

Understanding the Proposed Rewrite of 2 CFR:

What the OMB Uniform Guidance Proposed Rule Means



What is Uniform Guidance?

aka Uniform Grants Guidance aka UGG aka 2 CFR Part 200

- **Established in 2014**
 - Combines “circulars” with directives on federal government spend
 - Significant re-writes in October 2020 and October 2024

Congress Appropriates

- Establishes Legislative Intent



Agencies Organize

- Design Reporting Requirements
- Define How to Report



OMB Oversees

- Uniform Grants Guidance
- Guidelines for Audits



Why Do We Care?

- Billions allocated to state and local governments to satisfy the legislative intent – UGG provides an audit (aka Single Audit)
- S/L Have Responsive Systems of Internal Controls in place
 - Grants Administration
 - Internal Control for Grants
 - Indirect Cost Allocation
 - SEFA Preparation



Is This New? No, Not Really.



"There is a strong need to strengthen oversight and coordination of, and to streamline, agency grantmaking to address these problems, prevent them from recurring, and ensure greater accountability for use of public funds more broadly. The Government holds tax revenue in trust for the American people, and agencies should treat it accordingly"



How Is The Focus Of Federal Financial Assistance Changing?

Historical Focus	Focus Moving Forward
Program Performance	National Policy Priorities
Financial Accountability	Workforce Verification
Compliance	Recipient Eligibility
	Risk Indicators
	Real-Time Oversight
	Federal Discretion



What Is OMB Trying To Accomplish?

1

**Improve transparency,
accountability, and oversight**

2

**Clarify that 2 CFR is a regulation,
not guidance**

3

Reduce recipient burden



Proposed Rewrite of Uniform Guidance

The proposed rewrite of 2 CFR 200 represents the most significant overhaul of federal grants administration since the original Uniform Guidance was implemented.

Potential Impacts

- Expanded termination authority
- New stop-work authority
- Increased payment verification
- E-Verify requirements
- Enhanced subrecipient oversight
- Greater federal discretion
- Increased compliance burden



Four Broad Sections

1. Administrative Changes

2. Pre-Award Rules

3. Grant Administration (post-award) Rules

4. Audit



The screenshot shows the Federal Register website at the URL <https://www.federalregister.gov/documents/2026/05/29/2026-10817/regulation-for-federal-financial-assistance>. The page features the National Archives and Records Administration logo, the text "FEDERAL REGISTER The Daily Journal of the United States Government", and a "Proposed Rule" badge. The main heading is "Regulation for Federal Financial Assistance". The text below the heading lists numerous federal agencies and departments involved in the rule, including the Management and Budget Office, the Health and Human Services Department, the Agriculture Department, the State Department, the Agency for International Development, the Veterans Affairs Department, the Energy Department, the Treasury Department, the Defense Department, the Transportation Department, the Commerce Department, the Interior Department, the Environmental Protection Agency, the U.S. International Development Finance Corporation, the National Aeronautics and Space Administration, the United States Agency for Global Media, the Nuclear Regulatory Commission, the Corporation for National and Community Service, the Social Security Administration, the Housing and Urban Development Department, the National Science Foundation, the National Archives and Records Administration, the Small Business Administration, the Justice Department, the Labor Department, the Homeland Security Department, the Institute of Museum and Library Services, the National Endowment for the Arts, the National Endowment for the Humanities, the Education Department, the Export-Import Bank, the Office of National Drug Control Policy, the Peace Corps, the Election Assistance Commission, the Gulf Coast Ecosystem Restoration Council, the Federal Communications Commission, the Consumer Product Safety Commission, the Delta Regional Authority, the Appraisal Subcommittee of the Federal Financial Institutions Examination Council, the Marine Mammal Commission, the Millennium Challenge Corporation, and the National Credit Union Administration.



1. Administrative Changes

KEY CHANGE: Uniform Guidance Becomes Regulation

Current Environment

- Agency implementation varies
- Guidance often subject to interpretation



Proposed Environment

- OMB rules automatically apply government-wide
- Agencies no longer separately adopt changes

RISK - Less flexibility and more direct federal control



1. Administrative Changes

KEY CHANGE: Discretionary Termination

Federal agencies could terminate awards on a discretionary basis if:

- Not achieving program goals
- Not supporting agency priorities
- No longer in the federal government's interest

Questions Recipients Should Ask:

- How will priorities be measured?
- Can priorities change mid-award?
- How should recipients manage this risk?



