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**February 2014 COGR Meeting Afternoon Presentation Administrative Requirements**

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# Administrative Requirements

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**REFORMS TO A-102,  
CIRCULAR A-110,  
AND  
CIRCULAR A-89**

# Speaker

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**REFORMS TO ADMINISTRATIVE REQUIREMENTS (THE COMMON RULE IMPLEMENTING CIRCULAR A-102); CIRCULAR A-110; AND CIRCULAR A-89**

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- **The section highlights changes to the governmentwide common rule implementing Circular A-102 on Grants and Cooperative Agreements with State and Local Governments; Circular A-110 on Uniform Administrative Requirements for Grants and Other Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations (2 CFR part 215); and Circular A-89 on Catalog of Federal Domestic Assistance**
- **The following are major changes included in the final guidance**

# Subpart A: Acronyms & Definitions



- **200.0, Acronyms**
- **Acronyms are at the beginning**
- **200.1 – 200.99, Definitions are in separate sections (and therefore are listed in the index)**
- **Terms are broad to encompass all requirements (administrative, cost principles, audit) and all types of entities receiving Federal awards**

# Key Definitions



- 200.38, **Federal award** (depending on the context, means the \$ or the document)
- 200.40, **Federal financial assistance** (no change in meaning from previous definitions for administrative requirements, cost principles, and audit requirements)
- 200.69, **Non-Federal entity** (state, local government, Indian tribe, institution of higher education, or nonprofit that is the recipient or subrecipient)
- 200.74, **Pass-through entity** (non-Federal entity that subawards to a subrecipient)
- 200.93, **Subrecipient** (non-Federal entity that receives the subaward)

# Revised Definitions

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200.23, **Contractor** is used rather than “vendor” (as previously used in A-133)

## Subpart B: General Provisions



- **200.100, Purpose:** Establishes uniform administrative requirements, cost principles, and audit requirements for all types of non-Federal entities
- **Federal awarding agencies must not impose additional or inconsistent requirements, unless**
  - Requirement based on Federal statute, regulation, or Executive Order,
  - OMB permits an exception in accordance with 200.102, or
  - OMB approves information in the Federal award in accordance with 200.210



# “Should” vs “Must”

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- Throughout, both “should” and “must” are used
- “Must” means “required”
- “Should” indicates best practices or recommended approach

# Applicability



- **200.101 Applicability:** describes the applicability of each subparts to types of Federal awards
- A table is included, but must be read along with the entire applicability section
- The Federal awarding agency will determine applicability and state the applicable requirements in the Federal award

# Exceptions



- **200.102, Exceptions**
  - No exceptions from any audit requirements
  - Only OMB may allow exceptions for classes of Federal awards or non-Federal entities
  - In the interest of maximum uniformity, OMB will permit exceptions only in unusual circumstances
  - Exceptions on a case-by-case basis may be authorized by the Federal awarding agency
  - The Federal awarding agency may apply more restrictive requirements when approved by OMB, or required by Federal statutes or regulations

# Implementation/Effective Date



- **200.110, Effective/applicability date**
- **Federal agencies must implement the requirements to be effective by December 26, 2014**
- **Audit requirements will apply to audits of fiscal years beginning on or after December 26, 2014**

# Conflict of Interest & Mandatory Disclosures



- **Two new requirements:**
  - **200.112, Conflict of interest**  
**The Federal awarding agency must establish conflict of interest policies for their Federal awards**
  - **200.113 Mandatory disclosures**  
**Non-Federal entities (and applicants) must disclose all violations of Federal criminal law involving fraud, bribery, or gratuity violations potentially affecting the Federal award**

# Subpart C: Pre-Federal Award Requirements and Contents of Federal Awards

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## **SECTIONS HIGHLIGHTED:**

**200.201, USE OF GRANT AGREEMENTS,  
COOPERATIVE AGREEMENTS & CONTRACTS**

**200.203, NOTICES OF FUNDING OPPORTUNITIES**

**200.204, FEDERAL AGENCY REVIEW OF MERIT**

**200.205, FEDERAL AGENCY REVIEW OF RISK**

**200.206, STANDARD APPLICATION REQUIREMENTS**

**200.201, INFORMATION CONTAINED IN A FEDERAL  
AWARD**

# Use of Grant Agreements, Cooperative Agreements & Contracts

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- **200.201, Use of Grant Agreements (Including Fixed Amount Awards), Cooperative Agreements, and Contracts:**
  - Federal Awarding Agencies must determine appropriate award instrument
  - Incorporates new coverage on fixed amount awards:
    - ✦ Payments are based on meeting specific requirements of the Federal Award
    - ✦ Accountability is based on performance and results
    - ✦ Award amount is negotiated using cost principles as a guide
    - ✦ No governmental review of the actual costs incurred
    - ✦ Significant changes (i.e., principal investigator, project partner or scope) must receive prior awarding agency written approval

