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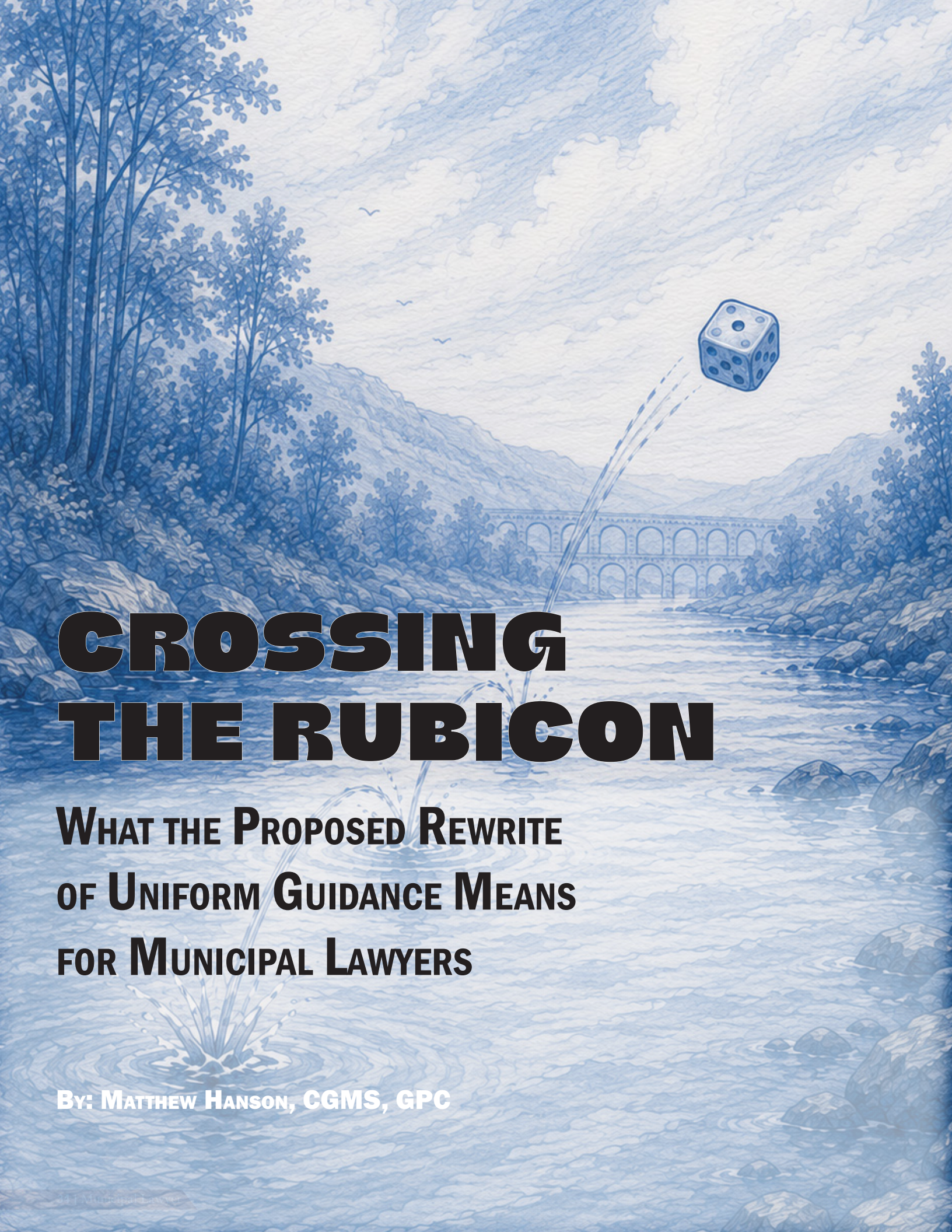


WEARABLE TECHNOLOGY IN THE WORKPLACE

MODEL GUIDELINES FOR THE USE OF ARTIFICIAL INTELLIGENCE

CROSSING THE RUBICON

What the Proposed Rewrite of Uniform Guidance Means



Crossing the Rubicon

What the Proposed Rewrite of Uniform Guidance Means for Municipal Lawyers

By: Matthew Hanson, CGMS, GPC

Every profession experiences moments that fundamentally alter the landscape in which it operates. Historians often describe Julius Caesar's crossing of the Rubicon River in 49 B.C. as one of those moments, a point beyond which there was no practical return to the old order. Once crossed, the political and legal realities of Rome were forever changed.

Federal financial assistance may now be approaching its own Rubicon moment.

On May 29, 2026, the Office of Management and Budget ("OMB") published a proposed rewrite of 2 C.F.R. Part 200, commonly known as the Uniform Guidance.[1] The proposal represents the most significant revision to federal grants administration since Uniform Guidance was first implemented in 2014 and potentially the most consequential shift in federal financial assistance policy in decades.

