

Washington State Board for Community and Technical Colleges

How EDGAR and the UGG Impact the Perkins CTE Program

Michael Brustein, Esq.
mbrustein@bruman.com

Steve Spillan, Esq.
sspillan@bruman.com

August 13, 2024



www.bruman.com



SBCTC CONTACT INFORMATION

BUDGET/FISCAL Questions

- [Melanie Kielich](#), Fiscal Grant Administrator
- [Denise Costello](#), Associate Director Fiscal Management

PROGRAM Questions

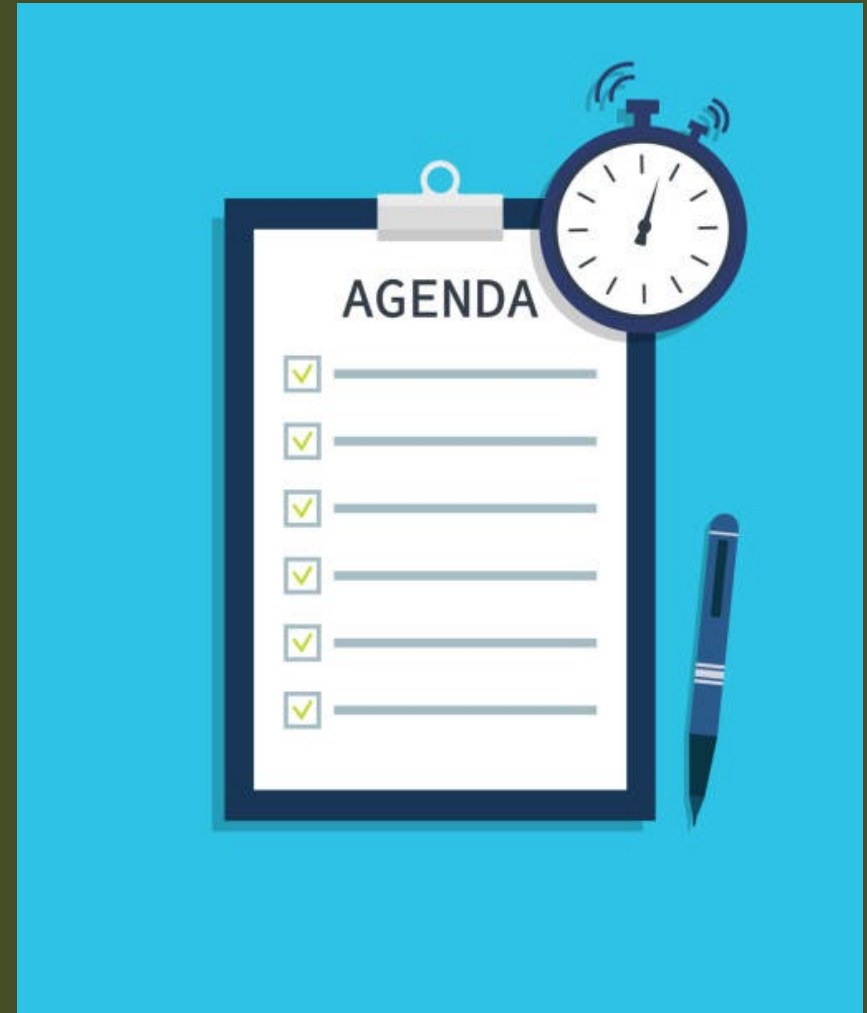
- [Kimberly Ingram](#), Program Administrator
- [Bill Belden](#), Policy Associate

TIME & EFFORT AND SUBRECIPIENT MONITORING Questions

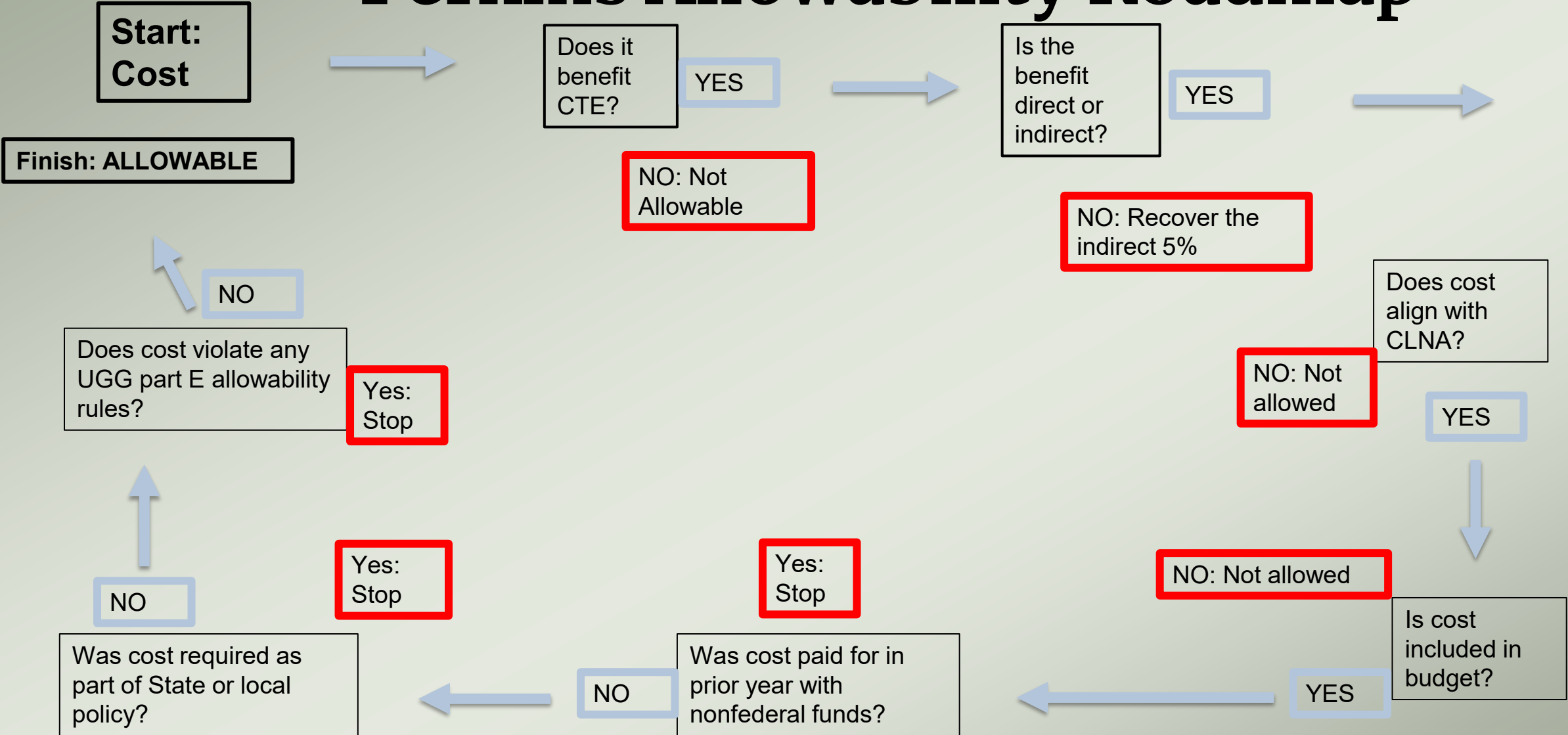
- [Maryam Jacobs](#), System Internal Auditor

Agenda

- ✓ How to Determine if Costs are Allowable
- ✓ Most Important Sections of EDGAR
- ✓ EDGAR Proposed Changes
- ✓ UGG Final Updates
- ✓ Financial Management
- ✓ Timely Spending
- ✓ Allowability
- ✓ Time & Effort
- ✓ Procurement
- ✓ Property Standards
- ✓ Record Keeping
- ✓ Subrecipient Monitoring
- ✓ Audit Requirements



Perkins Allowability Roadmap



What Legal Authorities Govern Perkins V?

- Perkins statute
- General Education Provisions Act
- Education Department General Administrative Regulations (EDGAR)
- UGG
- OCR Guidelines

Binding Legal Authorities

Does not include OCTAE Q+A, Dear Colleague Letters, Emails, Non-Regulatory issuances

See: 2 CFR 200.105(b)

Sec. 135(a) – Local Use of Funds

- Each local recipient that receives Perkins funds “shall use such funds to develop, coordinate, implement, or improve [CTE] programs to meet the needs identified in the [CLNA].”
- If it doesn’t tie back to the CLNA, it will be impossible to argue it is necessary under Perkins...therefore its unallowable

Size, Scope, and Quality

- Sec. 135(b) of Perkins requires local recipients to “support [CTE] programs that are of sufficient size, scope, and quality to be effective.”
- Size, scope, and quality became a primary focus near the end of Perkins IV, and gained much greater significance under Perkins V.
 - Focus include greater burden on the State to define these terms in the State plan

Sec. 135(b)(1) – Career Exploration

- Provide career exploration and career development activities, including in the middle grades, to aid in making informed plans and decisions about future education and career opportunities and programs of study

Sec. 135(b)(2) – Professional Development

- Provide professional development for teachers, faculty, school leaders, administrators, specialized instructional support personnel, career guidance and academic counselors, or paraprofessionals

Sec. 135(b)(3) – Skills Attainment

- Provide within CTE the skills necessary to pursue careers in high-skill, high-wage, or in-demand industry sectors or occupations

Sec. 135(b)(4) – Academic Skills

- Support integration of academic skills into CTE programs and programs of study to support—
 - CTE participants at the secondary school level in meeting the challenging State academic standards adopted under section 1111(b)(1) of the Elementary and Secondary Education Act of 1965 by the State in which the eligible recipient is located; and
 - (B) CTE participants at the postsecondary level in achieving academic skills

Sec. 135(b)(5) – Increase Student Achievement

- Plan and carry out elements that support the implementation of CTE programs and programs of study and that result in increasing student achievement of the local levels of performance
 - 20 different possible uses of funds (work-based learning, CTSO costs, industry certifications, support for special pops
 - “Other activities to improve [CTE] programs.”