# Notices of Funding Opportunities

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- **202.203, Notices of funding opportunities:**
  - **Notice of the Funding Opportunity**
    - ✦ **For competitive grants and cooperative agreements, Federal awarding agencies must announce specific funding opportunities by posting a public notice on the OMB-designated governmentwide Web site**
    - ✦ **Specifies a set of six data elements that must be included in the public notice**



# Notices of Funding Opportunities (Cont'd)

16

- **Full Text of Funding Opportunities**
  - ✦ **Identifies required information that must be included in the full text of each Federal funding opportunity**
  - ✦ **Detailed instructions for the full text of the notice of funding opportunity is included in Appendix A.**
  - ✦ **This coverage was originally published by OMB at 68 FR 58146 (October 8, 2003)**
  
- **Establishes minimum timeframes Federal awarding agencies must generally make all funding opportunities available for application**

# Federal Agency Review of Merit

17

- **200.204, Federal awarding agency review of merit of proposals:**
  - For competitive grants or cooperative agreements, Federal awarding agencies must design and execute a merit review process for applications
  - Process must be described (or incorporated by reference) in funding opportunity

# Federal Agency Review of Risk

18

- **200.205, Federal awarding agency review of risk posed by applicants:**
  - In addition to use of the OMB-designated repositories of government-wide eligibility information, Federal awarding agencies must have a framework for evaluating the risks posed by applicants prior to receipt of a federal award
  - Items that **MAY BE** considered by Federal awarding agencies include:
    - ✦ Financial stability
    - ✦ Quality of management systems
    - ✦ History of performance
    - ✦ Reports and findings from audits performed under Subpart F
    - ✦ Applicant's ability to effectively implement statutory, regulatory or other requirements

# Federal Agency Review of Risk (Cont'd)

19

- Special conditions that correspond to the degree of risk may be applied, if appropriate (See 200.207, Special Conditions.)
- Federal awarding agencies must continue to comply with the guidelines on governmentwide suspension and debarment and must require non-federal entities to comply with these provisions

# Standard Application Requirements

20

- **200.206, Standard application requirements:**
  - Requires Federal awarding agencies to use OMB-approved application standard information collections to solicit applications
  - Use of standard OMB-approved collections is a consistent theme throughout 2 CFR 200
  - Currently approved OMB Grants Management Forms (and formats) are available on the OMB Web site at:
    - ✦ [http://www.whitehouse.gov/omb/grants\\_standard\\_report\\_forms/](http://www.whitehouse.gov/omb/grants_standard_report_forms/)

# Information Contained in a Federal Award

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- **200.210, Information contained in a Federal award:**
  - Provides a standard set of 15 data elements which must be provided in all Federal awards
  - Identifies coverage which must be included in the general terms and conditions
  - Provides guidance on Federal Awarding Agency, Program, or Award Specific Terms and Conditions
  - Requires Federal awarding agencies to include an indication of the timing and scope of expected performance as related to the outcomes intended to be achieved
    - ✦ In some instances, (e.g., discretionary research awards) this may be limited to submission of technical performance reports

# Subpart D: Post Federal Award Requirements Standards for Financial and Program Management

22

## SECTIONS HIGHLIGHTED:

<b>200.301,</b>	<b>PERFORMANCE MANAGEMENT</b>
<b>200.303,</b>	<b>INTERNAL CONTROLS</b>
<b>200.305,</b>	<b>PAYMENTS</b>
<b>200.306,</b>	<b>COST SHARING OR MATCHING</b>
<b>200.309,</b>	<b>PERIOD OF PERFORMANCE</b>
<b>200.313,</b>	<b>EQUIPMENT</b>
<b>200.314,</b>	<b>SUPPLIES</b>
<b>200.315,</b>	<b>INTANGIBLE PROPERTY</b>
<b>200.317-326</b>	<b>PROCUREMENT STANDARDS</b>
<b>200.327,</b>	<b>FINANCIAL REPORTING</b>
<b>200.328,</b>	<b>MONITORING AND REPORTING PROGRAM PERFORMANCE</b>
<b>200.329,</b>	<b>REPORTING ON REAL PROPERTY</b>
<b>200.330-332</b>	<b>SUBRECIPIENT MONITORING &amp; MANAGEMENT</b>
<b>200.333,</b>	<b>RETENTION REQUIREMENTS FOR RECORDS</b>
<b>200.335,</b>	<b>METHODS FOR COLLECTION, TRANSMISSION AND STORAGE OF INFORMATION</b>
<b>200.338-342</b>	<b>REMEDIES FOR NONCOMPLIANCE</b>
<b>200.343</b>	<b>CLOSEOUT</b>

# Performance Management

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- **200.301, Performance Management:**
  - Provides more robust guidance to Federal agencies to measure performance in a way that will help the Federal awarding agency and other non-Federal entities to improve program outcomes, share lessons learned, and spread the adoption of promising practices.
  - Federal awarding agencies must require recipients to use OMB-approved standard government-wide information collections to provide financial and performance information.
  - Recipients must be required to relate financial data to performance accomplishments, and must also provide cost information to demonstrate cost effective practices.