To many local government officials, the proposal appears to be just another technical grant-management update. To municipal attorneys, however, it should be viewed as something much more significant.

... federal grants are beginning to look more like regulated compliance agreements than traditional assistance instruments.

The proposed revisions suggest a future in which federal financial assistance is no longer simply a finance department responsibility or a grants office function. Instead, grant administration increasingly resembles a legal, governance, workforce compliance, procurement, and enterprise risk management function. Municipal attorneys who traditionally focused on contracts, labor law, governance, litigation, ethics, procurement, and regulatory compliance may soon find federal financial assistance occupying a similar place in their risk portfolios.

For many communities, the question is no longer whether federal grant administration is changing. The question is whether local governments are prepared for what comes next.

Understanding Uniform Guidance

Most municipal attorneys are familiar with federal grants but may not regularly work with the regulatory framework that governs them. Uniform Guidance serves as the federal government's central framework for administering federal financial assistance and establishes common requirements across federal agencies.[2]

Uniform Guidance governs:

- Financial management systems
- Internal controls
- Procurement
- Cost allowability
- Subrecipient monitoring
- Property management
- Reporting
- Audit requirements
- Closeout procedures

In practical terms, Uniform Guidance serves as the operating manual for how trillions of dollars move from Congress through federal agencies to states, counties, municipalities, school districts, public authorities, nonprofits, and other recipients.

Historically, municipal attorneys often became involved only when grants created legal disputes, procurement protests, labor issues, audit findings, or allegations of misuse. Day-to-day administration frequently remained the responsibility of finance departments, grant managers, or program staff.

That model may no longer be sufficient.

A Grant Is Not a Contract—Or Is It?

Throughout my career, I have argued that grants and contracts are fundamentally different instruments.

A procurement contract exists because a governmental entity seeks a specific good or service for its own use. The relationship is transactional. The contractor delivers a product or service and receives compensation.

A grant, by contrast, is a transfer of financial assistance from one entity to another for a public purpose

authorized by law. The relationship is programmatic. The recipient is not providing a service to the federal government. Rather, it is carrying out activities intended to achieve public policy objectives.

This distinction is deeply embedded throughout Uniform Guidance and federal assistance law.

Historically, grants focused on:

- Program performance
- Financial stewardship
- Allowable costs
- Compliance with federal requirements

Contracts focused on:

- Representations and warranties
- Deliverables
- Indemnification
- Default provisions
- Legal remedies
- Performance guarantees

The proposed rewrite begins to blur these distinctions.

Expanded certification requirements, workforce verification obligations, payment justifications, discretionary termination authority, reputational risk considerations, and enhanced monitoring expectations move grants closer to a compliance structure historically associated with sophisticated contractual relationships.

In other words, federal grants are beginning to look more like regulated compliance agreements than traditional assistance instruments.

For municipal attorneys, that should command attention.

The Shift from Stewardship to Verification

Historically, federal oversight focused on three fundamental questions:

1. Did the recipient achieve program objectives?
2. Were federal funds spent appropriately?
3. Did the recipient comply with applicable requirements?

The proposed rule introduces a fourth question:

Can the recipient continuously demonstrate compliance, eligibility, and alignment with federal priorities?

That distinction is subtle but profound.

Several provisions in the proposal suggest a shift from periodic oversight to continuous verification.

Examples include:

- Expanded risk reviews;
- Enhanced payment documentation requirements;
- E-Verify participation requirements;
- Expanded subrecipient reporting;
- Broader termination authority;
- Greater scrutiny of recipient affiliations and activities.

For municipal attorneys, this is a familiar model. It resembles the evolution of regulatory compliance, ethics, and contract compliance programs that many local governments have implemented over the past two decades.

The implication is clear:

Federal financial assistance is increasingly becoming an enterprise risk management issue.

Why Municipal Attorneys Must Lead

Many local governments continue to treat grants as an operational function.

That perception is becoming increasingly dangerous.

Several proposed provisions directly implicate legal functions and governance responsibilities.

Expanded Termination Authority

The proposed rule would expand federal agency authority to terminate discretionary awards under certain circumstances where projects no longer align with agency priorities or are determined to no longer be in the federal government's interest. [3]

Municipal attorneys should immediately begin asking:

- Which projects depend on discretionary federal funding?
- What contractual obligations rely on those awards?
- What happens if funding is terminated mid-project?
- Are contingency plans in place?

Consider a city undertaking a multi-year infrastructure project supported by a federal grant. Construction contracts may already be executed. Professional services agreements may already be in place. Debt obligations may already have been incurred.

The legal consequences of grant termination can quickly become contract disputes, claims, and fiscal crises.