Sec. 135(b)(6) - Evaluations

- Develop and implement evaluations of the activities carried out with funds under this part, including evaluations necessary to complete the CLNA and the local performance report

Pooling & Admin

- Locals may pool a portion of funds received with a portion of funds available to one or more local recipients to support implementation of programs of study through the activities described in subsection (b)(2).
- 5% Cap on local admin

What Rules Apply to Grants Management?

Education Department General Administrative Regulations (EDGAR)

- 34 CFR Parts 74-99

Uniform Grants Guidance (UGG)

- 2 CFR Part 200

Program Statutes and Regulations

- ESEA, IDEA, WIOA, Perkins, AEFLA, etc.

EDGAR and the UGG

EDGAR (34 CFR)

Part 75 - Direct Grant Programs
Part 76 - State-Administered Programs
Part 77 - Definitions
Part 81 - Enforcement Regulations

UGG (2 CFR Part 200)

Subpart A – Acronyms and Definitions
Subpart B – General Provisions
Subpart C – Pre-Federal Award Requirements
Subpart D – Post Federal Award Requirements
Subpart E – Cost Principles
Subpart F – Audit Requirements

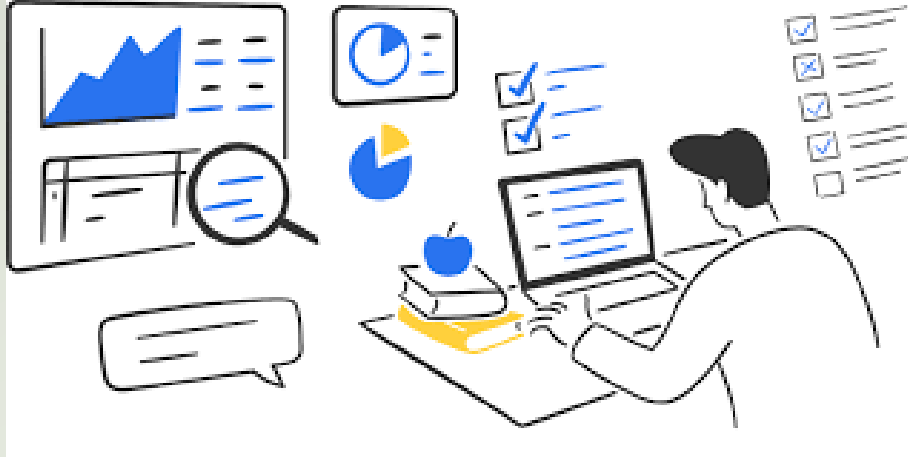
WHAT ARE
THE 10 MOST
SIGNIFICANT
PARTS OF
EDGAR?



1. Allowable Costs – 76.530

As specified in 2 CFR Part 200
Subpart E

2. Administrative Requirements – Subpart G



3. Obligation Chart

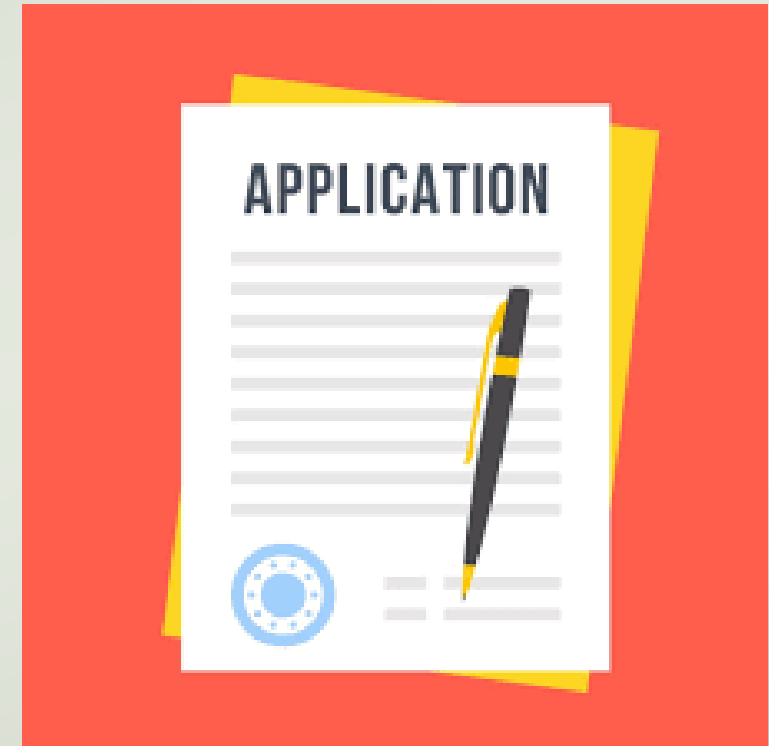
When do costs obligate? 34 CFR 76.707

Type of Cost	Date of Obligation
Acquisition of real or personal property	On the date on which the State or subgrantee makes a binding written commitment to acquire the property
Personal services by an employee	When the services are performed
Personal services by a contractor	On the date on which the State or subgrantee makes a binding written commitment to obtain the services
Performance of work other than personal services	On the date on which the State or subgrantee makes a binding written commitment to obtain the work
Travel	When the travel is taken

4. Substantial Approvability

When certain subgrantees may begin to obligate? 76.708

- For formula programs: Submission of “substantially approvable application”
- What is “substantially approvable”?
- For competitive programs: final approval of application



5. Carryover Funds – 76.710

Subject to the statute/regs/state plan/local plan in effect for
carryover period

Example: set-aside changes in statutory amendments

De Minimus 8% Indirect Cost Rate for IHEs and Nonprofits

76.564(c)



7. Nondiscrimination Requirements

Federal Statutes and regulations on nondiscrimination

- Title VI Part 100
- Title IX Part 106
- Section 504 Part 104
- Age Discrimination Part 110

76.50

8. Harm to the Federal Interest

- A recipient that made an unallowable expenditure or otherwise failed to account properly for funds shall return an amount that is proportional to the extent of the harm its violation caused to an identifiable Federal interest

81.32

9. An identifiable federal interest includes:

- 1) Serving only eligible beneficiaries
- 2) Providing only authorized services or benefits
- 3) Complying with expenditure requirements:
 - Set-aside
 - Excess cost
 - MOE
 - Comparability
 - SNS
 - Match

81.32

An identifiable federal interest includes (cont.):

- 4) Preserving the integrity of planning, application, recordkeeping and reporting requirements
- 5) Maintaining accountability for use of funds



81.32

10. Mitigating Circumstances – 81.33

- 90-Day Letter
- “Get Out of Jail Free” card



EDGAR Proposed Changes

NPRM released: January 11, 2024
45-day comment period.

<https://www.govinfo.gov/content/pkg/FR-2024-01-11/pdf/2023-27682.pdf>



Proposed EDGAR Changes

- Last major update to EDGAR was 2013

“Given that EDGAR serves as the foundational set of regulations for the Department, we have reviewed EDGAR, evaluated it for provisions that, over time, have become outdated, unnecessary, or inconsistent with other Department regulations, and identified ways in which EDGAR could be updated, streamlined, and otherwise improved.”