# Performance Management (Cont'd)

24

- As discussed in more detail in 200.328, for the research community, where there is a standard OMB-approved information collection for performance (i.e., the Research Performance Progress Report) that does not relate financial information to performance data, there is no such requirement
- The Federal awarding agencies are required to provide recipients with clear performance goals, indicators, and milestones

# Internal Controls

25

**200.303, Internal Controls. Moved from A-133**

**For Federal awards Non-Federal entities must:**

- **Establish and maintain effective internal controls**
- **Comply with Federal statutes, regulations, & terms and conditions**
- **Evaluate and monitor compliance**
- **Take prompt action on audit findings**
- **Safeguard protected personally identifiable information**

# Payments

26

- **200.305, Payments:**
  - Payments to States are governed by Treasury-State CMIA agreements codified at 31 CFR Part 205
  - Coverage largely replicates existing payment coverage from OMB Circular A-110
  - Extends to non-Federal entities previously covered by OMB Circular A-102 the existing flexibility in OMB Circular A-110 to pay interest earned on Federal funds annually to the Department of Health and Human Services, rather than “promptly” to each Federal awarding agency
    - ✦ Interest amounts up to \$500 per year may be retained by the non-federal entity for administrative expenses

# Cost Sharing or Matching

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- **200.306, Cost Sharing or Matching:**
  - Clarifies policies on voluntary committed cost sharing
  - Stipulates that voluntary committed cost sharing is not expected under Federal research proposals and cannot be used as a factor during the merit review of the proposal
  - Cost sharing may only be considered when required by regulation and transparent in the notice of funding opportunity

# Cost Sharing or Matching (Cont'd)

28

- Only mandatory cost sharing or cost sharing included on the project budget must be included in the organized research base for computing the indirect cost rate or reflected in the allocation of indirect costs
  - ✦ OMB Memorandum 01-06, Clarification of OMB A-21 Treatment of Voluntary Uncommitted Cost Sharing and Tuition Remission costs continues to apply.
  - ✦ See: [http://www.whitehouse.gov/omb/memoranda\\_m01-06](http://www.whitehouse.gov/omb/memoranda_m01-06)
- Valuation of cost sharing remains largely unchanged from OMB Circular A-110

# Period of Performance

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- **200.309, Period of Performance**
  - Non-federal entities may charge to Federal awards only allowable costs incurred during the period of performance and any costs incurred before the Federal awarding agency or pass-through entity made the Federal award that were authorized by the Federal awarding agency or pass through entity
  - Federal awarding agencies may authorize no-cost extensions of the period of performance (See also 200.308, Revision of budget and program plans)

# Property Standards & Equipment

30

- **Coverage in Property Standards (Sections 200.310-200.316) largely derived from existing coverage in A-110**
- **Major exception is 200.313, Equipment**
  - States must use, manage, and dispose of equipment acquired under a Federal award in accordance with state laws and procedures
  - Other non-Federal entities must follow the requirements specified

# Supplies & Intangible Property

31

- **200.314, Supplies:**
  - The definition of supplies in existing guidance includes all tangible personal property that fall below the threshold for equipment. Since, as technology improves, computing devices (inclusive of accessories) increasingly fall below this threshold, the guidance makes explicit that when they do, they shall be treated consistently with all other items below this level. See 200.94, Definition of “Supplies”.
- **200.315, Intangible Property:**
  - Content of 200.315 is largely from OMB Circular A-110, however, the section has been reorganized for readability and clarity



# Procurement Standards



- The procurement standards (in sections 200.317 through 200.326) are generally based on the requirements in A-102 for states, local governments and Indian tribes, with modifications
- States use their own policies and procedures.
- All other non-Federal entities, including subrecipients of a state, must have and follow written procurement procedures that reflect the procurement standards

# General Procurement Requirements



- The non-Federal entity must maintain oversight to ensure that contractors perform in accordance with the terms, conditions, and specifications of the contract or purchase order
- The non-Federal entity is not required to maintain a contract administration system

# Procurement: Standards of conduct



- **The non-Federal entity must maintain written standards of conduct covering conflicts of interest and governing the performance of its employees engaged in the selection, award, and administration of contracts**
- **If the non-Federal entity has a parent, affiliate, or subsidiary organization (that is not a state, local government, or Indian tribe), the non-Federal entity must also maintain written standards of conduct covering organizational conflicts of interest**

