	We	Th	Fr	Sa
29	30	1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31	1	2

## 2 CFR §200.110 Effective/applicability date

- **Guidance issued – 12/26/2013**
  - Federal agencies had one year to make rules
- Administrative Requirements and Cost Principles (Grantees)
  - Based on date of **federal** award (not pass-through award)
  - New awards and funding increments issued on or after 12/26/2014
- Audit Requirements (Auditors/Auditees)
  - Based on **entity's** fiscal year
  - FYs beginning after 12/26/2014)

# Frequent Findings - Local

<i>Compliance Area</i>	<b>Number of findings</b>	<b>Pct.</b>
I. Procurement and suspension and debarment	85	26%
B. Allowable costs and cost principles	68	21%
N. Special tests and provision	48	15%
L. Reporting	34	10%
A. Activities allowed or <u>unallowed</u>	30	10%
D. (N.) Davis Bacon Act	12	4
M. <u>Subrecipient</u> monitoring	11	3%
G. Matching, level of effort, earmarking	10	3%
E. Eligibility	9	3%
C. Cash management	7	2%
J. Program income	6	2%
H. Period of performance	4	1%
F. Equipment and real property management	2	0%
<b>TOTALS</b>	<b>326</b>	<b>100%</b>



- Federal Procurement Requirements Vs. State Bid Laws

# Federal Procurement Requirements

## States

- Must follow the same policies and procedures it uses for procurement from its non-Federal funds.
- Must comply with **2 CFR §200.322** Procurement of recovered materials and ensure that every purchase order or other contract includes any clauses required by section **§200.326** Contract provisions.

# Federal Procurement Requirements

## All other non-Federal entities, including subrecipients of a state

- Must follow **2 CFR §§200.318** General procurement standards - **200.326** Contract provisions.
- Must have and follow its own **documented** (written) procurement procedures which reflect applicable:
  - State bid law requirements,
  - Local laws and regulations (policy)
  - Provided they conform to the procurement standards in **§200.318**



*In other words, follow the more restrictive!*

# Federal Procurement Requirements

- Conflict of Interest **2 CFR 200.318(c)(1)**
  - Must maintain **written** standards of conduct covering conflicts of interest and governing the actions of its employees engaged in the selection, award and administrations of contracts.
    - Real or apparent conflict of interest
    - No gratuities, favors or anything of \$ value
    - Disciplinary actions for violations



***Grace period for 2 years – see COFAR September 2015 FAQ .110-6***

# Federal Procurement Requirements

Method	Threshold	Applies To	Involves
<b>Micro Purchase</b>	<b>\$3,500</b> or less (\$2,000 PW)	Supplies or Services	No competition if price considered reasonable. Equitably distribute.
<b>Small Purchase Procedures</b>	Under <b>\$150,000</b>	Services, Supplies or Other Property	Price or rate quotations
<b>Sealed Bids</b>	<b>\$150,000</b> or more	Services, Supplies or Other Property as appropriate.	Formal solicitation with a firm-fixed price contract awarded to responsive bidder.
<b>Competitive Proposals</b>	<b>\$150,000</b> or more	When sealed bids are not appropriate (Services)	More than one source submits an offer, and either a fixed-price or cost-reimbursement type contract is awarded.
<b>Competitive Proposals</b>	<b>No threshold</b>	Architecture & Engineering (price not a factor)	More than one source submits an offer, and either a fixed-price or cost-reimbursement type contract is awarded.
<b>Non-Competitive Proposals</b>	Not applicable	Only when the award is infeasible under other option and it is either: sole source of supply, emergency or authorized by awarding agency.	Cost analysis must be completed, determination that requirements are met and possibly obtain awarding agency approval.

# Federal Procurement Requirements

- **COST PRICE ANALYSIS 2 CFR §200.323(a)**
  - Must perform a cost or price analysis in connection with every procurement action in excess of \$150,000
  - Includes contract modification
  - Method and degree of analysis depend on the facts surrounding the procurement situation, but must make independent estimates before receiving bids or proposals

# State Bid Laws

- See handouts for example RCW established bid threshold by entity for:
  - public works
  - purchases

# Federal Procurement Requirements

## Procurement Quiz – which is more restrictive?

TYPE	METHOD	FEDERAL	RCW 2 <sup>nd</sup> Class City	LOCAL (fictional)
Public Works	Formal Bidding	\$150,000 or more	\$300,000 w/ small works roster	\$300,000 w/ small works roster
Purchases	Formal Bidding	\$150,000 or more	\$7,500 or \$15,000 w/ purchase contract process	\$10,000 w/ purchase contract process
A & E	Competitive Proposals	No threshold – but more requirements	No threshold	No threshold



# Procurement Objectives

- **WHAT ARE AUDITORS LOOKING FOR?**
- Compliance with applicable Federal regulations and other procurement requirements. Items to consider:
  - ❑ Rationale for the method of procurement
  - ❑ Selection of contract type
  - ❑ Contractor selection or rejection
  - ❑ Basis of contract price
  - ❑ Evidence of full and open competition (or rationale for limiting competition)

# Key Do's and Don'ts

- Do come up with an estimate of the project cost before determining which procurement method to use.
- Do include all costs associated with the project in the estimate – labor, materials, equipment, etc.
- If piggybacking on another contract, do make sure your required procurement method was used (beware of cooperatives).
- Do use MRSC as a resource <http://mrsc.org/Home.aspx>

# Key Do's and Don'ts

- Communicate with other departments within the organization (for those entities that have decentralized purchasing) to avoid acquisition of unnecessary or duplicative items and/or to consolidate or break out procurements to obtain a more economical purchase.
- Document procurement decisions!
- Retain procurement documentation according to record retention schedule.

