

Understanding OMB's Proposed Changes to Uniform Guidance



The Big Picture

On May 29, 2026, the Office of Management and Budget (OMB) published a proposed rule in the Federal Register that would comprehensively revise 2 C.F.R. Part 200, commonly known as the Uniform Guidance, along with conforming changes across multiple parts of Title 2. The proposal is a joint-interagency effort involving virtually every federal grantmaking agency in the Executive Branch. Comments were due July 13, 2026, and the OMB had indicated that it aimed for the final rule to take effect by October 1, 2026.

The proposed guidance combines traditional grant-administration reforms with policy priorities of the current presidential administration. Its three primary objectives are to increase transparency, accountability and oversight of federal fund; convert the Uniform Guidance from “guidance” into a binding government-wide regulation; and reduce recipient burden and streamline administration.

Congressional Updates

Section 157 of the Senate's continuing resolution, passed on August 6, prohibits OMB from moving forward with finalizing the proposed rule until at least December 11, 2026. The House passed its own continuing resolution extending government funding through December 4, 2026. The reconciled continuing resolution was signed by the President on September 2, 2026, which effectively extends the consideration of the proposed revisions through December 11, 2026.

Senate Democrats also sent a formal letter to OMB requesting that the entire proposed rule be rescinded, arguing that the sweeping changes exceed OMB's statutory authority and infringe on Congress's constitutional power of the purse.

Public Comments

Well over 70,000 comments posted on the docket: <https://www.regulations.gov/docket/OMB-2026-0034/comments>

Commentors:

- State/Local Governments
- NFPs
- Higher Ed
- Research
- Healthcare
- Trade/Advocacy Groups
- Direct Recipients
- General Public

Generally, commentors support goals of accountability, transparency and stewardship of federal funds. However, they also question whether the proposal would accomplish those goals in a clear, balanced, administratively feasible way.

Significant Considerations and Concerns

- Impact of reclassifying 2 CFR 200 from “guidance” to binding regulation
- Broadened termination-for-convenience authority per changes in program goals, agency priorities, national interest
- Elimination of fixed-amount awards/subawards
- New pre-disbursement verification requirements
- Effect of DEI-related funding restrictions
- Increase in subrecipient oversight requirements
- Interpreting vague, undefined or highly subjective terminology on compliance and enforcement
- Feasibility of the implementation timeline
- Numerous other concerns voiced by commentors

Potential Impact to Federal Programs

Federal Award Termination (Formula vs Discretionary grants)

Enhanced authority to terminate discretionary grants in part or entirety for deemed noncompliance

Pass-through structure changes who “eats” the risk first

Under broadened termination for coverage provision, both Federal and State agency would have expanded discretion to terminate funding

Elimination of fixed-amount awards

Awards with specific amount of support without regard to actual costs incurred

State plan flexibility could tighten

Additional scrutiny to affirm that a state program’s goals and objectives are “aligned with administration policies and priorities”

Intersection of DEI restrictions with outreach and eligibility work

- Potential overlap with equity-focused programming
- Review funded outreach, staffing and subrecipient agreements potential DEI interpreted language

E-Verify/Do Not Pay adds an administrative layer above the NFP recipient

- For employees and contractors working under federal awards
- Potential for slower or restructured draw-down timing

Greater oversight of partner agencies

- Increase emphasis on subaward reporting through SAM.gov
- Increased documentation

What is NOT changing

The \$1 million single audit threshold remains the same, the 15% de minimis indirect cost is unchanged, and the indirect cost rate negotiation structure is not being changed.

Potential Audit Impact

AICPA focus: Changes to CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards

- Regulatory reclassification from “guidance” to binding regulation raises the stakes of noncompliance
- Uncertainty caused by removal of annual update frequency for the Compliance Supplement
- Eliminating reference to COSO internal control framework
- Subrecipient and contractor determinations and pass-through entity requirements
- Reference to “separate legal persons”, no definition, not elsewhere in 2 CFR
- Fixed-amount award elimination changes substantive testing
- Termination-for-convenience authority raises critical accounting/auditing questions:
 - o Revenue recognition
 - o Subsequent events
 - o Going concern

Potential Audit Impact (cont.)

- New pre-disbursement verification steps affect internal control testing
- DEI-related restrictions create a compliance testing risk area
- Subjective/undefined terms: “National Interest”, “Agency Priorities”, “Questionable Practices”
- Other Single Audit implications:
 - Compliance expectations may become less clear
 - Auditors may need additional documentation supporting management judgments
 - Audit findings could become more likely where requirements are not objectively defined
- Expect auditors to spend more time testing:
 - Subrecipient monitoring
 - SAM reporting - both NFP organizations and its subrecipients
 - E-Verify compliance (for employees and contractors)
 - Payment documentation

How Should You Prepare?

Stay informed and engage governance

Stay informed, but avoid prematurely implementing major policy changes until there is a final resolution. Consider leveraging your enterprise risk management program and keep the Board, Finance Committee and Audit Committee informed. Strong governance, documented controls and clean audits will become even more important.

Assess your financial exposure

Evaluate cash flow availability and needs, including how changes in the timing of funding requests and reimbursements could affect your organization. Inventory federal awards to identify those most dependent on multi-year funding, and examine vendor and staffing commitments that rely on federal funding.

Review grant management practices

Review existing grant management policies and documentation practices, with particular attention to procurement, conflicts of interest, whistleblower policies and subrecipient monitoring.

Strengthen subrecipient monitoring

Take inventory of your subrecipient documentation, including signed agreements, UEI confirmation and SAM.gov verification, the most recent audits, monitoring reports and corrective action plans. Review risk assessments to ensure they demonstrate why each subrecipient receives its level of monitoring and that assessments are risk-based, repeatable and updated annually.

Consider areas for legal review

For the potential impact of DEI-based proposed revisions, consider consulting legal counsel to review employee handbooks, hiring procedures and grant-funded program eligibility criteria.

Have Questions?

Please contact the HoganTaylor team for additional information or to discuss how these developments may affect your organization. Our team is available to answer questions and help you navigate what comes next.