# Methods of Procurement



- 200.320, Methods of procurement to be followed
- The non-Federal entity must use one of the following:
  - Micro-purchases for acquisition of supplies or services if aggregate amount does not exceed \$3,000 (or \$2,000 if subject to Davis-Bacon Act) – New method
  - Small purchase procedures
  - Sealed bids (formal advertising)
  - Competitive proposals
  - Noncompetitive proposals – revised to clarify that solicitation of a proposal from only one source may be used only when one or more of the following apply:
    - ✦ 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
    - ✦ The Federal awarding agency (or pass-through entity) expressly authorizes in response to a written request from the non-Federal entity
    - ✦ After solicitation of a number of sources, competition is determined inadequate

# Financial Reporting

36

- **200.327, Financial Reporting:**
  - Existing coverage from A-102 and A-110 on the Report of Federal Cash Transactions and the Financial Status Report has been deleted and replaced with the requirement that Federal awarding agencies only use the OMB-approved government-wide data elements for collection of financial information -- currently the Federal Financial Report
  - Submission frequency requirements generally remain unchanged
    - ✦ No less frequently than annually, nor more frequently than quarterly.
    - ✦ New language added, however, which permits more the Federal awarding agency to require more frequent reporting where necessary for the effective monitoring of the Federal award or could significantly affect program outcomes.

# Monitoring and Reporting Program Performance

37

- **200.328, Monitoring and reporting program performance:**
  - Specifies that performance reports are subject to the Paperwork Reduction Act requirements
  - Federal awarding agencies should utilize OMB-approved standard governmentwide information collections (see also 200.206)
  - Submission frequency requirements remain largely unchanged
    - ✦ No less frequently than annually, nor more frequently than quarterly.
    - ✦ New language added, however, which permits more the Federal awarding agency to require more frequent reporting where necessary for the effective monitoring of the Federal award or could significantly affect program outcomes.

# Subrecipient Monitoring and Management



- **Section 200.330 explains the roles of subrecipients and contractors so that the non-Federal entity can determine the relationship and the applicable requirements**
- **A non-Federal entity provides a subaward to a subrecipient for the purpose of carrying out a portion of a Federal award and creates a Federal assistance relationship between the non-Federal entity and the subrecipient**
- **A non-Federal entity provides a contract to a contractor for the purpose of obtaining goods and services for the non-Federal entity's own use and creates a procurement relationship between the non-Federal entity and the contractor**

# Subrecipients Monitoring and Oversight Requirements for Pass-through Entities



- 200.331, Requirements for pass-through entities
- Includes audit responsibilities that were in A-133
- **The pass-through entity must:**
  - Put specific information in the subaward
  - Do a risk assessment to determine appropriate subrecipient monitoring AND must monitor subrecipients
  - Consider if specific subaward conditions are needed
  - Verify subrecipients have audits in accordance with Subpart F
  - Make any necessary adjustment to the pass-through entity's records based on reviews and audits of subrecipients
  - Consider actions to address subrecipient noncompliance



# Identification of Subrecipient

40

- **Following information must be identified to subrecipient at time of award and when changes are made to award (200.331(a)):**
  - Federal award identification
  - Requirements imposed by the pass-through entity
  - Indirect cost rate
  - Requirement to provide access to records for audit

# Evaluating Subrecipient Risk to Determine Appropriate Monitoring

41

- The pass-through entity must evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward to determine appropriate subrecipient monitoring, which may include consideration of factors such as (200.331(b)):
  - Prior experience with same or similar subawards
  - Results of previous audits
  - Whether new or substantially changed personnel or systems
  - Extent and results of Federal awarding agency monitoring

# Required Subrecipients Monitoring Procedures

42

- **When monitoring of subrecipients, the pass-through entity must (200.331(d)):**
  - Review reports required by the pass-through entity
  - Follow-up to ensure subrecipient takes appropriate action on all deficiencies identified through audits and on-site reviews
  - Issue a management decision for audit findings pertaining to awards made by the pass-through entity

# Additional Subrecipient Monitoring Tools

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- **Following tools may be useful depending upon risk (200.331(e))**
  - Providing subrecipient training and technical assistance
  - Performing on-site reviews
  - Arranging for agreed-upon-procedures engagements under 200.425
- **No listed tool is required nor is the list of tools all inclusive**
- **Determination on which tools is a matter of judgment based upon risk**

# Subrecipients: Fixed Amount Subawards



- **200.332, Fixed amount subawards**
  - Permits a non-Federal entity to make subawards based on fixed amounts (in accordance with 200.201) not exceeding the Simplified Acquisition Threshold (currently \$150,000)
  - The prior written approval of the Federal awarding agency is required

# Retention Requirements for Records

45

- **200.333, Retention requirements for records:**
  - Retains the record retention period of three years from the date of submission of the final expenditure report
  - For Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report
  - Supplements to the listing of exceptions from standard record retention:
    - ✦ When the non-Federal entity is notified in writing by the Federal awarding agency, cognizant agency for audit, cognizant agency for indirect costs, or pass-through entity; and
    - ✦ Records for program income transactions after the period of performance