Proposed 76.50 - Basic Requirements for Subgrants

- Where not prohibited by law, regulation or terms and conditions of the grant award, States have subgranting authority under State-administered formula grant programs and can authorize a subgrantee to make subgrants
 - If subgranting, must comply with pass-through requirements in 2 CFR 200.332, including subrecipient monitoring
- If subgranting is prohibited, grantees may still contract for goods and services

Proposed 76.401 - Appeal process for denied applicants

- Clarifies the hearing and appeal process under 76.401, including clarifying that aggrieved applicants must allege a specific federal or state statute or regulation has been violated.
 - Subsequent appeals to the Secretary must include a federal citation
 - Secretary may dismiss an appeal without a federal citation after asking the appellant to “show cause” why the appeal should not be dismissed.
- Appeals only for SEAs and related to denial of state-administered formula grant applicants
 - Other appeals of SEA final actions are in 76.783

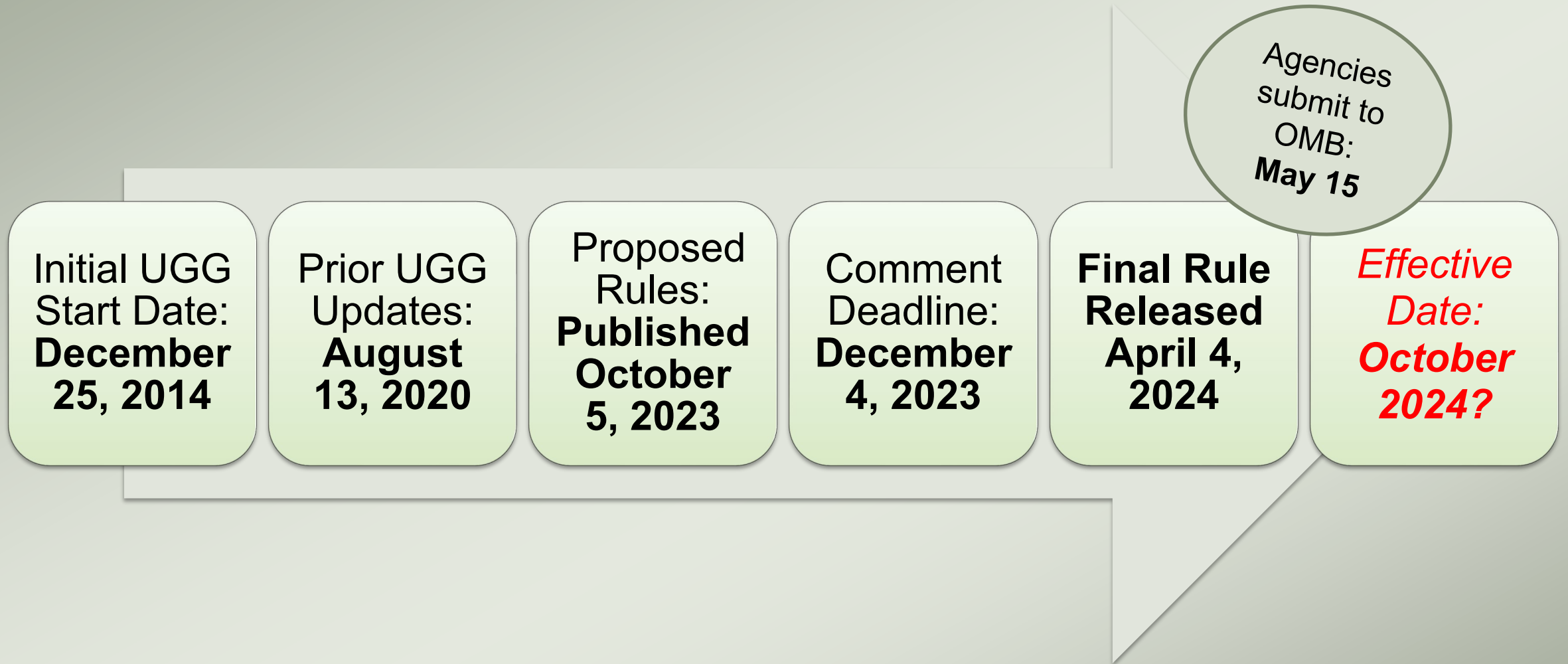
Proposed 76.560-76.569 - Indirect Costs

- Amended to align with UGG
- Includes reference to the de minimis rates
- Continues to offer flat restricted rate of 8 percent MTDC for non-LEA subgrantees without a negotiated restricted rate
- Cross references UGG for definition of MTDC
 - Notes that EDGAR will use whatever threshold for subawards is in the UGG (increased from \$25k to \$50k)
 - Notes that if grantee's own threshold for equipment is under UGG threshold, the grantee's lower threshold is used for calculating MTDC

Proposed Part 77 - Definition updates

- **Clarifies** Period of performance to mean “period during which funds can be obligated by the grantee” (removes cross reference to UGG definition)
- **Adds** definition of construction, clarifies that construction is different from minor remodeling
 - Clarifies minor remodeling definition
- **Adds** definitions of evaluation, independent evaluation,
- **Clarifies** definition of evidenced-based for direct grants
 - Updates to “moderate evidence”, “national level”, “promising evidence,” “regional level” and “strong evidence”, “evidence-building”

Final Changes to the UGG



UGG **FINAL** Changes

“These revisions will improve stewardship of Federal funds, promote equitable access to programs and services, reduce administrative burden for agencies, applicants, and recipients, and facilitate streamlined and effective oversight and implementation of Federal programs. Among other things, the revisions eliminate several prior approval requirements, increase multiple thresholds that trigger additional requirements, and clarify requirements for agencies and recipients.”

- OMB Memo M-24-11

Effective Date - 200.110

- (a) The standards set forth in this part affecting the administration of Federal awards by Federal agencies become effective once implemented by Federal agencies or when any future amendment to this part becomes final.
- Per OMB Memo M-24-11:
 - No later than awards issued on or after October 1, 2024
 - *“Federal agencies may elect to apply the 2024 Revisions to Federal awards issued prior to October 1, 2024, but they are not required to do so.”*
 - By May 15, 2024, all Federal agencies must submit to OMB their plan for implementing the 2024 Revisions.

<https://www.cfo.gov/resources/uniform-guidance/>

OMB Memo M-24-11

<https://www.whitehouse.gov/wp-content/uploads/2024/04/M-24-11-Revisions-to-2-CFR.pdf>

Reducing Burden in the Administration of Federal Financial Assistance

- Tribal sovereignty
- Federal Program Inventory (FPI)
 - The FPI makes it easier to find programs, ensures the effective stewardship of taxpayer funds, and further increases Government transparency.
<https://obamaadministration.archives.performance.gov/federalprograminventory.html>
- Simplifying the Notices of Funding Opportunities (NOFOs)
 - Federal agencies must submit a NOFO simplification plan to OMB by August 1, 2024.
- Build America, Buy America (BABA) requirements included in NOFOs
- Sub-recipient Reporting accountability
- Core Data Elements standardization
- Single Audit Report Request for Extension (permissible if 9-month requirement results in undue burden on the auditee)

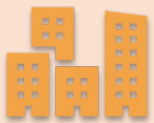
OMB Final Update Objectives



Incorporating statutory requirements and administration priorities;



Reducing agency and recipient burden;



Clarifying sections that recipients or agencies have interpreted in different ways; and



Rewriting applicable sections in plain language, improving flow, and addressing inconsistent use of terms.

Terminology/General Changes

- Current rule uses the term “non-Federal entity”
 - Changed many “non-Federal entity” requirements back to “[recipient](#)” and “[subrecipient](#)” as needed for clarification
- Removed unnecessary acronyms (terms only used once)
- Definition Updates:
 - New definition of improper payment
 - Changed thresholds for equipment and supplies
 - Increased MTDC excluded subaward costs
- OMB will further review this part “periodically” versus every 5 years (200.109)

Mandatory Disclosures – 200.113

- Mandatory disclosures (200.113): Applicant, recipients, and subrecipients must promptly disclose whenever it has credible evidence of the commission a violation of federal criminal law involving fraud, conflict of interest, bribery, or gratuity violations under Title 18 or Civil False Claims Act (31 U.S.C. 3729–3733)
 - Includes both criminal and civil false claims actions
 - Must be made in writing to the Federal agency, the agency's Office of Inspector General, and the pass-through entity (if applicable)
 - Also required to report matters to recipient integrity and performance (i.e. SAM and FAPIIS)
- Includes any activities or subawards in connection with the Federal award.
- Failure to report can result in remedies for noncompliance (200.339).

Required **Financial** Certifications – 200.415

(a) **Financial** reports ~~and payment requests under Federal awards~~ must include a certification, signed by an official who is authorized to legally bind the **recipient**, which reads as follows:

“By signing this report, I certify to the best of my knowledge and belief that the report is true, complete, and accurate, and the expenditures, disbursements and cash receipts are for the purposes and objectives set forth in the terms and conditions of the Federal award. I am aware that any false, fictitious, or fraudulent information, or the omission of any material fact, may subject me to criminal, civil or administrative penalties for fraud, false statements, false claims or otherwise. (U.S. Code Title 18, Section 1001 and Title 31, Sections 3729-3730 and 3801-3812).”

Required **Financial** Certifications – 200.415 (cont.)

New (b): Subrecipients under the Federal award must certify to the pass-through entity whenever applying for funds, requesting payment, and submitting financial reports:

“I certify to the best of my knowledge and belief that the information provided herein is true, complete, and accurate. I am aware that the provision of false, fictitious, or fraudulent information, or the omission of any material fact, may subject me to criminal, civil, or administrative consequences including, but not limited to violations of U.S. Code Title 18, Sections 2, 1001, 1343 and Title 31, Sections 3729-3730 and 3801-3812.”

- This paragraph applies to all tiers of subrecipients.

