



December 18, 2014

New Uniform Guidance/2 CFR Part 200 Highlights Webinar for SLAAs



2 CFR Part 200

- 2 CFR Part 200- Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards
- Part 200 consolidates and supersedes:
 - Uniform Administrative Requirements (OMB Circulars A-102- State and Local Governments, and A-110, Institutions of Higher Education, Hospitals, and other Non-Profit Organizations)
 - Cost Principles (2 CFR 220- Educational Institutions; 2 CFR 225- State, Local and Indian Tribal Governments; and 2 CFR 230- Non-Profit Organizations)
 - Audit Requirements (OMB Circular A-133)
- IMLS's current 45 CFR Parts 1180 (Grant Regulations) and 1183 (Admin. Requirements for Grants to States) are relocated and consolidated within 2 CFR Part 200 and 2 CFR Chapter XXXI, Part 3187 (IMLS's new regulation that adopts 2 CFR Part 200)

2 CFR Part 200 (Cont'd)

- Effective December 26, 2014
- Where to look for IMLS grant regulations for new awards made on or after December 26, 2014:

2 CFR Part 200 and its IMLS corresponding implementation regulations at 2 CFR Title 2, Chapter XXXI, Part 3187.

Note:

- (a) Subawards made from post-Dec. 26, 2014 awards follow the new regulations.
- (b) Subawards made from pre-Dec. 26, 2014 awards follow the regulations that were in effect when the (pre-Dec. 26, 2014) award was made, even if the subaward is made post-Dec. 26, 2014.

New Guidance- Major Elements

- Integrates and streamlines eight overlapping OMB circulars into one set of guidance (2 CFR Part 200);
- Provides a set of uniform definitions for federal assistance;
- Requires pre-award consideration of merit and risk;
- Strengthens internal controls while providing administrative flexibility;

New Guidance- Major Elements (Cont'd)

- Streamlines and clarifies guidance on subrecipient monitoring;
- Provides consistency on negotiated indirect cost rates by creating a minimum rate for certain recipients;
- Simplifies reporting requirements for time and effort; and
- Targets audit resources based on risk by raising single audit threshold from \$500k to \$750k and focuses audits on material weaknesses

Outline of New Guidance

- Subpart A – Acronyms & Definitions
- Subpart B – General Provisions
- Subpart C – Pre-Award Requirements
- Subpart D – Post Award Requirements
- Subpart E – Cost Principles
- Subpart F – Audit Requirements
- Appendices I - XI

Key Definitions

- 200.38, **Federal award** (depending on the context, means (a) the Federal financial assistance (\$) that a Non-Federal Entity receives directly from the Federal agency or indirectly from a Pass-Through Entity or (b) the award document. It does not mean a procurement contract that a Federal agency uses to buy goods or services.)
- 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, e.g., SLAAs)
- 200.90, **State** no longer includes **Indian tribe** (200.54)
 - No effect on funding because eligible applicants are based on the Federal program, not Part 200

Key Definitions (Cont'd)

- **200.93, Subrecipient**

- Subrecipient* means a non-Federal entity that receives a subaward from a pass-through entity to carry out part of a Federal program

- **200.23, Contractor** is used rather than “vendor”

- Contractor* means an entity that receives a contract (as defined in 200.22 Contract)

- Look at the nature of the relationship rather than what the agreement is called; See 200.330

Conflict of Interest & Mandatory Disclosures

- Two new requirements that strengthen oversight:

- 200.112, Conflict of Interest

The non-Federal entity must disclose in writing any potential conflict of interest to the Federal awarding agency (or pass-through entity) in accordance with applicable Federal awarding agency policy

(IMLS's policy can be found at:

http://www.imls.gov/applicants/conflict_of_interest_requirements.aspx)

- 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

Performance Management

- 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 non-Federal entities to improve program outcomes, share lessons learned, and spread the adoption of promising practices
 - Recipients must relate financial data to performance accomplishments and provide cost information to demonstrate cost effective practices



Internal Controls

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

Equipment and Supplies

- 200.313(b), 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 in 200.313 (c) – (e)
- 200.314, Supplies:
 - “Supplies” means all tangible personal property other than “Equipment.” A computing device is generally now considered a supply if its cost is less than \$5,000. See 200.94, Definition of “Supplies”.