1. Administrative Changes

KEY CHANGE: Appointment of Senior-Level Political Appointee

Senior Level Appointee

- Ensures thorough pre-issuance reviews
- Use independent judgement when evaluating Federal award proposals
- Deploys peer review as applicable to ensure advisory recommendations

Implementing Executive Orders in Grant Requirements

- Diversity, Equity, Inclusion, and Accessibility (DEIA)
- Gender ideology
- Disparate impact liability
- Faith-based organization protections
- Immigration and workforce verification requirements
- National policy priorities



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2. Pre-Award Requirements

KEY CHANGE: Changes To NOFOs

Streamlining Processes

- Agencies must post NOFOs on grants.gov
- Applications through grants.gov
- Executive summary with key eligibility information & dates on grants.gov
- Encourages statement of interest (SOI) pre-application phases in certain cases

Improving Access

- Plain language requirements
- Minimum posting period of 30 days
- Green lights pre-grant technical assistance



2. Pre-Award Requirements

KEY CHANGE: Pre-Award Risk Reviews

New Merit & Expanded Risk Reviews

- Merit reviews
 - Factors related to: President's national priorities, "unlawful DEI"
- Risk reviews
 - Adds to the list: membership and affiliations, questionable practices
- Do Not Pay system for States & eVerify for all

Questions Recipients Should Ask:

- Will evaluation criteria be defined?
- Will agencies provide a list of practices or organizations that raise risk?
- Will factors and risks be weighed equally?



2. Pre-Award Requirements

Pass-through entities may be required to address:

- Actions damaging recipient reputation
- Actions damaging agency reputation
- Actions damaging federal government reputation

Risk Question:
How do you monitor reputational risk?



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3. Grant Administration

KEY CHANGE: Subrecipient Monitoring

New monitoring requirements include:

- All down-stream entities must be subaward or contract
 - Applies to internal transfers to related entities
- All subawards and contracts must be logged in SAM.gov
 - Failure is grounds for termination for non-compliance
- Ensure activities do not cause “reputational harm” to recipient or federal agency
- Federal agency could terminate award to recipient based on subrecipient actions

Questions Recipients Should Ask:

- How will transfers between government departments be treated?
- How does OMB define reputational harm?
- Will there be opportunities to correct SAM.gov reporting?



3. Grant Administration

KEY CHANGE: New Documentation Layers

Payment Justifications

- Required for recipients and subrecipients other than states
 - Applicable to advance payments & reimbursements
- Recipients submit justification to agency
- Subrecipients submit justification to recipient

Questions Recipients Should Ask:

- Will there be limits to length and contents of justification?
- Would OMB consider a phase-in?
- Will recipients be expected to implement before federal agencies?



3. Grant Administration

KEY CHANGE: New Cost Restrictions

Added cost principles related to:

- Advertising and public relations
- Conferences
- Memberships, subscriptions and professional activity costs
- General cost of government outside of specified grant activities

Questions Recipients Should Ask:

- How clear will the delineation between grant activities and general government activities be?
- Will OMB or federal agencies provide further guidance specific to grant programs?



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4. Audit and Update Frequency

KEY CHANGE: No Longer an Annual Update for Compliance Supplement

Anticipated Audit Impacts

- No change to Single Audit but under review
- Less frequent guidance for single audit process
 - High risk programs
 - Compliance factors

Questions Recipients Should Ask:

- What occasions would trigger a compliance supplement update?
- Will 2026 compliance supplement remain in effect until a new update is released?



How Can Local Governments Respond?

The Notice is Vast: Here Are Immediate Administrative Actions

- ✓ Monitor ALL grants in your organization
- ✓ Review grant terms and conditions – and governance structures
- ✓ Understand internal policies and standards – along with adherence to them
- ✓ Inventory subrecipient relationships
- ✓ Assess E-Verify readiness
- ✓ Review payment verification processes
- ✓ Enhance Monitoring Frequency and Detail
- ✓ Improve documentation standards
- ✓ Evaluate exposure across grant portfolio



What Does October 1 Mean?

The Notice is Vast: Here Are Immediate Administrative Actions

- Current grants?
- Grants awarded OR renewed on or after October 1?
- What about renewing grants?
- How to handle retroactivity of affiliates, subsidiaries, or related organizations?
- Will there be a list of agencies authorized to not use Grants.gov?
- Will Statements of Interest be published in Grants.gov like a NOFO?



How Can Local Governments Respond

1. Tell them what your organization does well

- Grants Administration
- Internal Controls

2. Ask specific questions about impacts to current grants

- Create a repository/clearinghouse of your organization's outstanding grants – ask direct questions about impact (direct fiscal/direct human/direct credit)
- Ask questions about whether they are excluded – or part of a safe harbor
- The most effective comment letters articulate broad principles and ALSO are specific

3. Be specific about timelines

- How does implementation impact your budget for this year
- How will these changes impact your organization's future grants plans, competitive and otherwise



What other concerns do you have?