New Whistleblower Protections – 200.217

- An employee of a recipient or subrecipient must not be discharged, demoted, or otherwise discriminated against as a reprisal for disclosing information that the employee reasonably believes is:
 - Evidence of gross mismanagement of a Federal contract or grant,
 - A gross waste of Federal funds,
 - An abuse of authority relating to a Federal contract or grant,
 - A substantial and specific danger to public health or safety, or
 - A violation of law, rule, or regulation related to a Federal contract (including the competition for or negotiation of a contract) or grant.
- The recipient and subrecipient must inform their employees in writing of employee whistleblower rights and protections under 41 U.S.C. 4712.
 - *Recommendation: add to policies and procedures!*

Statutory and National Policy Requirements – 200.300

New: (b) ... the Federal agency or pass-through entity must ensure that the award is administered in a way that does not unlawfully discriminate based on sexual orientation or gender identity, consistent with the Supreme Court's reasoning in *Bostock v. Clayton County*, 140 S. Ct. 1731 (2020).

New: (c) ... the Federal agency must take account of the heightened constitutional scrutiny that may apply under the Constitution's Equal Protection clause for government action that provides differential treatment based on **protected characteristics**.

Financial Management



Standards for Financial and Program Management – 200.302

States 200.302(a)

- Follow their own rules
- Must be sufficient to permit the preparation of required reports, tracking of funds to a level of expenditures adequate to establish that such funds were used in accordance with law, regulations, etc.



Financial Management – 200.302 (b)

(b) Everyone else – seven standards:

1. Identification in accounts
2. Financial reporting
3. Accounting records (financial obligations)
4. Internal controls
 - Should **align** with “Green Book” or COSO Integrated Framework (200.303(a))
5. Budget control
6. Written procedures for federal payment
7. Written procedures for determining allowability

Internal Controls – 200.303

MUST:

- Establish, **document**, and maintain internal controls
- Comply with requirements (including U.S. Constitution)
- Evaluate and monitor compliance
- Take prompt action to correct noncompliance
- Take **reasonable cybersecurity and other** measures to safeguard **information including** personally identifiable information (PII) and other types of information.
 - **This also includes** info the federal agency or pass-through designates as sensitive or info the recipient/subrecipient considers sensitive and is consistent with laws re privacy and responsibility over confidentiality.

Federal Payment – 200.305(b)

- Must minimize time elapsing between draw down and disbursement
- Must maintain written procedures to implement the requirements of §200.305 (per § 200.302)
 - 1) Advance Payments
 - Limited to minimum amounts needed to meet immediate cash needs
 - Subject to cash management requirements
 - 2) Reimbursements (preferred for construction projects)
 - Federal agency or pass-through must make payment within 30 calendar days after receipt of the payment request
 - Initial payments made with state/local funds

Federal Payment – 200.305(b)(cont.)

- Cash advances must be maintained in insured accounts
- Accounts must be interest-bearing unless **one of the** following applies:
 - Aggregate Federal awards under \$250,000
 - Account not **reasonably** expected to earn in excess of \$500 per year
 - Bank requires minimum balance so high, that such account is not feasible
 - A foreign government or banking system prohibits or precludes interest-bearing accounts;
 - **An interest-bearing account is not readily accessible (for example, due to public or political unrest in a foreign country)**
- Interest earned over \$500 must be remitted annually to HHS Payment Management System.
- All other Federal funds must be returned to the payment system of the Federal agency. Follow the instructions provided by the Federal agency.

Cost Sharing – 200.306

- “or matching” removed from the section title because it is a type of cost sharing.
- Federal agency or PTE must accept any cost sharing or in-kind contributions when they are:
 - Verifiable in recipient or subrecipient’s records
 - Not included as contributions for any other federal award
 - Necessary and reasonable
 - Allowable under Subpart E
 - Not paid by federal government under another federal award, unless specifically authorized by statute
 - Included in approved budget when required
 - Conform to other applicable provisions of this part
- Voluntarily committed cost sharing is not expected under federal research grants (and discouraged as a consideration for all grants)



Program Income – 200.307

- Encouraged to earn income to defray program costs where appropriate
 - Must be used for the original purpose of the Federal award.
 - May only be used for costs incurred during the period of performance or allowable closeout costs.
 - Must be expended prior to requesting additional Federal funds.
- New (e): Not considered program income:
 - Gov't revenues: taxes, assessments, fines, etc.
 - Property: proceeds from sale of real property, equipment, supplies (but must follow property rules 200.311, .313, .314).
 - License fees and royalties: includes patents, fees, etc.



Program Income – 200.307(b) (cont.)

- The Federal agency should specify what program income method(s) will be used in the terms and conditions of the Federal award.
- Three methods
 - Deduction: deduct PI from total allowable costs; reduce federal award by amount of PI earned (default method)
 - Addition: PI added to federal award (requires prior approval from federal agency except IHEs and non-profit research institutions)
 - Cost sharing: may be used to meet cost sharing requirement; federal award amount remains the same (requires prior approval of federal awarding agency)



Program Income – 200.307(c) (con't.)

Income after the period of performance

- There are no requirements governing the disposition of program income earned after the end of the period of performance of the Federal award unless stipulated in the Federal agency regulations or the terms and conditions of the Federal award.
- The Federal agency may negotiate agreements with recipients regarding appropriate uses of income earned after the end of the period of performance as part of the closeout process. See § 200.344.

Revision of Budget/Program Plans – 200.308

- **Must** report deviations from **approved** budget or project scope or objective and **must** request prior approvals from Federal awarding agencies **or pass through entities** for budget and program plan revisions
- The Federal awarding agency or pass-through entity must review the request for budget or program plan revision and **should** notify the recipient or subrecipient whether the revisions have been approved within 30 days of receipt of the request.
- The Federal agency or pass-through entity must inform the recipient or subrecipient in writing when a decision can be expected if more than 30 days is required for a review.

Revision of Budget/Program Plans – 200.308 (cont.)

Prior approval must be requested for:

1. Change in scope of objective/project/program
2. Change in **key personnel (including employees and contractors) that are identified by name or position in the federal award**
3. Disengagement from project for 3+ months or 25% reduction in time by approved project director or principal investigator.
4. Inclusion of costs that require prior approval, **unless waived**.
5. The transfer of funds budgeted for participant support costs to other budget categories
6. **Subaward activities not proposed in the application and approved in award (not applicable to change in subrecipients)**. Does not apply to procurement.
7. Changes to cost-sharing amount.
8. Need arises for additional federal funds for project
9. **Transferring funds between construction and non-construction**
10. **A no-cost extension**

| | |

Timely Spending



Period of Performance – 200.1

- *Period of performance* means the ~~time during which the recipient and subrecipient must perform and complete the work authorized under the Federal award.~~ It is the time interval between the start and the planned end date of a Federal award, which may include one or more funded portions, or budget periods. The period of performance does not commit the Federal agency to fund the award beyond the currently approved budget period.

Carryover (Tydings Amendment) – GEPA Sec. 421(b); 34 CFR 76.709; 76.710

- LEAs are provided the initial award period of 15-months (July 1 – Sept 30), with a one-year carryover period under the “Tydings Amendment”
- Exceptions: program restrictions (Title I-A, 15%; Perkins, no local carryover); and competitive subgrants (21st CCLC, Adult Ed)
 - The initial period of performance is 15 months to obligate (July 1 to September 30)
 - Plus +
 - Carryover period (as applicable) from October 1 to September 30 (additional 12 months)
 - **Total:** 27-month obligation period.

Financial Obligations – 200.1

- Orders placed for property and services, contracts and subawards made, and similar transactions that require payment by a recipient or subrecipient under a Federal award that will result in expenditures by a recipient or subrecipient under a Federal award.

When do costs obligate? 34 CFR 76.707

Type of Cost	Date of Obligation
Acquisition of real or personal property	On the date on which the State or subgrantee makes a binding written commitment to acquire the property
Personal services by an employee	When the services are performed
Personal services by a contractor	On the date on which the State or subgrantee makes a binding written commitment to obtain the services
Performance of work other than personal services	On the date on which the State or subgrantee makes a binding written commitment to obtain the work
Travel	When the travel is taken

Pre-Award Costs – 200.458

- Pre-award costs are those incurred **before** the **start** date of the Federal award **or subaward** directly pursuant to the negotiation and in anticipation of the Federal award where such costs are necessary for efficient and timely performance of the scope of work.
- Allowable only to the extent that they would have been allowed if incurred after the **start** date of the Federal award and only with the written approval of the Federal agency.
- If **approved**, costs must be charged to the initial budget period of the federal award, unless otherwise specified by federal agency or PTE

Closeout & Liquidation – 200.344

- (a) Federal agency or pass-through **must** close out the award when it determines that all administrative actions and required work of the Federal award have been completed.
- (b) Recipient closeout reports: 120 days; subs: 90 days
- (c) SEA must liquidate within 120 days of obligation date
 - Complete scope of work
 - Finish accounting
 - Finalize draw-downs
- LEA has 90 days to liquidate (or an earlier date as agreed upon by the pass-through entity and subrecipient).
 - *When justified*, the Federal agency or pass-through entity may approve extensions **for recipient or subrecipient**

200.472 – Termination and Standard **Closeout** Costs

- **New (b) Closeout costs:**
 - Administrative costs associated with the closeout activities of a Federal award are allowable.
 - May charge the Federal award during the closeout for necessary administrative costs (e.g., salaries of personnel preparing final reports, publication and printing costs, and the costs associated with the disposition of equipment and property).
 - These costs may be incurred until the due date of the final report(s).
 - If incurred, these costs must be liquidated prior to the due date of the final report(s) and charged to the final budget period of the award unless otherwise specified by the Federal agency.