Procurement

- 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, including written standards of conduct covering conflict of interest
- See 200.317-200.326 for additional details

Subrecipient Monitoring & 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
- What the document is called does not matter; the relationship is the basis for determining which requirements are applicable

Subrecipient Monitoring and Oversight Requirements for Pass-through Entities

- 200.331, Requirements for Pass-Through Entities (SLAAs):
 - Includes audit responsibilities that were in A-133
 - SLAAs must:
 - Put specific information in the subaward, including indirect cost rate
 - 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- Audit Requirements
 - Make any necessary adjustment to their records based on reviews and audits of subrecipients
 - Consider actions to address subrecipient noncompliance

Information Contained in a Subaward

- Following information must be identified to subrecipient at time of award and put in the subaward documentation (and when changes are made to the subaward) (200.331(a)):
 - Federal award identification (Federal agency name, Federal grant number, CFDA number, subrecipient unique entity identifier number)
 - Indirect cost rate for the Federal Award (including if the de minimus rate is charged per 200.414 Indirect (F&A) costs)
 - Requirements imposed by the SLAA
 - Access to records for audit

Evaluating Subrecipient Risk to Determine Appropriate Monitoring

- The SLAA must evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for the purpose of determining 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 Subrecipient Monitoring Procedures

- When monitoring subrecipients, SLAAs must (200.331(d)):
 - Review reports required by the SLAA
 - Follow-up to ensure subrecipients take appropriate action on all deficiencies (pertaining to subawards from the SLAA) identified through audits, on-site reviews, and other means
 - Issue a management decision for audit findings pertaining to subawards made by the SLAA
- Not new requirement – taken from A-133

FFATA Reminder

- The Federal Funding Accountability and Transparency Act requires that all subawards of \$25,000 or more in federal funds must be reported via the Federal Subrecipient Reporting System (fsrs.gov)

Additional Subrecipient Monitoring Tools

- Following tools may be useful, depending upon the risk assessment (200.331(e)):
 - Providing subrecipient training and technical assistance
 - Performing on-site reviews
 - Arranging for agreed-upon-procedures engagements under 200.425, Audit services [in Cost Principles]
- No listed tool is required nor is the list of tools all-inclusive
- Determination on which tools to use is a matter of judgment for the SLAA based upon its assessment of risk

Methods for Collection, Storage and Transmission of Information

- 200.335, Methods for collection, transmission and storage of information:
 - Federal awarding agencies and 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, Storage and Transmission of Information (Cont'd)

- 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.

Cost Principles

- 200.407 - Prior Written Approval
 - Provides a list of the circumstances under which non-Federal entities should seek prior approval from the Federal awarding agency (e.g., pre-award costs, revision of budget/program plans, equipment, program income, participant support costs, etc.)

Cost Principles (Cont'd)

■ 200.414 - Indirect Costs

While there is a 4% statutory ceiling on administrative costs at the State level for SLAAs, SLAA's must accept a subrecipient's federally-negotiated indirect cost rate. If no such rate exists, the SLAA must accept:

- a rate negotiated between SLAA and subrecipient (in compliance with federal guidelines), or
- the minimum [de minimis] rate of 10 percent of a subrecipient's modified total direct costs (see 200.331 (a)(4))

Selected Items of Cost

- 200.430 – Compensation – Personal Services
 - Reporting requirements for time and effort have been simplified while internal controls have been strengthened
- 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 finding local dependent care

Selected Items of Cost (Cont'd)

- 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 (Cont'd)

- 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 (Cont'd)

- 200.456 – Participant Support Costs
 - Now applies to all types of organizations; requires prior approval
 - Definition (200.75): “direct costs for items such as stipends or subsistence allowances, travel allowances, and registration fees paid to or on behalf of participants or trainees (but not employees) in connection with conferences, or training projects.”

Selected Items of Cost (Cont'd)

- 200.460 – Proposal Costs
 - Now only allowed as indirect cost
- 200.474 – Travel Costs
 - Provides that temporary dependent care costs that result directly from travel to conferences and meet specified standards are allowable.

Audit Threshold (200.501)

- Increases audit threshold from \$500,000 to \$750,000
- Allows Federal agencies to focus their audit resolution resources on the findings that put higher amounts of taxpayer dollars at risk, thus better mitigating overall risks of waste, fraud, and abuse across the government
- Further, provisions throughout the guidance provide a strengthened level of oversight for non-Federal entities that fall below the new threshold, including:
 - pre-award review of risks,
 - standards for financial and program management,
 - subrecipient monitoring and management, and
 - remedies for noncompliance

Additional Resources

- The resources listed below are all available on the Council on Financial Assistance Reform (COFAR) website (<https://cfo.gov/cofar/>) for your review/reference:

COFAR Training Webcasts

- COFAR Training Introduction (11 minutes)
<http://youtu.be/SOET4b-7my8>
- COFAR Training Administrative Requirements (85 minutes)
<http://youtu.be/BP3I3PjI1JQ>
- COFAR Training Cost Principles (36 minutes)
<http://youtu.be/q0rWXdy2ICM>
- COFAR Training Audit Requirements (50 minutes)
<http://youtu.be/g-U8HGbbC-Y>

Additional Resources & Questions

- Crosswalks are located at http://www.whitehouse.gov/omb/grants_docs
- and the latest version of FAQs (August 2014) is located at <https://cfo.gov/wp-content/uploads/2014/08/2014-08-29-Frequently-Asked-Questions.pdf>

Please Note: The Grant Reform is new for IMLS, recipients, and subrecipients. This presentation is intended to provide you with a general overview. You should consult the specific statutes, regulations, terms and conditions, and other requirements that apply to the conduct of your particular activities.

- Questions?

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