# Methods for collection, transmission and storage of information

- **200.335, Methods for collection, transmission and storage of information:**
  - In lieu of addressing the issue throughout the document, a new section was added to clearly articulate the treatment of electronic records
  - Federal awarding agencies and the non-Federal entities should, whenever practicable, collect, transmit, and store Federal award-related information in open and machine readable formats
  - Federal awarding agencies or pass-through entities must always provide or accept paper versions of Federal award-related information to and from the non-Federal entity upon request

# Methods for collection, transmission and storage of information (Cont'd)

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- When original records are electronic and cannot be altered, there is no need to create and retain paper copies.
- When original records are paper, electronic versions may be substituted through the use of duplication or other forms of electronic media provided that they are subject to periodic quality control reviews, provide reasonable safeguards against alteration, and remain readable.



# Remedies for Noncompliance



- Remedies for noncompliance are covered in 200.338 through 200.342
- The sections are generally substantively the same as superseded circulars, with some modifications
- The sections cover actions that may be taken by the pass-through entity, not just by the Federal awarding agency

# Remedies for Noncompliance



- **200.338, Remedies for noncompliance**
  - Permits the Federal awarding agency (or pass-through entity) to try to remedy noncompliance through additional conditions on the Federal award (or subaward)
  - Expressly references suspension and debarment proceedings and cross-references the government-wide regulation at 2 CFR Part 180

# Remedies for Noncompliance: Termination



- **200.339, Termination, comprehensively addresses termination**
- **The Federal award may be terminated by the Federal awarding agency (or pass-through entity) in whole or in part:**
  - For failure of the non-Federal entity to comply with the terms and conditions of the Federal award
  - for cause
  - with the consent of the non-Federal entity (the two parties must agree upon the termination conditions, including the effective date and, in the case of partial termination, the portion to be terminated)

# Remedies for Noncompliance: Termination



- The Federal award may be terminated by the non-Federal entity by sending to the Federal awarding agency (or pass-through entity) written notification setting forth the reasons for termination, the effective date, and, in the case of partial termination, the portion to be terminated.
- When the Federal award is terminated, the Federal awarding agency (or pass-through entity) and the non-Federal entity remain responsible for closeout, post-closeout adjustments and continuing responsibilities

# Closeout



- **200.343, Closeout**
- **This section should be clearer because the timeframes are based on “period of performance” which must be stated in the Federal award**

# Post-Closeout Adjustments and Continuing Responsibilities



- **200.344, Post-closeout adjustments and continuing responsibilities**
- **Adjustment to the Federal award amount based on an audit or other review after closeout must be made within the record retention period**

# Council on Financial Assistance Reform's Uniform Guidance



**UNIFORM ADMINISTRATIVE  
REQUIREMENTS,  
AUDIT REQUIREMENTS,  
AND COST PRINCIPLES  
2 CFR CHAPTER 1, CHAPTER  
2, PART 200, ET AL.**

February 27, 2014

# Cost Principles



## **CONSOLIDATION AND REFORMS OF CIRCULARS A-21, A-87, AND A-122**



# Cost Principles



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# Cost Principles



- **2 CFR CHAPTER II,**
  - **PART 200 - - “UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS”**
  - **SUBPART E - COST PRINCIPLES**
  - **AND APPENDICES III-VIII: COST PRINCIPLES. REFORMS TO COST PRINCIPLES (CIRCULARS A-21, A-87, AND A-122).**

# Cost Principles



**Final “guidance” clarifies and strengthens Cost Principles across many functional areas.**

# Significant changes in the Cost Principles



- Indirect Cost Rates
- Compensation – Personal Services (time & attendance)
- Family Friendly Policies
- Support for Shared Services

# Applicability XX



- **200.401 – Application**
  - No change in exclusions
  - Clarification - Cost Accounting Standards  
When a non-Federal entity has a CAS covered contract subject to the requirements of 48 CFR 995, those requirements do not automatically extend beyond the covered contract to other awards

# Subpart E – Cost Principles

## General Provisions



- **200.400 - POLICY GUIDE**
- 200.400 (f) Requires recognition of the dual role of students as both trainees and employees in the application of the cost principles
- 200.400 (g) Reinforces that non Federal entities are not permitted to keep profit unless expressly authorized by the terms & conditions of the award

# Cost Principles



- **200.407 - Prior Written Approval**
  - Provides a one-stop comprehensive list of the circumstances under which non-Federal entities should seek prior approval from the Federal awarding agency.

