

# ***Grants Administrative Changes under the New EDGAR***

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# Agenda

- The Importance and Structure of the New EDGAR
- Part 76
- Part 3474
- Part 200
  - Major changes
  - Financial management
  - Allowability
  - Procurement
  - Inventory
  - Subrecipient monitoring
  - Audits



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# The New EDGAR



# Key Parts of the NEW EDGAR

## ■ **Title 34**

- Part 75 – Direct Grant Programs
- Part 76 – State-Administered Programs
- Part 77 – Definitions
- Part 81 – General Education Provisions Act (GEPA)

## ■ **Title 2**

- Part 200 – Cost/Administrative/Audit Rules
- Part 3474 – USDE Exceptions – Adopts Part 200
- Part 3485 – Nonprocurement Debarment and Suspension
  - Incorporates 2 CFR Part 180, OMB's Guidelines on Debarment and Suspension

# Prior Rules (Incorporated Into the NEW EDGAR)

- A-21 – Cost Rules – Rules – IHEs
- A-87 – Cost Rules – State / Local Gov't
- A-122 – Cost Rules – Nonprofit
- A-102 – Administrative Rules State / Local Gov't
- A-110 – Administrative Rules IHEs
- A-133 – Audit Rules

# Effective Dates

- **December 26, 2014** – Direct Grants from ED
- **July 1, 2015** – State Administered Programs
- **July 1, 2016** – Procurement Rules (One Year Grace Period for IHEs and Nonprofits ONLY)
- Indirect Cost Rates When Due For Renegotiation



# Part 76 State- Administered Programs

# Allowable Costs 76.530 (pg 55)



- The general principles to be used in determining costs applicable to grants is 2 CFR Part 200 Subpart E
  - Prohibited:
    - Use of funds for religion 76.532
    - Real property and construction (unless authorized) 76.533



# Indirect Cost Rates

## 76.560 – 76.569 (pg 56 – 58)

- Incorporates language from 2 CFR Part 200
- Includes information on Restricted indirect cost rate and how to calculate the rate.



# General Administrative Responsibilities 76.700 – 76.702 (pg 63)

- Incorporates 2 CFR Part 200 Subpart D
- A State and subgrantee must comply with the State plan, applicable statutes, regulations, etc.
- A state and subgrantee shall use fiscal control and fund accounting procedures that insure proper disbursement of and accounting for federal funds.

# Procedures to Ensure Compliance

## 76.770 – 76.783 (pg 68-69)

- Goes beyond 2 CFR Part 200, Subpart D
- A State shall have procedures for reviewing and approving applications and amendments, for technical assistance, for evaluating projects and for performing other admin responsibilities the State has determined necessary.
  - A subgrantee may request a hearing if State has violated a State or Federal statute.





**Part 3474**

**USDE Adoption  
and Exceptions**

# USDE Adopts Part 200 with Exceptions 3474.1 (pg 230)

**NEW:** USDE Adopts Part 200 into EDGAR

- Except for 2 CFR 200.102(a) and 2 CFR 200.207(a). Thus, this part gives regulatory effect to the OMB guidance and supplements the guidance as needed for the Department.

# USDE Exception to 200.102(a) 3474.5 (pg 230)

- Under Part 200 the authority for granting exceptions to regulations vested in OMB
- But “Department of Education Organization Act” 20 U.S.C. 3472 does not permit Secretary to delegate “exceptions” to OMB.
- Therefore, Secretary will consult within OMB.
- In the interest of maximum uniformity, exceptions from the requirements of this part will be permitted only in unusual circumstances.



# USDE Exception to 200.207 3474.10 (pg 230)

## Clarification regarding 2 CFR 200.207.

- Retained “High-Risk” Language
  - Previously Under 74.14 and 80.12
- The Secretary or a pass-through entity may, in appropriate circumstances, designate the specific conditions established under 2 CFR 200.207 as “high-risk conditions” and designate a non-Federal entity subject to specific conditions established under §200.207 as “high-risk”.