Allowability and Cost Principles



Basic Factors of Allowability - 200.403

To be allowable, a cost *must*:

- Be **necessary, reasonable** and **allocable**
- Comply with the cost principles and Federal award
- Be consistent with policies and procedures applying uniformly to Federal and non-Federal activities and costs
- Be consistently treated as either direct or indirect costs
- Be determined in accordance with GAAP
- Not be included or used to meet cost sharing / match requirements
- Be adequately **documented**
- **Administrative closeout costs may be incurred until due date of the final reports.** If incurred, these costs must be liquidated prior to the due date of the final report(s) and charged to the final budget period of the award unless otherwise specified by the Federal agency.

All other costs must be incurred during the approved budget period.

Necessary – 200.404

A cost is “generally recognized as ordinary and necessary for the **recipient’s or subrecipient’s** operation or the proper and efficient performance of the Federal award.”



Is the cost included in your plan/grant application?



Is it aligned with the goals of the program/grant?



Does your agency have the capacity to use what you are purchasing?



Is the staff knowledgeable regarding the program?

Reasonable – 200.404

“A cost is reasonable if it does not exceed an amount that a prudent person would incur under the circumstances prevailing when the decision was made to incur the cost.”

- a) Whether the cost is generally recognized as ordinary and necessary for the operation or the proper and efficient performance of the Federal award;
- b) Sound business practices; arm's-length bargaining; Federal, State, local, tribal, and other laws and regulations; and terms and conditions of the Federal award;
- c) Market prices for comparable costs for the geographic area;
- d) Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities; and
- e) Whether the cost represents a deviation from established written policies and procedures for incurring costs.

Allocable – 200.405

Allocation means the process of assigning a cost, or a group of costs, to one or more cost objective(s), in reasonable proportion to the benefit provided or other equitable relationship (200.1).

Therefore, a cost is allocable to a Federal award if the cost is assignable to that Federal award in accordance with the relative benefits received.

- If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost must be allocated to the projects based on the proportional benefit
- However, when those proportions cannot be determined because of the interrelationship of the work involved, then the costs may be allocated or transferred to benefitted projects on any reasonable documented basis.

Direct Costs – 200.413

- Direct Costs: those costs that can be identified specifically with a particular final cost objective, such as a federal award, or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy.
 - Typically incurred specifically to benefit an award (**including, for example, supplies needed to achieve the award's objectives and the proportion of employee compensation and benefits expended in relation to that specific award**)
- Most costs are directly charged to the grant
- For costs that cannot be directly charged, grantees have an indirect cost rate

Direct Costs – 200.413(c)

- Salaries of administrative and clerical staff should normally be treated as “indirect” unless all of following are met:
 - Such services are integral to the activity
 - Individuals can be specifically identified with the activity
 - Costs not also recovered as indirect
 - *Removed “such costs are explicitly included in budget or have prior written approval of federal awarding agency”*

Indirect Costs – 200.414

- The recipient or subrecipient may notify OMB of any disputes with Federal agencies regarding the application of a federally negotiated indirect cost rate.
- De minimis rate (for when recipients and subrecipients do not have a negotiated indirect cost rate) increased from 10% to 15% for modified total direct costs (MTDC)
- MTDC subaward limit increased from \$25,000 to \$50,000.
- Pass-through entities must accept all federally negotiated indirect cost rates for subrecipients (per 200.332(b)(4)).

Restricted vs. Unrestricted Indirect Cost Rates – 34 CFR 76.560-580

- State and local governments
 - EDGAR 75.561 and 76.561 requires States to negotiate rates with LEAs that want them; accordingly, these entities have a negotiated rate.
- Restricted rate programs – 34 CFR 76.563
 - Required for programs with a supplement not supplant provision
 - De minimis rate is an “unrestricted” rate. Cannot be used for programs with supplement not supplant provisions.

Selected Items of Cost Examples

Alcohol - 200.423

- Not allowable

Entertainment **and Prizes** - 200.438

- a) Entertainment costs. Costs of entertainment, including amusement, diversion, and social activities and any associated costs (such as gifts), are unallowable **unless they have** a specific **and direct** programmatic purpose and are **included in a** Federal award.
- b) Prizes. Costs of prizes or challenges are allowable if they have a specific and direct programmatic purpose and are included in the Federal award. Federal agencies should refer to OMB guidance in M-10-11 “Guidance on the Use of Challenges and Prizes to Promote Open Government,” issued March 8, 2010, or its successor.

Advertising and Public Relations – 200.421

Allowable for programmatic purposes including:

- Recruitment of personnel
- Procurement of goods and services
- Disposal of materials
- Program outreach (e.g., ~~recruiting project participants~~)
- Public relations (in limited circumstances)
- Costs of promotional items and memorabilia, ~~including models, gifts and souvenirs~~ are not allowable.
- Costs of advertising solely to promote the recipient/subrecipient are not allowable.

Professional Development (PD)

Conferences – 200.432

- Generally, allowable.
- To be considered a “conference,” must disseminate technical information beyond the recipient or subrecipient and be necessary and reasonable for successful performance under the Federal award
- Allowable conference costs include rental of facilities, costs of meals and refreshments, transportation . . . unless restricted by the Federal award
- Costs related to identifying ~~but not~~ and providing locally available dependent-care resources for participants are allowable as needed.
- Conference hosts must exercise discretion in ensuring costs are appropriate, necessary, and managed to minimize costs to Federal award

Training and education costs – 200.473

- Allowable

USDE's High Burden for Food During PD Activities

ED generally does not allow for the purchase of food:

- “Generally, there is a very high burden of proof to show that paying for food and beverages with Federal funds is necessary to meet the goals and objectives of a Federal grant.
- When a grantee is hosting a meeting, the grantee should:
 - Structure the agenda for the meeting so there is time for participants to purchase their own food, beverages, and snacks.
- In addition, when planning a meeting, grantees may want to consider a location in which participants have easy access to food and beverages.
- These determinations will be made on a case-by-case basis, and there may be some circumstances where the cost would be permissible.
- Grantees, therefore, will have to make a compelling case that the unique circumstances they have identified would justify costs as reasonable and necessary.”

- Department of Education Guidance on Food, 2014

Travel - 200.475

- Travel costs may be charged on actual cost basis, a per diem or mileage basis or a combination of the two, provided the method used is applied to an entire trip and not selected days of the trip.
 - The method used must be consistent with state/local activities and established written policies.
- Travel charges must be consistent with entity's **established written** policies.
 - Must also document and justify that participation of an individual is necessary for the federal award and costs are reasonable and consistent with written policies.
- Allows costs for “above and beyond regular dependent care” if:
 - Costs are directly related to federal award travel;
 - Consistent with **established written** policy for all travel; and
 - Costs are temporary during travel period.

Participant Support Costs – 200.1

- Participant support costs are allowable.
 - Direct costs that support participants and their involvement in a Federal award, such as stipends, subsistence allowances, travel allowances, registration fees, temporary dependent care, and per diem paid directly to or on behalf of participants (200.1).
- Who is a Participant?
 - An individual participating in or attending program activities under a Federal award, such as trainings or conferences, but who is not responsible for implementation of the Federal award.
 - DOES NOT INCLUDE: Individuals committing effort to develop or deliver the program including consultants, project personnel, or staff members.
 - Examples of participants: community members, students, or conference attendees.

Participant Support Costs – 200.456

- The classification of items as participant support costs must be documented in the recipient's or subrecipient's written policies and procedures and treated consistently across all Federal awards.
- General prior approval requirement removed (200.407)
- However, the transfer of funds budgeted for participant support costs to other budget categories requires a budget amendment (200.308)

Add to policies and procedures!

Fines, Penalties, Damages – 200.441

- Costs resulting from **recipient or subrecipient** violations of, or alleged violations of, or failure to comply with federal, State, local, tribal, or foreign laws and regulations are unallowable, except when incurred as a result of compliance with specific provisions of the federal award, or with the prior written approval of the federal agency.

Prohibition on Telecommunications and Video Surveillance – 200.216, 200.471

- Prohibits Recipients and subrecipients from **entering into or renewing** contracts with certain covered entities
 - 200.471: Telecommunication and video surveillance services or equipment are allowable, *except* prohibited entities under 200.16.
- Entities will be incorporated into the excluded parties list in the SAM (www.sam.gov). When a user conducts a search of the excluded parties list, a record will appear describing the nature of the exclusion for any entity identified as covered by this prohibition. (OMB FAQ 47)
 - *Recommendation: Check SAM.gov for applicable contracts!*

Additional proposed changes were not adopted.