# Cost Principles



- **200.413 – Administrative Costs as Direct Costs**
  - **200.413(c) Provisions for direct charge of administrative and clerical staff if all of the following conditions are met:**
    - (1) Admin. or clerical services are integral to a project or activity;
    - (2) Individuals can be specifically identified with the project or activity;
    - (3) Costs are explicitly budgeted or have the prior approval of the Federal awarding agency; and
    - (4) The costs are not also recovered as indirect costs



# Cost Principles



- **200.413 – Administrative Costs as Direct Costs**
  - 200.413 (e) provides for the inclusion of some unallowable costs in the IDC base if they represent activities which:
    - (1) Include the salaries of personnel,
    - (2) Occupy space, and
    - (3) Benefit from the non-Federal entity's indirect (F&A) costs

# Cost Principles



- **200.414 - Indirect (F&A) Costs**
  - Provides for general Federal acceptance of approved IDC rate(s)
  - New de minimis rate
  - One time extension of up to 4 years

# Cost Principles



- **200.414 - Indirect (F&A) Costs (continued)**
  - 200.414 (c) Federal awarding agencies must accept approved negotiated indirect cost rates unless a different rate is required by Federal statute or regulation, or when approved by a Federal awarding agency head or delegate with notification to OMB based on publically available decision making criteria as described in paragraph (c)(3) of this section.

# Cost Principles



- **200.414 - Indirect (F&A) Costs**

(continued)

- §200.414 (f) provides for a 10% de minimis IDC for any non-Federal entity that has never received a negotiated indirect cost rate, except for those non-Federal entities described in Appendix VII to Part 200 . . . may elect to charge a de minimis rate of 10% of modified total direct costs (MTDC) which may be used indefinitely. Costs must be consistently charged and may not be double billed as both direct and indirect costs. Importantly, if chosen, the non-Federal entity must use the 10% rate on all federal awards until the entity negotiates an approved rate with their cognizant agency.

# Cost Principles



- **200.414 - Indirect (F&A) Costs (continued)**
- **200.414(g) Any non-Federal entity that has a federally negotiated indirect cost rate may apply for a one-time extension of a current negotiated indirect cost rates for a period of up to four years. This extension will be subject to the review and approval of the cognizant agency for indirect costs. If an extension is granted the non-Federal entity may not request a rate review until the extension period ends. After extension the entity must re-apply to negotiate a rate.**

# Cost Principles



- **200.419 - Cost Accounting Standards And Disclosure Statement**
  - IHE threshold for CAS raised to \$50M
  - Streamlined review for changes to reduce the risk of non-compliance and audit findings. Can proceed after 6 months if not notified a longer review period is required or of concerns with potential change.

# 2 CFR Part 200 Subpart E



## **GENERAL PROVISIONS FOR SELECTED ITEMS OF COST**

# Selected Items of Cost



- **200.422 - Advisory Councils**
  - These costs are still allowable if authorized by statute, with prior approval from the Federal awarding agency or as an indirect cost when allocable to Federal awards.



# Selected Items of Cost



- **200.425 Audit Services**
- **Financial Statement Audits**
- Paragraph (b) allows the costs of a financial statement audit for a non-Federal entity **that does not currently have a Federal** award when included in the indirect cost pool as part of a cost allocation plan or indirect cost proposal. These audits may be useful to the Federal agency negotiating an indirect cost rate, and they are not in conflict with the Single Audit Act.

# Selected Items of Cost



- **200.428 Collections of Improper Payments (new)**

The costs incurred by a non-Federal entity to recover improper payments are allowable as either direct or indirect costs, as appropriate.

# Selected Items of Cost



- **200.432 – Conferences**
  - Requires conference hosts/sponsors to exercise discretion and judgment in ensuring that conference costs are appropriate, necessary and managed in a manner that minimizes costs to the Federal award.
  - Allows costs of identifying local dependent care for attendees

# Selected Items of Cost



- **200.433 – Contingency Provisions**
  - Paragraph (b) requirements to charge
    - ✦ Accepted estimating methodology
    - ✦ Must be explicitly subject to agency approval at time of award
    - ✦ Actual costs incurred must comply with cost principles be necessary and reasonable for accomplishment of project/program objectives and be verifiable from the entity's records.

# Selected Items of Cost



- **200.434 - Contributions and Donations**
  - No major changes – language is strengthened to align with Cost Sharing Section 200.306

# Selected Items of Cost



- **200.435 -Defense and Prosecution of Criminal and Civil Proceedings, Claims, Appeals and Patent Infringements.**
  - Language has been streamlined for consistency purposes and now specifically mentions Whistleblower Protection Act.

# Selected Items of Cost



- **200.436 – Depreciation**
  - Shift from Government Accounting Standards Board Statement # 51 to GAAP
  - Donated assets valued at time of donation
    - ✦ Donated assets may be depreciated or claimed as matching but not both.

# Cost Principles



- **200.437 – Employee Health and Welfare costs**

“Costs incurred in accordance with the non-Federal entity's **documented policies** for the improvement of working conditions, employer-employee relations, employee health, and employee performance are allowable.”