# **Part 200 Uniform Administrative Req, Cost Principles, and Audits for Federal Awards**

**Formerly know as the “Uniform Grants  
Guidance”, the “Omni Circular” and the “Super  
Circular”**



# The New 2 CFR Part 200 (pg 92-94)

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

# The Major Changes in Federal Grants Management

1. Focus on Outcomes
2. Performance Metrics
3. Risk Assessments
4. Financial Management Policies
5. Equipment Use
6. Micro Purchases
7. Corrective Action
8. Family Friendly Policies
9. False Claims Certifications
10. Audit Thresholds

# Financial Management Controls



# Financial Management Rules 200.302(b) (pg 118)

## Prior Rule 80.20(b)

1. Financial Reporting
2. Accounting Records
3. Internal Control
4. Budget Control
5. Allowable Cost
6. Source Documentation
7. Cash Management

## 2 CFR 200.302 (b)

1. Identification of Awards (NEW)
2. Financial Reporting
3. Accounting Records (Source Docs)
4. Internal Control
5. Budget Control
6. Written Cash Management Procedures (NEW)
7. Written Allowability Procedures (NEW)

# 1) Identification of Awards 200.302(b)(1) (pg 118)

**NEW:** All federal “awards” received and expended

- The name of the federal “program”
- Identification # of award
  - CFDA Title and Number
  - Federal Award I.D. #
  - Fiscal Year of Award
  - Federal Agency
  - Pass-Through (If S/A)



## 2) Financial Reporting 200.302(b)(2) (pg 118)

- Accurate, current, complete disclosure of financial results of each award in accordance with 200.327 and 200.328.
- **NEW: 200.327** – Federal awarding agency can only collect OMB approved data elements, **no less than annually, no more than quarterly**
- **NEW: 200.328** – Non federal entity must submit performance reports at intervals required by federal agency or pass through.
  - Annual performance reports due 90 days after reporting period; Quarterly performance reports due 30 days after reporting period

# Financial Reporting (cont.)

- **NEW:** Performance Metrics
  1. Compare actual accomplishments to objectives. (quantify to extent possible)
  2. Reasons goals were not met if appropriate
  4. Additional pertinent information (e.g. analysis and explanation of cost overruns, high unit costs)  
Significant developments
    - a. Problems, delays. Adverse conditions that would impair ability to meet objective of the award
    - b. Favorable developments. Finishing sooner or at less cost

# 3) Accounting Records

## 200.302(b)(3) (pg 119)

Combined 80.20(b)(2) and 80.20(b)(6):

■ Source Documentation Must Be Kept On:

1. Federal Awards
2. Authorizations
3. Obligations
4. Unobligated balances
5. Assets
6. Expenditures
7. Income
8. Interest (New) (***Eliminated liabilities***)



# 4) Internal Controls

## 200.302(b)(4) (pg 119)

Essentially same as prior 80.20(b)(3):

- Effective control over and accountability for:
  1. All funds
  2. Property
  3. Other assets
- Must adequately safeguard all assets
- Use assets solely for authorized purpose

# The Definition of Internal Controls 200.61 (pg 102)

- *Internal controls* means a process, implemented by a non-Federal entity, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:
  - a. Effectiveness and efficiency of operations;
  - b. Reliability of reporting for internal and external use; and
  - c. Compliance with applicable laws and regulations.

# Internal Controls

## 200.303 (pg 119)

- a. Non-Federal entities must establish and maintain effective internal control over the Federal award that provides reasonable assurances that the entity is managing the award in compliance with federal statutes, regs, and terms of the award.
  - **NEW:** Internal controls “should” be in compliance with:
    - The U.S. Comptroller General’s Standard for Internal Control Integrated Framework; and
    - Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)

# Internal Controls (cont.)

## 200.303 (pg 119)

- b. Comply with Federal statutes, regs, and the terms and conditions of the Federal awards.
- c. Evaluate and monitor the non-Federal entity's compliance with statutes, regs and the terms and conditions of Federal awards.
- d. Take prompt action when instances of noncompliance are identified including in audit findings.
- e. Take reasonable measures to safeguard protected personally identifiable info (PII) and other information designated or deemed sensitive

# Required Certification

## 200.415 (pg 148)

- **NEW:** An official authorized to legally bind the non-federal entity must certify on annual and final fiscal reports or vouchers requesting payment:
  - “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.”