Prior Written Approval - 200.407

- § 200.306 Cost sharing;
 - § 200.307 Program income;
 - § 200.308 Revision of budget/ program plans;
 - § 200.333 Fixed amount subawards;
 - § 200.430 Compensation - personal services;
 - § 200.431 Compensation - fringe benefits;
 - § 200.440 Exchange Rates
 - § 200.441 Fines, penalties, damages and other settlements;
 - § 200.442 Fund raising and investment management costs;
 - § 200.445 Goods or services for personal use;
 - § 200.442 Fund raising and investment management costs;
 - § 200.445 Goods or services for personal use;
 - § 200.447 Insurance and indemnification;
 - § 200.455 Organization costs;
 - § 200.439 Equipment and other capital expenditures;
 - § 200.458 Pre-award costs;
 - § 200.462 Rearrangement and reconversion costs;
 - § 200.475 Travel costs.
- Removed: Real property, Equipment (200.313), Entertainment costs, Participant support costs, taxes.

| | |

Time and Effort Reporting



Final Time and Effort Changes



What is time and effort? 200.430(i)-(g)

- In order to be allowable, must document personnel expenses
 - Employees paid with federal funds, in whole or in part, must maintain documentation of time worked
 - Includes: Full time and part time employees, Federal stipends that are considered salary expenses, Substitute teachers (if employees), etc.
 - Includes: Any employee whose salary is used to meet a match/cost share requirement (includes state, local, private funds)
 - Does not apply to contractors
- Charges to federal awards for salaries and wages must be based on records that accurately reflect the work performed

Documentation Standards – 200.430(g)

Documentation must...

1. Be supported by a system of internal controls which provides reasonable assurance charges are accurate, allowable and allocable;
2. Be incorporated into official records;
3. Reasonably reflect total activity for which employee is compensated;
4. Encompass all activities (federal and non-federal);
5. Comply with established accounting policies and practices; and
6. Support distribution among specific activities or cost objectives.

Cost Objectives

- Cost objective means a program, function, activity, award, organizational subdivision, contract, or work unit for which cost data are desired and for which provision is made to accumulate and measure the cost of processes, products, jobs, and capital projects. A cost objective may be a major function of the **recipient or subrecipient**, a particular service or project, a Federal award, or an indirect cost activity, as described in subpart E. (200.1)
- Anything that requires separate cost accounting (ex. spending caps, mandatory minimums, etc.)

Cost Objectives	NOT Cost Objectives
<ul style="list-style-type: none">• Title I, Public School Admin• Title I Parent and Family Engagement• Title I Equitable Services (has additional sub cost objectives)• Schoolwide School• Perkins Admin• IDEA Equitable Services, etc.	<ul style="list-style-type: none">• Title I• Title II, A• IDEA• Perkins• Program Director• Federal Programs

Reconciliation

- All necessary adjustments must be made such that the final amount charged to the Federal award is accurate, allowable, and properly allocated.
 - Budget estimates alone do not qualify as support for charges to Federal awards, but may be used for interim accounting purposes if:
 - Produces reasonable approximations
 - Significant changes to the related work activity are identified in a timely manner
 - Internal controls in place to **perform periodic after-the-fact reviews of interim charges based on budget estimates** (200.430(g)(1)(vii)(C))
 - Final charges must be accurate.
- Reconciliation may occur at end of the fiscal year or during intervals throughout the year.

Noncompliance – 200.430(g)(8)

- ED may require personnel activity reports (PARs), including prescribed certifications or equivalent documentation that support the records as required in this section.
 - PARs are not defined!
- Largest consequence is unallowable cost findings!

| | |

Procurement



Procurements by States and Indian Tribes – 200.317

- States and Indian tribes follow their own policies and procedures
 - If such policies and procedures do not exist, more restrictive requirements under 300.218 through 200.327 apply.
- State/Tribal procedures must include procurement standards in 200.321, 200.322, 200.323, and 200.327
 - 200.321 – Contracting with small businesses, minority businesses, women’s business enterprises, veteran-owned businesses, and labor surplus area firms.
 - 200.322 – Domestic preferences
 - 200.323 – Procurement of recovered material
 - 200.327 – Contract provisions

General Procurement Standards - 200.318

- Written procurement procedures (200.318(a))
- Must maintain contractor oversight to ensure contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders. (See also 200.501(h))
 - Includes ensuring that your procurement process only awards contracts to responsible contractors
- Avoid acquisition of unnecessary or duplicative items
- Maintain records of each procurement transaction
- Resolve contractual and administrative disputes arising from transactions

Conflicts of Interest – 200.318(c)

- Maintain written standards of conduct covering conflicts of interest actions of employees engaged in the selection, award, and administration of contracts.
- A conflict of interest arises when any of the following has a financial or other interest in the firm selected for award:
 - Employee, officer, agent, or **board member**;
 - Any member of their immediate family;
 - Their partner; or
 - An organization which employs, or is about to employ, any of the parties indicated herein or has a financial or other interest in or tangible personal benefit from an entity considered for a contract.

Conflicts of Interest – 200.318(c) (cont.)

- No employee, officer, agent or **board member** may neither solicit nor accept gratuities, favors, or anything of monetary value from contractors
- However, recipients and subrecipients may set standards for when the financial interest is not substantial or gift is an unsolicited item of nominal value
 - *Nominal value??*
- Standards of conduct must include any discipline actions to be applied in the event of any conflict of interest violations
- Conflicts of interest (200.112): Recipients and subrecipients must disclose in writing any potential conflict of interest to the federal awarding agency or pass-through in accordance with federal awarding agency's conflicts policies.

Organizational Conflict – 200.318(c)(2)

- If the recipient or subrecipient has a parent, affiliate, or subsidiary organization that is not a State, local government, or Indian Tribe, the recipient or subrecipient must also maintain written standards of conduct covering organizational conflicts of interest.
- Organizational conflicts of interest mean that because of relationships with a parent company, affiliate, or subsidiary organization, the recipient or subrecipient is unable or appears to be unable to be impartial in conducting a procurement action involving a related organization.

Intergovernmental Agreements - 200.318(e)

- When appropriate for the procurement or use of common or shared goods and services, recipients and subrecipients are encouraged to enter into State and local intergovernmental agreements or inter-entity agreements
- Fosters greater economy and efficiency
- Documented procurement actions of this type (using strategic sourcing, shared services, and other similar procurement arrangements) will meet the competition requirements of this part

Responsible Contractors – 200.318(h)

- Must award contracts only to responsible contractors that possess the ability to perform successfully under the terms and conditions of a proposed **contract**.
- Recipients and subrecipients must consider:
 - Contractor integrity
 - Public policy compliance
 - Proper classification of employees (**see FLSA**)
 - Past performance record
 - Financial and technical resources

Competition – 200.319

- All procurements transactions under **the** Federal award must be conducted in a manner **that provides** full and open competition consistent with the standards of this section and § 200.320.
 - Competition is the rule; noncompetitive procurements are only allowable in limited circumstances under 200.320(c). (200.319 (g))
- To ensure objective contractor performance and eliminate unfair competitive advantage, contractors that develop or draft specifications, requirements, statements of work, or invitations for bids must be excluded from competing **on those** procurements.

Competition – 200.319 (cont.)

Examples of restrictions on competition:

- 1) Placing unreasonable requirements on firms for them to qualify to do business;
 - Prequalified lists must not preclude potential bidders from qualifying (200.319(e))
- 2) Requiring unnecessary experience and excessive bonding;
- 3) Noncompetitive pricing practices between firms or between affiliated companies;
- 4) Noncompetitive contracts to consultants that are on retainer contracts;
- 5) Organizational conflicts of interest;
- 6) Specifying only a “brand name” product instead of allowing “an equal” product to be offered and describing the performance or other relevant requirements of the procurement; and
 - Detailed product specifications should be avoided if at all possible (200.319(d)).
- 7) Any arbitrary action in the procurement process.

Competition – 200.319 (cont.)

- New Contractor Preferences
 - Does not prohibit recipients or subrecipients from developing written procedures for procurement transactions that incorporate a scoring mechanism that rewards bidders that commit to specific numbers and types of U.S. jobs, minimum compensation, benefits, on-the-job-training for employees making work or products providing services on a contract, and other worker protections.
 - Any scoring mechanism must be consistent with the U.S. Constitution, applicable Federal statutes and regulations, and the terms and conditions of the Federal award.