# Selected Items of Cost



- **200.438 – Entertainment Costs**
  - Unallowable unless
    1. Those costs have a programmatic purpose and are authorized in the approved budget for the federal award, or
    2. Those costs have prior written approval from the federal awarding agency

# Selected Items of Cost



- **200.440 – Exchange Rates (new)**

Allows for cost increases from fluctuations in exchange rates with certain conditions being met - prior approval of the awarding agency and the availability of funds.

# Selected Items of Cost



- **200.441 – Fines, Penalties, Damages and Other Settlements**
  - Includes Tribal law violations
  - Includes “alleged violations” and not just “violations” are unallowable except when they result directly from complying with the terms of a Federal award or are approved in advance by the Federal awarding agency.

# Selected Items of Cost



- **200.446 - Idle Facilities and Idle Capacity**
  - Allows for the costs of idle facilities when they are necessary to fluctuations in workload, such as those which may be typical of developing shared service arrangements.

# Selected Items of Cost



- **200.449 – Interest**
  - Paragraph (b)(2) establishes the date of January 1, 2016, as the date that non-federal entities whose fiscal year starts on or thereafter may be reimbursed for financing costs associated with patents and computer software .

# Selected Items of Cost



- **200.453 – Materials and Supplies Costs, Including Costs of Computing Devices**
  - 200.453(c) Computing devices allowed as direct cost provided devices are essential and allocable, but not solely dedicated to the Federal award.
  - Definition of Computing Devices 200.20
  - Definition of Supplies 200.94

# Selected Items of Cost



- **200.456 – Participant Support Costs**
  - Applies to types of organizations
  - Definition moved to 200.75
  - The treatment of participant support costs is in the definition of modified total direct costs and in the appendices on indirect cost rates, Appendix IV to Part 200

# Selected Items of Cost



- **200.460 – Proposal Costs**
  - normally should be treated as indirect (F&A) costs and allocated currently
  - Allocable only to current accounting period



# Selected Items of Cost



- **200.461 – Publication and Printing Costs**
  - 200.461(b)(3) The non-Federal entity may charge the Federal award **before closeout** for the costs of publication or sharing of research results if the costs are not incurred during the period of performance of the Federal award.

# Selected Items of Cost



- **200.463 – Recruiting Costs**
- Paragraph (b) of Section 200.463 – Recruiting Costs, makes clear that “special emoluments, fringe benefits, and salary allowances” that do not meet the test of reasonableness or do not conform with established practices of the entity are unallowable.

# Selected Items of Cost



- **200.463 – Recruiting Costs (continued)**
  - Paragraph (c) provides that when relocation costs are incurred with the recruitment of a new employee and have been funded in whole or in part as a direct cost to the federal award, and the newly hired employee resigns for reasons within the employee's control within 12 months after hire, the non-Federal entity will be required to refund or credit only the Federal share of such relocation costs to the Federal government.

# Selected Items of Cost



- **200.463 – Recruiting Costs (Continued)**
  - Short Term Visa Costs
  - To meet the needs associated with obtaining critical foreign research skills, new language and standards for short term, travel visa costs as direct costs have been added under paragraph (d).
  - To direct charger to Federal award, they must:
    - (1) Be critical and necessary for the conduct of the project;
    - (2) Be allowable under the applicable cost principles;
    - (3) Be consistent with the non-Federal entity's cost accounting practices and non-Federal entity policy; and
    - (4) Meet the definition of “direct cost’ as described in the applicable cost principles.

# Selected Items of Cost



- **200.464 – Relocation Costs of Employees**
  - 200.464(b)(4) Limits the previously unlimited amount of time for which a Federal award may be charged for the costs of an employee's vacant home to up to six months.

# Selected Items of Cost



- **200.465 – Rental Costs of Real Property and Equipment**
  - rental costs under “sale and lease back” or “less-than-arm's length” allowable only up to the amount that would be allowed when/if the non-Federal entity owned the property
  - rental costs under home office space is unallowable

# Selected Items of Cost



- **200.469 - Student Activity Costs**
  - Student activity costs primarily applies to IHEs, applicability is expanded to all entities to further mitigate risks of waste, fraud, and abuse.
  - Unallowable unless specifically provided in Federal award.

# Selected Items of Cost



- **200.474 – Travel Costs**

- 200.474(b)(2)(c)(1) Temporary dependent care costs above and beyond regular dependent care that directly results from travel to conferences is allowable provided that:
  - (i) The costs are a direct result of the individual's travel for the Federal award;
  - (ii) The costs are consistent with the non-Federal entity's documented travel policy for all entity travel; and
  - (iii) Are only temporary during the travel period.



# Selected Items of Cost



- **200.430 – Compensation – Personal Services**
  - Strengthen Internal Controls
  - Removed Examples
  - Federal Agencies may approve methods for blended/braided funds
  - Use of institutional base salary for IHE

# Selected Items of Cost



- **200.430 – Compensation – Personal Services (continued)**
  - Strengthen Internal Controls:
    - (i) Standards for Documentation of Personnel Expenses
      - (1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:
        - (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated; ...