# 5) Budget Control

## 200.302(5) (pg 119)

- Same as current rule 80.20(b)(4)
- Comparison of expenditures with budget amounts for each award

# 6) Written Cash Management Procedures

## 200.302(6) (pg 119)

- **NEW:** Written Procedures to implement the requirements of 200.305

# Payment

## 200.305 (a) and (b) (pg 119)

- For states, payments are governed by Treasury – State CMIA agreements 31 CFR Part 205
  - No Change
- For all other non federal entities, payments must minimize time elapsing between draw from G-5 and disbursement (not obligation)



# Payment (cont.)

## 200.305(b)(1)-(4) (pg 119)

- Written procedures must describe whether non-federal entity uses:
  - 1) Advance Payments (preferred)
    - Limited to minimum amounts needed to meet immediate cash needs
  - 2) Reimbursement
    - Pass through must make payment within 30 calendar days after receipt of the billing
  - 3) Working Capital Advance
    - The pass through determines that the nonfederal entity lacks sufficient working capital. Allows advance payment to cover estimated disbursement needs for initial period

# Payment (cont.)

## 200.305(b)(7)-(8) (pg 121)

- **NEW:** Advances must be maintained in insured accounts
- **NEW:** Pass through cannot require separate depository accounts
- **NEW:** Accounts must be interest bearing unless:
  1. Aggregate federal awards under \$120,000
  2. Account not expected to earn in excess of \$500 per year
  3. Bank require minimum balance so high, that such account not feasible
  4. A foreign gov't or banking system prohibits or precludes interest bearing accounts.

# Payment (cont.)

## 200.305(b)(9) (pg 121)

- **NEW:** Interest amounts up to \$500 may be retained by non federal entity for administrative purposes
  - Currently \$100 for State and local Gov'ts
  - Currently \$250 for IHEs and Non-profits.
- **NEW:** Interest earned must be remitted annually to HHS Payment Management System.

# 7) Written Allowability Procedures 200.302(b)(7) (pg 119)

- **NEW:** Written procedures for determining allowability of costs in accordance with Subpart E – Cost Principles
  - Procedures can not simply restate the Uniform Guidance Subpart E
  - Should explain the process used throughout the grant development and budget process
    - Training tool and guide for employees

# Program Income

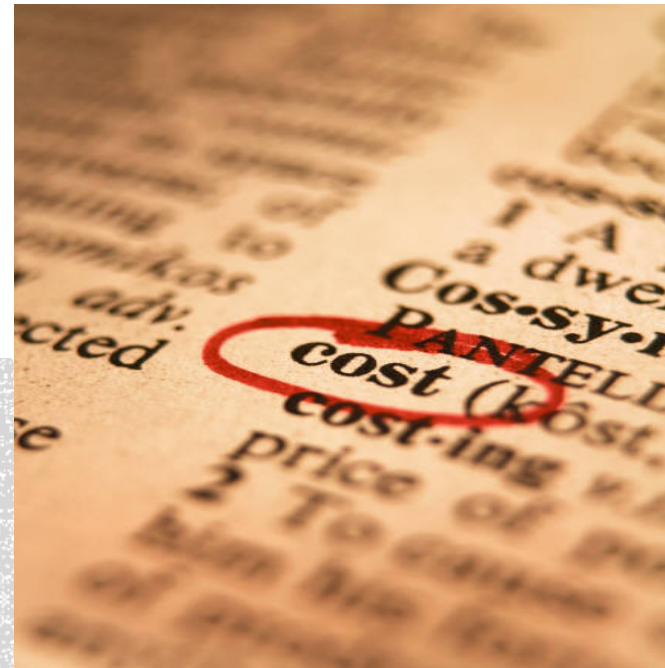
## 200.307 (pg 123)

- Non-Federal entities are encouraged to earn income to defray program costs where appropriate.
  - Costs of generating program income may only be deducted if:
    - Authorized by federal regulations or the Federal award;
    - Costs are incidental and not charged to the Federal award.
  - Property from the sale of real property or equipment is not program income – apply post award property rules.
- Program Income Must Be Deducted from Total Allowable Costs (except for IHEs and Research Non-profits)
  - With prior approval may add to Federal award.