Methods of Procurement – 200.320

- Informal procurement methods – These procurement methods expedite the completion of transactions, minimize administrative burdens, and reduce costs.
 - Micro-purchases
 - ~~Small Purchases~~ Simplified acquisition procedures
- Formal procurement methods – Required when the value of the procurement transaction under a federal award, exceeds the simplified acquisition threshold of the recipient or subrecipient.
 - Sealed bids
 - Competitive proposals
- Noncompetitive procurements

Informal Procurement: Micro-purchases – 200.320(a)(1)

- When **aggregate amount of the procurement** transaction does not exceed the micro-purchase threshold set in the Federal Acquisition Regulations (FAR): currently \$10,000
 - Purchase cards may be used for micro-purchases.
- To the extent practicable, should distribute micro-purchases among qualified suppliers.
- May be awarded without soliciting competitive price or rate quotations if recipient or subrecipient considers price reasonable based on research, experience, purchase history, or other information; **and maintains documents to support its conclusion.**

Informal Procurement: Micro-purchases – 200.320(a)(1) (cont.)

- May increase the micro-purchase threshold up to \$50,000.
 - Recipient or subrecipient is responsible for annual self-certification of eligibility. Self certification must document:
 - Includes low-risk auditee or annual internal institutional risk assessment to identify, mitigate, and manage financial risks.
 - Threshold must align with state and local rules.
 - IHEs may set a higher threshold consistent with state law.
- To increase the threshold over \$50,000
 - Approval is required by the cognizant agency for indirect costs.

Informal Procurement: **Simplified Acquisitions** – 200.320(a)(2)

- When aggregate dollar amount of procurement transaction is higher than the micro-purchase threshold but does not exceed the simplified acquisition threshold: Currently \$250,000.
 - Recipient or subrecipient **may lower** the threshold based on internal controls, an evaluation of risk, and its documented procurement procedures.
- Price or rate quotations must be obtained from an **adequate number of qualified sources**. **Unless specified by the Federal agency, may exercise judgment in determining what number is adequate.**
 - Up to recipients and subrecipients to determine how many price or rate quotes must be obtained. This number should be written in your policies and procedures.

Formal Procurement Methods – 200.320(b)

- Required when value of procurement is over the simplified acquisition threshold (\$250,000 in the FAR or a lower threshold if applicable).
- Requires competition and public notice.
- Includes sealed bids and competitive proposals.
- Contract Cost and Price Analysis - 200.324
 - For procurements over \$250,000
 - Develop your own estimates before receiving bids/proposals
 - Removes requirement to negotiate profit separately from price

Formal Procurement Methods: Sealed Bids – 200.320(b)(1)

- Preferred method for construction
- Bids are publicly solicited **through an invitation** and a firm fixed-price contract (lump sum or unit price) is awarded to the responsible bidder whose bid conforms with all terms and conditions of invite and is the lowest in price.
- Use when :
 - A complete, adequate, and realistic specification or purchase description is available;
 - Two or more responsible bidders **have been identified as** willing and able to compete effectively for the business; and
 - Procurement lends itself to a firm -fixed -price contract; selection of the successful bidder can be made principally based on price.
- **For sealed bids only- the recipient or subrecipient must document and provide a justification for all bids it rejects.**

Formal Procurement Methods: Proposals – 200.320(b)(2)

- Use when conditions are not appropriate for using sealed bids; may result in either a fixed-price or cost-reimbursement contract
- RFPs require public notice; must identify all evaluation factors; solicit from multiple qualified sources
- Must have written procedures for conducting technical evaluations and making selections of proposals
- Contracts awarded to responsible offeror whose proposal is most advantageous to recipient or subrecipient considering price and other factors

Noncompetitive Procurements – 200.320(c)

Appropriate only when:

1. The aggregate amount of the transaction is under the micro-purchase threshold
2. **The procurement transaction** can only be fulfilled by a single source
3. There is a public emergency for the requirement that will not permit delay resulting from **providing public notice of** a competitive solicitation
4. The **recipient or subrecipient requests in writing to use a noncompetitive procurement method, and the** federal agency or pass-through entity provides written approval, or
5. After soliciting **several** sources, competition is determined inadequate

Contracting with Small, Minority, Women's, or Veteran-Owned Businesses – 200.321

- **When possible**, should consider small businesses, minority businesses, women's businesses, **veteran-owned businesses**, and labor surplus area firms (**see DOL's list**).
- Consideration means:
 - Including these businesses on solicitation lists
 - Soliciting whenever deemed eligible as potential sources
 - Dividing separate procurements and establishing delivery schedules to permit maximum participation
 - Use orgs like the Small Business Administration and the Minority Business Development Agency of the Department of Commerce
 - Requiring contractors under a federal award to apply these conditions to subcontracts

Suspension And Debarment – 200.214; 180.300; 200.216

- For contracts over \$25,000, you must verify that the person with whom you intend to do business is not excluded or disqualified.
 - Prohibition on certain telecommunications and video surveillance services or equipment
 - **Note for PTEs: Must Confirm in SAM.gov that a potential subrecipient is not suspended, debarred or excluded from receiving Federal funds (200.332(a))**
- This MUST be done by one of the following:
 - Checking SAM.gov
 - Collecting a certification from that person
 - Adding a clause or condition to the covered transaction with that person

Other Procurement Rules

- Prohibition on using geographic preferences removed!
- 200.322 – Domestic Preference for Procurement
 - “To the greatest extent practicable” must provide a preference for the purchase of goods and materials produced in the U.S.
- 200.323 – Procurement of Recovered Materials
 - New (b) Should, to the greatest extent practicable and consistent with law, purchase, acquire, or use products and services that can be reused, refurbished, or recycled; contain recycled content, are biobased, or are energy and water efficient; and are sustainable

Procurement Documentation

- 200.325 – Federal Agency or Pass Through Review
 - May review technical specifications of proposed procurements if agency or PTE believes review is needed to ensure item or service specified is the one being proposed for acquisition.
 - The recipient or subrecipient must submit the technical specifications of proposed procurements when requested by the Federal agency or pass-through entity.
 - Federal agency or PTE may conduct a pre-procurement review
- 200.327 - Contract Provisions
 - Applicable provisions in Appendix II to the UGG must be included in all contracts procured with federal funds.

Property Standards



Property Thresholds



Equipment: tangible, non-expendable, personal property having a useful life of more than one year and an acquisition cost of **\$10,000** or more per unit



Supply: All tangible personal property other than equipment



Computing Devices: If less than **\$10,000** per unit, defined as supplies

General Equipment Rules - 200.313(b)

- A State must use, manage and dispose of equipment acquired under a Federal award in accordance with State laws and procedures.
- Indian Tribes must use, manage, and dispose of equipment acquired under a Federal award in accordance with tribal laws and procedures. If such laws and procedures do not exist, Indian Tribes must follow the guidance in this section.
- Other recipients and subrecipients, including subrecipients of a State must follow paragraphs (c) through (e) of this section.
- Equipment purchases required prior approval (200.439)

Equipment Use – 200.313(c)

- Equipment must be used in the program or project for which it was acquired as long as needed, whether or not the project or program continues to be supported by the Federal award
- Equipment must be available for shared use, provided such use will not interfere with the purpose for which it was originally acquired, and it follows this order of preference:
 - First by other programs from same agency
 - Then open to other Federal programs
 - Non-Federal programs, **provided such use will not interfere with the purpose for which it was originally acquired**

Replacement Equipment – 200.313(c)(4)

- May use sale price of old equipment towards purchase price of replacement equipment
 - Calculate new federal share using % of federal funds initially used to purchase equipment



Inventory Procedures – 200.313(d)

- Regardless of whether equipment is acquired in part or its entirety under the Federal award, the recipient or subrecipient must manage equipment (including replacing equipment) utilizing procedures that meet the following requirements:
 - 1) Property records
 - Description, serial number or other ID, source of funding (including FAIN), title, acquisition date and cost, percent of Federal contribution, location, use and condition, and disposition date including sale price.
 - Recipient/subrecipient is responsible for maintaining and updating property records when there is a change in status of the property.

Inventory Procedures – 200.313(d) (cont.)

- 2) Physical inventory at least every two years (or more often, if required by State or your own policies)
- 3) Control system to prevent property loss, damage, theft
 - All incidents must be investigated **and reported to the Federal agency**
or pass-through entity
- 4) **Regular** maintenance procedures **in place**
- 5) If authorized or required to sell property, proper sales procedures to ensure highest possible return

Equipment Disposition – 200.313(e) and (f)

- When property is no longer needed in any current or previously Federally-funded supported activity, must request disposition instruction from the Federal agency **or pass-through entity**.
- Disposition will be made as follows, in accordance with Federal agency **or pass-through entity** disposition instructions:
 - Fair market value more than **\$10,000 (per unit)** = pay Federal share back to federal agency **or pass-through entity**
 - May retain **\$1,000** to cover expenses associated with the selling and handling of the equipment.
 - Fair market value of **\$10,000 or less (per unit)** = no money owed back to feds
- ***Equipment retention.*** When included in the terms and conditions of the Federal award, the Federal agency may permit the recipient to retain equipment with no further obligation to the Federal Government unless prohibited by Federal statute or regulation.

Supplies – 200.314

- Supplies are an allowable direct charge (200.453). Title to supplies acquired under the Federal award will vest upon acquisition in the recipient or subrecipient.
- If there is a residual inventory of unused supplies **at the end of the period of performance** exceeding **\$10,000** in total aggregate value, and the supplies are not needed for any other Federal award, the State or LEA may retain or sell the supplies
 - **Unused supplies means supplies that are in new condition, not having been used or opened before.**
 - **The aggregate value of unused supplies consists of all supply types, not just like-item supplies**
- OESE provided an SEA guidance in April 2024 that new “unused supplies” definition can apply to current rules.