# Selected Items of Cost



- **200.430 – Compensation – Personal Services  
Strengthen Internal Controls (continued) :**

(viii) Budget estimates (i.e., estimates determined before the services are performed) alone do not qualify as support for charges to Federal awards, but may be used for interim accounting purposes, provided that:

(A) The system for establishing the estimates produces reasonable approximations of the activity actually performed;

(B) Significant changes in the corresponding work activity (as defined by the non-Federal entity's written policies) are identified and entered into the records in a timely manner. Short term (such as one or two months) fluctuation between workload categories need not be considered as long as the distribution of salaries and wages is reasonable over the longer term; and: ...

# Selected Items of Cost



- **200.430 – Compensation – Personal Services  
Strengthen Internal Controls (continued) :**

(viii) (C) The non-Federal entity's system of internal controls includes processes to review after-the-fact interim charges made to a Federal awards based on budget estimates. All necessary adjustment must be made such that the final amount charged to the Federal award is accurate, allowable, and properly allocated.

# Selected Items of Cost



- **200.430 – Compensation – Personal Services (continued) :**
  - (i)(1)
    - (ix) Because practices vary as to the activity constituting a full workload (for IHEs, IBS), records may reflect categories of activities expressed as a percentage distribution of total activities.
    - (x) It is recognized that teaching, research, service, and administration are often inextricably intermingled in an academic setting. When recording salaries and wages charged to Federal awards for IHEs, a precise assessment of factors that contribute to costs is therefore not always feasible, nor is it expected.

# Selected Items of Cost



- **200.431 – Compensation – Fringe Benefits – Leave Costs**
  - 200.431(b) Family friendly leave
  - 200.431(b) (i) When non-Federal entity charges leave on a cash basis, payments for unused leave when an employees retires or terminates employment are allowable as IDC in the year of payment.

# Selected Items of Cost



- **200.431 – Compensation – Fringe Benefits**
  - GAAP for accrual based accounting
  - 200.431(i)(2)(ii) Abnormal or mass severance requires prior approval
  - 200.431(i)(30) Excessive severance pay in excess of customary or prevailing practices for the non-Federal entity are unallowable

# Audit Requirements



## **REFORMS TO CIRCULARS A-133 AND A-50**

January 27, 2014



# Targeting Audit Requirements on Risk of Waste, Fraud, and Abuse

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The final guidance right-sizes the footprint of oversight and Single Audit requirements to strengthen oversight and focus audits where there is greatest risk of waste, fraud, and abuse of taxpayer dollars.

It improves transparency and accountability by making single audit reports available to the public online, and encourages Federal agencies to take a more cooperative approach to audit resolution in order to more conclusively resolve underlying weaknesses in internal controls.

# Revisions Focus Audit On Risk

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- **Increases audit threshold.**
- **Strengthens risk-based approach to determine Major Programs.**
- **Provides for greater transparency of audit results.**
- **Strengthens agency use of the single audit process.**
- **Provides for public outreach to focus Compliance Supplement on requirements of highest risk.**

# Basic Structure of Single Audit Process Unchanged

106

- **Audit threshold (200.501).**
- **Subrecipient vs. Contractor (200.501(f) & 200.330).**
- **Biennial (200.504) & Program-specific (200.507) audits.**
- **Non-Federal entity selects auditor (200.509).**
- **Auditee prepares financial statements & SEFA(200.510).**
- **Audit follow-up & corrective action(200.511 & 200.521).**
- **9 month due date (set in law) (200.512(a)).**
- **Reporting to Federal Audit Clearinghouse (200.512).**
- **Major programs determined based on risk (200.518).**
- **Compliance Supplement overall format.**

# Compliance Supplement

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- Supplement is published as separate process so the final changes are not included in the Guidance.
- Future changes will be based on available evidence of past audit findings & potential impact of non-compliance.
- Further public outreach will be conducted prior to making structural changes to Supplement format.
  - 2014 Supplement will preview the implementation of changes.
  - Changes will not be effective until the 2015 Supplement.
  - 2014 Supplement expected in April 2014.

## Additional Audit Requirements –Future Changes

108

- **Included language to allow for future combining of the audit reporting and the data collection form if permitted under auditing standards and the approved FAC data collection (200.515(e)).**
- **Single Audit resolution project currently under supervision of COFAR is aimed at improving coordination for cross-cutting findings and improving transparency of management decisions.**

# Uniform Guidance

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**Thank you for your time and attention!**

**Please submit questions to [cofar@omb.eop.gov](mailto:cofar@omb.eop.gov). All questions will be reviewed and some may be included in a frequently asked questions document that will be posted on the COFAR website, <https://cfo.gov/cofar/>.**