The future appears to be one of increased verification, expanded compliance expectations, greater federal discretion, and heightened organizational accountability.

Workforce Compliance

The proposed rule includes E-Verify participation requirements and other workforce-related compliance provisions.

Historically, grant offices rarely coordinated extensively with human resources departments. Future compliance may require close collaboration among:

- Legal
- Human Resources
- Procurement
- Finance
- Grants Management
- Program Departments

Municipal attorneys often serve as the natural bridge between these functions.

Reputational Risk

Perhaps the most controversial aspect of the proposal involves references to reputational concerns.

The proposal raises significant questions:

- What constitutes reputational harm?
- How will it be measured?
- Who makes that determination?
- What due process protections exist?

These are not grant management questions.

They are legal questions.

The Federal Register Comment Period: Comments are due by July 13th

Municipal attorneys should not view the current comment period as merely an administrative exercise.

It is an opportunity to shape federal policy.

Too often, local governments assume national organizations will raise concerns on their behalf. While associations play an important role, federal agencies frequently place significant weight on operational comments submitted by practitioners who will actually implement the regulations.

The most effective comments are not political.

They are practical.

OMB needs to understand:

- Implementation costs
- Staffing impacts
- Technology requirements
- Operational burdens
- Unintended consequences

For example, if payment justifications are required for every reimbursement request, how many additional staff hours would that require annually?

If E-Verify requirements extend to contractors and subcontractors, how would municipalities monitor compliance?

If reputational risk becomes a compliance factor, how should agencies define it?

Municipal attorneys should lead interdisciplinary review teams and help translate operational concerns into constructive regulatory recommendations.

The Federal Register notice, which includes information on how to submit comments, can be found at: https://www.federalregister.gov/documents/2026/05/29/2026-10817/regulation-for-federal-financial-assistance

Preparing for October 1

Waiting for final guidance is not a strategy.

Several actions should begin immediately.

Build an Enterprise Grant Inventory

Many local governments cannot quickly identify:

- Total federal funding exposure;
- Active grants;
- Subrecipients;
- Renewal schedules;
- High-risk programs.

That visibility is essential.

Review Certifications

Every certification creates potential legal exposure.

Counsel should inventory:

- Grant assurances;
- Award certifications;
- Reporting certifications;
- Workforce certifications.

The question should be simple:

Can we substantiate every statement we make to the federal government?

Evaluate Governance Structures

Municipalities should assess whether current governance structures adequately address:

- Enterprise risk;
- Oversight;
- Documentation;
- Escalation procedures;
- Cross-functional coordination.

The Future Role of Municipal Attorneys

Many private-sector organizations maintain sophisticated contract compliance programs.

These programs ensure adherence to contractual obligations, monitor certifications, evaluate risks, and coordinate compliance across departments.

Federal financial assistance is increasingly moving in that direction.

Future municipal attorneys may find themselves serving as:

- Grant governance advisors;
- Compliance officers;
- Risk managers;
- Certification reviewers;
- Strategic advisors to elected officials.

In many organizations, that transformation has already begun.

Ten Questions Every Municipal Attorney Should Ask Before October 1

1. Do we know every active federal grant in our organization?

2. Which grants are potentially vulnerable to termination?

3. Can we substantiate every certification currently being made to the federal government?

4. Are our internal controls documented and consistently followed?

5. Do we understand our subrecipient relationships and monitoring responsibilities?

6. Are Human Resources, Procurement, Finance, and Grants personnel coordinating compliance activities?

7. How would we implement E-Verify-related requirements if finalized?

8. What policies govern documentation, payment approvals, and record retention?

9. Have we submitted comments on provisions that could materially impact our community?

10. Who within our organization owns enterprise-wide federal grant risk?

Conclusion

The proposed rewrite of Uniform Guidance is about much more than grant administration.

It reflects a broader transformation in how the federal government views financial assistance, accountability, and oversight.

The future appears to be one of increased verification, expanded compliance expectations, greater federal discretion, and heightened organizational accountability.

For municipal attorneys, this is not a development to observe from the sidelines.

It is a moment to lead.

Federal financial assistance is crossing its Rubicon.

The question is whether local governments will cross it prepared. M.

Matthew Hanson, CGMS, GPC, is Managing Director of Government Advisory Services for Witt O'Brien's. He has more than 30 years of experience in federal, state, and local grants management, compliance, financial oversight, and government transformation. He is a frequent speaker on federal financial assistance, Uniform Guidance, audit readiness, and grants governance.

Notes:

1. Regulation for Federal Financial Assistance, 91 Fed. Reg. 45,123 (May 29, 2026) (to be codified at 2 C.F.R. pt. 200).
2. 2 C.F.R. pt. 200 (2026).
3. *Regulation for Federal Financial Assistance*, *supra* note 1.
4. *Id.*

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