Supplies Disposition – 200.314 (cont.)

- The federal agency or pass-through entity is entitled to compensation in an amount calculated by multiplying the percentage of the federal agency's or pass-through entity's contribution towards the cost of the original purchase(s) by the current market value or proceeds from the sale.
- If the supplies are sold, the Federal agency PTE may permit the recipient or subrecipient to retain \$1000 from the Federal share of the proceeds to cover expenses associated with the selling and handling of the supplies.

| | |

Record Keeping



Methods of Collection, Transmission and Storage of Information – 200.336

- When practicable, the Federal agency or pass-through entity and the recipient or subrecipient must collect, transmit, and store Federal award information in an open file, non-licensed, and machine-readable formats.
- Recipient or subrecipient may substitute electronic versions of original paper records through duplication or other forms of electronic conversion, provided that the procedures are subject to quality control reviews.
 - Quality control reviews must ensure that electronic conversion procedures provide reasonable safeguards against alteration of records and assurance that records remain in a format readable by a computer system.

Access to Records- 200.337

- The Federal agency, or pass-through entity, Inspectors General, the Comptroller General of the United States, or any of their authorized representatives, must have the right of access to any records of the **subrecipient or recipient** pertinent to the Federal award to **perform audits, execute site visits, or for any other official use.**
- This right also includes timely and reasonable access to the recipient's and subrecipient's personnel for the purpose of interview and discussion related to such documents **or the Federal award in general.**

Required Written Policies

- Conflicts of Interest Policy – 200.318(c)
- Accounting Policies – 200.306(h)(2)(i); 200.400; 200.430(i)
- Time and Effort Policies – 200.430(a)
- Fringe Benefits Policies – 200.431
- Employee Health and Welfare Policies – 200.437
- Travel Reimbursement Policy – 200.475(a)

Required Written Procedures

- Real property sales procedures – 200.311(c)(2)
- Time & Effort Procedures – ED Cost Allocation Guide
- Written Allowability Procedures – 200.302(b)(7); 200.403(c)
- Written Cash Management Procedures – 200.302(b)(6) and 200.305
- Written Procurement Procedures – 200.318(a), 200.319(d), and 200.320
- Procedures for Managing Equipment – 200.313(d)
- Participant support cost classification - 200.456
- Record conversion quality control - 200.336
- ~~Opportunities to object, hearings and appeals – 200.342~~

Suggested Written Policies and Procedures

- Record Retention
- Audit Resolution
- For the pass-through entity:
Subrecipient monitoring
 - Listed in OMB Compliance Supplement
- Program Specific Requirements



Subrecipient Monitoring and Audit



Subrecipient and Contractor Determinations – 200.331

- An entity may concurrently receive Federal awards as a recipient, a subrecipient, and a contractor.
- The Federal agency does not have a direct legal relationship with subrecipients or contractors of any tier; however, the Federal agency is responsible for monitoring the pass-through entity's oversight of first-tier subrecipients.
 - A subaward is for the purpose of carrying out a portion of the Federal award and creates a Federal financial assistance relationship with a subrecipient.
 - A contract is for the purpose of obtaining goods and services for the recipient's or subrecipient's use and creates a procurement relationship with a contractor.

Subrecipient and Contractor Determinations – 200.331 (cont.)

- The pass-through entity is responsible for making case-by-case determinations to determine whether the entity receiving Federal funds is a subrecipient or a contractor.
 - The pass-through entity must use judgment in classifying each agreement as a subaward or a procurement contract. The substance of the relationship is more important than the form of the agreement.
 - All of the characteristics listed below may not be present in all cases, and some characteristics from both categories may be present at the same time. No single factor or any combination of factors is necessarily determinative.

Subrecipient and Contractor Determinations – 200.331 (cont.)

Subrecipient	Contractor
<p>(1) Determines who is eligible to receive what Federal assistance;</p> <p>(2) Has its performance measured in relation to whether the objectives of a Federal program were met;</p> <p>(3) Has responsibility for programmatic decision-making;</p> <p>(4) Is responsible for adherence to applicable Federal program requirements specified in the Federal award; and</p> <p>(5) Implements a program for a public purpose specified in authorizing statute, as opposed to providing goods or services for the benefit of the pass-through entity.</p>	<p>(1) Provides the goods and services within normal business operations;</p> <p>(2) Provides similar goods or services to many different purchasers;</p> <p>(3) Normally operates in a competitive environment;</p> <p>(4) Provides goods or services that are ancillary to the implementation of a Federal program; and</p> <p>(5) Is not subject to compliance requirements of a Federal program as a result of the agreement. However, similar requirements may apply for other reasons.</p>

Requirements for Pass-Through Entities – 200.332

- Confirm in SAM.gov that a potential subrecipient is not suspended, debarred, or otherwise excluded from receiving Federal funds
- Ensure all subawards have required information in 200.332(b)
 - Federal award identification information
 - All requirements of the subaward
 - Any additional requirements PTE imposes on subrecipient
 - Indirect cost rate
 - Requirement that subrecipient permits PTE and auditors access to records
 - Closeout terms and conditions

Requirements for Pass-Through Entities – 200.332 (cont.)

- Evaluate each subrecipient's risk of noncompliance with subaward to determine appropriate subrecipient monitoring
- Should consider risk factors at 200.332(c):
 - Prior experience with same or similar awards
 - Results of previous audits
 - New personnel or substantially changed systems, ~~policies, or~~
~~procedures~~
 - Any federal agency monitoring results

Requirements for Pass-Through Entities – 200.332 (cont.)

- If appropriate, consider implementing specific conditions (see 200.208)
- Monitor activities of subrecipient
 - PTE responsible for monitoring overall performance of a subrecipient to ensure goals and objectives of the subaward are achieved.
 - Must include reviewing financial and performance reports, ensuring corrective action, issuing management decisions, resolving audit findings related to subaward.

Requirements for Pass-Through Entities – 200.332 (cont.)

- Depending on PTE's assessment of risk, the following monitoring tools might be useful (200.332(f)-(i)):
 - Providing subrecipients with TA
 - Performing site visits to review program operations
 - Arranging for agreed-upon procedures under 200.425
 - Verifying that every subrecipient is audited as required by subpart F
 - Consider whether results of audit, on site review, or other monitoring necessitate adjustments to PTE's records
 - Consider taking enforcement action against noncompliant subrecipients

Specific Conditions – 200.208

- Specific conditions may include:
 - Requiring payments as reimbursements rather than advance payments
 - Withholding authority to proceed to next phase until receipt of evidence of acceptable performance
 - Requiring additional monitoring or financial reports
 - Requiring recipient or subrecipient to obtain TA
 - Establishing additional prior approvals

Specific Conditions – 200.208 (cont.)

- Prior to imposing specific conditions, federal agency or PTE must notify recipient or subrecipient as to:
 - Nature of the specific conditions
 - Reason for specific conditions
 - Nature of action needed to remove conditions
 - Time allowed for completing corrective actions
 - Method for requesting **federal agency or PTE to reconsider imposing a specific condition**

*Any specific conditions must be promptly removed once the conditions that prompted them have been satisfied

Remedies for Noncompliance – 200.339

- When noncompliance cannot be remedied by specific conditions, federal agency or PTE may take one or more of the following actions:
 - Temporarily withhold payments **until the recipient or subrecipient takes corrective** action
 - Disallow **costs for** all or part of the activity **associated with the noncompliance of the recipient or subrecipient**
 - Suspend or terminate the federal award – **in part or in its entirety**
 - Initiate suspension or debarment proceedings
 - Withhold further federal **funds (new awards or continuation funding)** for the project or program
 - Pursue other legally available remedies

Audit Requirements – 200.501

- Single audit required when an entity expends **\$1,000,000** or more in total Federal funding during a single fiscal year
 - Major Programs (200.518)
 - Auditors must report material weaknesses in internal controls or questioned costs greater than \$25,000 (200.516)
- Consider cooperative audit resolution – (200.1, 200.513)
- PTE must issue management decisions within six months of audit report (200.521)
- 2023 Compliance Supplement: [2023 Compliance Supplement – 2 CFR Part 200 Appendix XI \(May 2023\) \(whitehouse.gov\)](#)



Questions???



Disclaimer

This presentation is intended solely to provide general information and does not constitute legal advice or a legal service. This presentation does not create a client-lawyer relationship with The Bruman Group, PLLC and, therefore, carries none of the protections under the D.C. Rules of Professional Conduct. Attendance at this presentation, a later review of any printed or electronic materials, or any follow-up questions or communications arising out of this presentation with any attorney at The Bruman Group, PLLC does not create an attorney-client relationship with The Bruman Group, PLLC. You should not take any action based upon any information in this presentation without first consulting legal counsel familiar with your particular circumstances.