



STATE OF MISSOURI
 DEPARTMENT OF HEALTH AND SENIOR SERVICES
INTERNAL CONTROL CERTIFICATION - 2 CFR 200 UNIFORM GRANT GUIDANCE

The Department of Health and Senior Services (DHSS) utilizes the business management assessment (BMA) process, in conjunction with audit reports as applicable, to evaluate financial management and internal controls of subrecipients. The Uniform Grant Guidance (UGG) contains several requirements that are noted as “must”. This document is intended as a resource for subrecipients to compare their existing policies and procedures with “must” requirements for policies and procedures as indicated in 2 CFR 200.

The full text of 2 CFR 200 is located at: <https://www.govinfo.gov/content/pkg/CFR-2017-title2-vol1/xml/CFR-2017-title2-vol1-part200.xml>

Instructions – For each section, read the statement, consider your policies and procedures, and select: Yes if your policies/procedures comply with the statement; or No if the organization’s policies and procedures do not match the statement. Questions are listed under each group for additional consideration. Where No is selected, policies and procedures should be developed and documented to demonstrate compliance with UGG. Specific questions related to implementation and development of organizational policies and procedures should be directed to the subrecipients legal counsel or auditor.

Submit this document to DHSS at monitoring@health.mo.gov as certification of compliance with the internal control requirements of 2 CFR 200. Space is provided at the end of the document for certification by the person with signature authority for the organization (Administrator/Director, Executive Director, Board President, or Authorized Representative).

Select a response for all statements. If left blank, it is assumed that the response is No.

Financial Management System – requirements per 2 CFR 200.302; corresponds to BMA questions 9, 10a-d, and 11b

The organization’s financial management system includes the following (does not have to be an electronic system):

- Accurate, timely, and complete disclosure of financial information. (.302(b)(2)) Yes No
- Separately tracks and reports all funds received and expended. (.302(a)) Yes No
- If expending federal funds, all related expenditures and receipts can be identified with all of the following identifying categories: federal program identification must include, as applicable, 1) CFDA title and number, 2) federal award identification number and year, 3) name of the federal funding agency, and 4) name of the pass through entity, if any. (.302(b)(2))
 Yes No
- Maintains budget control by comparing expenditures to budgets. (.302(b)(5)) Yes No
- Records identify the source and use of funds, and include source documentation. (.302(b)(3)) Yes No
- Accountability and safeguarding of all assets to ensure they are used for authorized purposes. (.302(b)(4)) Yes No
- Prepares financial and performance reports according to the terms and conditions of the federal awarding agency or pass-through entity. (.302(b)(2)) and (.302(a)) Yes No

To ensure reports and invoices are accurate, submitted timely, and contribute to accountability of funds, procedures could include: 1) methods used to prevent and detect errors or improper financial activities by employees; 2) steps for reconciling invoices to contract budgets; 3) reviewing payroll charges to ensure costs accurately reflect work being performed (for example, supervisory review of timesheets or time logs); 4) use of locked file cabinets, passwords, and other security measures for access to financial records; and, 5) management review of expenditure and progress reports.

Information pertaining to the four tracking categories (CFDA title and number, federal award identification number and year, name of the federal funding agency, and name of the pass-through entity) can be found in funding letters attached to your DHSS contracts, or received as separate documents. The key is to be able to report federal receipts and expenditures with these categories. Paper files are acceptable.

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Allowable Cost – written procedures are required per 200.302; definitions are in 200.403 - .405; corresponds to BMA question 11c

The organization has written procedures for determining the allowability of costs using the following criteria:

- Costs are determined in accordance with generally accepted accounting principles (GAAP). (.403(e)) Yes No
- Costs are adequately documented. (.403(g)) Yes No
- Costs are evaluated and determined as necessary and reasonable for the purposes of the contract. (.403(a)) Yes No
See 200.404 for definitions of necessary and reasonable.
- Costs are claimed only once. (.403(f)) Yes No
- Costs conform to any limitations noted in the contract or in the cost principles, i.e. not specifically noted as unallowable. (.403(b)) Yes No
- Costs are treated consistently. If a cost is considered overhead or indirect, it cannot be charged as a direct cost to federal funds. (.403(d)) Yes No
- Policies and procedures for expending funds are applied consistently, regardless of funding source. (.403(c)) Yes No