- Federal Equipment Requirements

# Federal Equipment Requirements

## States

### 2 CFR §200.313(b)

- Must use, manage, and dispose of equipment acquired under a federal award in accordance with state laws and procedures.

# Federal Equipment Requirements

**All other non-Federal entities,  
including subrecipients of a state  
2 CFR 200.313(c)-(e)**

- Tangible personal property
  - ❑ Life of more than one year
  - ❑ Per unit cost more than the lesser of \$5,000 per unit or local threshold
  - ❑ Computers?
- Intangible property
  - ❑ Purchased with federal funds
  - ❑ Not developed or produced

# Federal Equipment Requirements

- ❑ Used in the program acquired
- ❑ Prior approval
- ❑ Records include required information
- ❑ Physical inventory taken once every two years (or every year if loaned) and results reconciled
- ❑ Adequate safeguards against loss, damage, theft
  - If theft, was it investigated?
- ❑ Adequate maintenance procedures

# Federal Equipment Requirements

- **Uniform Guidance** requires a request for disposition instructions, when not provided by the federal awarding agency (or when asset is loaned to you).
  - Disposal information must be kept as part of the property record.
- Disposal/sale – per unit fair market value > \$5k
  - must have procedures to ensure highest possible return
  - refund federal contribution



# Federal Equipment Requirements

- **WHAT ARE AUDITORS LOOKING FOR?**
  - Equipment list (if possible, by funding source)
  - Used in the program acquired
  - Records include required information
  - Physical inventory taken and results reconciled
  - Adequate safeguards against loss, damage, theft
    - If theft, was it investigated?
  - Adequate maintenance procedures
  - Disposition

# Key Do's and Don'ts

- Do ensure to document if the asset was funded with federal funds or what portion of the project was covered with federal funds
  - Recommend: In asset record, document it where readily identifiable.
- Do ensure the records include all required elements (description, id, source of funding including FAIN and CFDA #'s, title, acquisition date, cost, % of participation, location, use and condition, disposition data including date of disposal and sales price)
- Do ensure required inventory is done timely
- Do ask for disposal instructions
  - Recommend: Make a note in a central asset list or attach a copy of the instructions to the asset records.

- Resources and Contacts

# Resources

- **Compliance Supplement:**

- Part 3 – Compliance Requirements (12)

- Part 3.1 contains the compliance requirements under the OMB Circulars

- Part 3.2 contains the compliance requirements under Uniform Guidance

- Part 4 – Agency Program Requirements (for those included)

- Part 5 – Clusters of Programs

- Part 6 – Internal Control

# Resources

- [www.sao.wa.gov](http://www.sao.wa.gov)



The screenshot shows the website for the Office of the Washington State Auditor, Pat McCarthy. The header includes the state seal and a search bar. A navigation menu highlights 'State Government'. The main content area is titled 'Auditing Resources : Single Audits' and features a sidebar with a list of resources. The primary resource listed is 'Financial Audits'.

**Auditing Resources : Single Audits**

Resources

- Public Records
- Annual Reports
- Local Government Resources
- Media Resources
- Auditing Resources
  - ▶ [Financial Audits](#)

Non-federal government organizations are required to provide a separate accounting for receipts and expenditures of federal financial assistance in their financial records. As described in the state [BARS manual](#), management is responsible for preparing a schedule of expenditures of federal awards (Schedule 16), which is used to determine whether the \$500,000 threshold for a single audit (\$750,000 for years beginning after 12/26/2014) has been met. If it has, governments will be required to provide detailed information on transactions involving federal money and other evidence to show compliance with federal grant requirements.

**Primary resources on the Internet**

[Grant Writing and Administration](#) - This page on the Municipal Research and Services Center (MRSC) of Washington website can help local governments locate and obtain federal, state and private foundation grants. It includes resources on grant writing and grant administration as well as general information sources.

# Resources



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 Online Services

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## Online services login:

Access all of our online services when you log in, including:

- ▶ File Online: File your annual reports, view previous reports, complete reports in progress, and access the BARS templates and instructions
- ▶ My Subscriptions: Sign up for email notifications of new reports and resources, manage existing accounts, and more
- ▶ FIT: Access the Financial Intelligence Tool, built from your annual reporting data to help you visualize and understand your financial information
- ▶ HelpDesk: Access help for File Online, BARS, subscriptions, or watch training videos

If you already have an account, Sign In now using the fields on the right.

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E-mail

Password

Log in

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[Create a new account.](#)

# Contacts

Pat McCarthy

State Auditor

[pat.mccarthy@sao.wa.gov](mailto:pat.mccarthy@sao.wa.gov)

Scott DeViney, CPA

Audit Manager

[scott.deviney@sao.wa.gov](mailto:scott.deviney@sao.wa.gov)

Felicia Den Adel

Single Audit Specialist

(360) 481-9040

[felicia.denadel@sao.wa.gov](mailto:felicia.denadel@sao.wa.gov)