If any answers above are “no”, what changes could be made to your organization’s processes to incorporate the missing components? If a procedure has not yet been developed, consider the following:

- Which position title/role is authorized to make the determination if a cost is allowable?
- Is there a review process to ensure costs are claimed against the correct contract? Is the process documented?
- Identify the source of information to determine what costs are allowable. For example, 2 CFR 200 sections .403 - .405 provide definitions and criteria. The contract budget and terms/conditions are also important.
- The same procedures must apply to all costs. Federal funds cannot be treated differently than other funds. For example, if your procedures for writing checks require two signatures, this must be done for all checks written, whether paid from federal funds or other funding sources.
- Costs may not be assigned as a direct cost if any other cost incurred for the same purpose in like circumstances is allocated as an indirect cost. Define what is typically considered as indirect/overhead for your organization.
- Costs must be supported by documentation, such as receipts, invoices, timesheets, etc.
- Costs are incurred using sound business practices; arm’s-length bargaining; and are in line with the “prudent person” test. This can be explained as follows: the cost does not exceed what a prudent person would pay under the same circumstances at the time the decision was made.

Equipment Management – procedures must meet specific requirements as noted in 200.313(d); corresponds to BMA question 11d

Procedures for managing all equipment (including replacement equipment), includes:

- Equipment records must be maintained that include a description, a serial number or other identification number, the source of funding for the property, who holds title, the acquisition date, and cost of the equipment, the location, use and condition, and any ultimate disposition data including the date of disposal and sale price of the equipment. Yes No
- A physical inventory of the equipment is taken and the results reconciled with the equipment records at least once every two years. Yes No
- Any loss, damage, or theft is investigated. Yes No
- Adequate maintenance procedures keep the property in good condition. Yes No

Equipment records, including all components noted above, must be available for review if equipment is purchased using funds from DHSS contracts. Equipment is defined in 2 CFR 200 as: tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the non-Federal entity for financial statement purposes, or \$5,000.

If any answers above are “no”, what changes could be made to policies and procedures to incorporate the missing components? Ask questions about how the steps above are currently handled in your organization, and then document the steps. Consider the following:

- Which position title/role is responsible for maintaining records?
- When is physical inventory completed?
- How is the physical inventory documented? Is a specific position title/role assigned to the task? What are the procedures used? For example, is there a list prepared of all items, and designated personnel locate the items and mark them off the list as they are located?
- What are the steps for reporting lost, missing, or damaged equipment?
- Which position title/role is responsible for maintaining equipment?

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Procurement Standards – records and documentation of procurement activities as noted in 200.318-326; corresponds to BMA question 11f

As announced in the Federal Register (Vol. 82, No. 94, Wednesday May 17, 2017), there is an additional one year grace period for implementation of the procurement standards. The implementation date will start for fiscal years **beginning on or after December 26, 2017**. For example, the grace period for an organization with a June 30 fiscal year end expires July 1, 2018. However, if the grace period is utilized, the decision must be documented in internal procurement policies.

1. The following thresholds are described in the UGG. An organization may have more restrictive procedures. Select the type(s) of procedures used by the organization.

- Micro-purchase methods (<\$3,500 per purchase). (Note - this amount is subject to periodic adjustments. The threshold is updated in the Federal Acquisition Regulation at 48 CFR Subpart 2.1.)
- Small purchase methods (\$3,500 - < \$150,000 per purchase), which includes maintaining price or rate quotations from an adequate number of qualified contractors, vendors, or suppliers.
- Formal purchase methods (> \$150,000).

If formal purchase methods are used, the following are approved types in the UGG.

- Sealed bids (formal advertising) – invitations for bids are publicly announced. Fixed-price contracts are awarded to selected vendors, suppliers, or contractors whose bids are most responsive to the bid document, conform to all the material terms and conditions of the bid document, and are lowest in price.
- Competitive proposals (normally conducted with more than one bidder) – requests are publicized and identify all evaluation factors and their relative importance. Proposals are solicited from an adequate number of qualified sources. A written method is used for conducting technical evaluations of the proposals received and selecting recipients. Contracts must be awarded to the lowest responsive and responsible bidder, or the responsible firm whose proposal is most advantageous to the program with price and other factors considered.
- Noncompetitive proposals – This method is allowable in the following circumstances: the item is available only from a single source; the public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation; after solicitation of a number of sources, competition is determined inadequate; or prior written approval has been obtained from DHSS.

Additional procurement standards include:

1. Maintaining oversight to ensure contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders. (.318(b)) Yes No
2. Avoiding purchase of unnecessary or duplicative items. (.318(d)) Yes No
3. Selecting contractors, suppliers, and vendors that have the ability to perform successfully under the terms and conditions of a proposed purchase. Factors include the following characteristics of vendors, suppliers, and contractors: integrity, compliance with public policy, record of past performance, and technical and financial resources. The organization does not award contracts to parties that are ineligible for participation in Federal assistance programs or activities. (.318(h)) Yes No
4. Prequalified lists of contractors, vendors, or suppliers are current and include enough qualified sources to ensure maximum open and free competition. (.319(d)) Yes No
5. Developing descriptions, specifications, or technical requirements of desired goods and services that do not restrict competition among suitable contractors, suppliers, or vendors. The organization establishes the minimum essential characteristics and standards for the good or service to satisfy the intended use. All requirements and other factors used in evaluating bids and proposals are identified. (.319(c)) Yes No
6. Responsible administrative practices and sound business judgment to settle procurement issues including source evaluation, protests, disputes, and claims. Documentation is maintained of any contractual and administrative issues that arise. (.318(k)) Yes No
7. Maintaining records that detail the procurement, including but not limited to rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price. (.318(i)) Yes No
8. Procurement transactions are conducted with full and open competition and do not use geographic preferences. Contractors that develop specifications, requirements, statements of work, or invitations for bids or requests for proposals are excluded from competing for the procurements. (.319(a)) and (.319(b)) Yes No
9. Necessary affirmative action steps are taken to assure contracting with small and minority businesses, women's business enterprises, and labor surplus area firms are used when possible. (.321) Yes No
10. Cost or price analysis is performed on every procurement that exceeds the Simplified Acquisition Threshold (see Micro-Purchase Method described above). Yes No

2 CFR 200.324 (c)(2) permits self-certification of procurement systems, which is accomplished by written assurances that the procurement system complies with the standards. Certification must include citations of specific policies, procedures, regulations, or standards as being in compliance. The procurement system is subject to review.

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Procurement Standards – documented standards of conduct are required per 200.318(c)(1); corresponds to BMA question 13a, 13b, and 13c

The organization has and follows a written conflict of interest policy with regard to procurement that includes the following components:

- No employee, officer or agency may participate in the selection, award or administration of a contract supported by Federal funding if he or she has a real or apparent conflict of interest. Such a conflict of interest would arise when the employee, officer or agent, any member of his/her immediate family, his/her partner, or an organization which employs or is about to employ any of those individuals, has a financial or other interest in or a tangible personal benefit from a firm considered for a contract. Yes No
- The officers, employees and agents of the Contractor may neither solicit nor accept gratuities, favors or anything of monetary value from contractors or parties to subcontracts. Yes No
- The standards of conduct must provide for disciplinary actions to be applied for violations of such standards by officers, employees or agents of the Contractor's organization. Yes No

The components may be in separate policies, such as human resources, procurement, conflict of interest, etc. If any of these components are missing, or there are no written standards, it is important to address this as quickly as possible. The wording from the UGG can be used as a starting point, but consideration must be given to existing human resource policies pertaining to disciplinary action if policies are violated. Policies should include what steps employees should take if they become aware of a conflict of interest; the reporting process; and which position title/role is responsible for reviewing a situation.

ORGANIZATION NAME

EMAIL

I certify the information provided in this document is accurate and represents policies and procedures in effect for the above named organization.

SIGNATURE OF ADMINISTRATOR/DIRECTOR, EXECUTIVE DIRECTOR, BOARD PRESIDENT, OR AUTHORIZED REPRESENTATIVE

TITLE

DATE

Submit the completed form to monitoring@health.mo.gov. If you have questions about completing the form, contact the DHSS Division of Administration at (573)751-6104.

COMMENTS