# Subpart E – Cost Principles

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# Factors Affecting Allowability of Costs

## 200.403 (pg 143)

All Costs Must Be:

1. Necessary, Reasonable and Allocable
2. Conform with federal law & grant terms
3. Consistent with state and local policies
4. Consistently treated
5. In accordance with GAAP
6. Not included as match
7. *Net of applicable credits (moved to 200.406)*
8. Adequately documented



# Cost Sharing or Matching 200.306 (pg 121)

Cost sharing or matching funds must meet the following criteria:

- Are verifiable from the non-Federal entity's records;
  - Are not included as contributions for any other Federal award;
  - Are necessary and reasonable for accomplishment of project or program objectives;
  - Are allowable under Subpart E;
  - Are not paid by Federal government under another award, except when authorized;
  - Are provided in the approved budget when required; and
  - Conform to other provisions of Part 200.
- 
- Unrecovered indirect costs may be included only with prior approval of the Federal awarding agency.
  - Tuition and Fees may not be used toward matching, cost sharing or maintenance of effort 76.534 (pg 56)



# Methods for Collection, Transmission and Storage of Information

## 200.335 (pg 138)

- **NEW:** 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 they:
  - Are subject to periodic quality control reviews,
  - Provide reasonable safeguards against alteration; and
  - Remain readable.

# Applicable Credits

## 200.406 (pg 144)

- Those receipts or reduction-of-expenditure type transaction that offset or reduce expense items – must be credited to the Federal award as either cost reduction or cash refund, as appropriate.
  - Examples: purchase discounts, rebates or allowances, recoveries or indemnities on losses, insurance refunds or rebates, adjustments of overpayments

# Prior Written Approval 200.407 (pg 144)

- **NEW:** In order to avoid subsequent disallowance:
  - Non-Federal entity may seek prior written approval of cognizant agency (for indirect cost rate) or Federal awarding agency in advance of the incurrence of special or unusual costs



# Direct v. Indirect Costs

## 200.413(c) (pg 146)

- **NEW:** Salaries of administrative and clerical staff should be treated as “indirect” unless all of following are met:
  1. Such services are integral to the activity
  2. Individuals can be specifically identified with the activity
  3. Such costs are explicitly included in the budget
  4. Costs not also recovered as indirect





# Selected Items of Cost

**There are 55 specific items of cost!**

**Listed on page 94.**

**Starts at 200.420 (pg 150)**

# Selected Items of Cost Examples

- **Alcohol 200.423** (pg 151)
  - Not allowable



# Selected Items of Cost Examples (cont.)

## ■ **Conferences 200.432** (pg 158)

- Prior Rule: Generally allowable
- Includes Meals / Conferences / Travel and Family Friendly Policies
- Allowable conference costs include rental of facilities, costs of meals and refreshments, transportation, unless restricted by the federal award
- **NEW:** Costs related to identifying, but not providing, locally available dependent-care resources
- Conference hosts must exercise discretion in ensuring costs are appropriate, necessary and managed in manner than minimizes costs to federal award



# Selected Items of Cost (cont.)

- **Entertainment Costs 200.438** (pg 162)
  - Cost of entertainment are unallowable
    - Amusement, Diversion, Social Activities
  - **NEW:** Except where costs might otherwise be considered programmatic and are authorized or have prior written approval of the Federal awarding agency.





# Selected Items of Cost (cont.)

- **Travel Costs 200.474 (Changed)** (pg 176)
  - Travel costs may be charged on actual, per diem, or mileage basis
  - **NEW:** Travel charges must be consistent with entity's written travel reimbursement policies
  - **NEW:** Allows costs for “above and beyond regular dependent care”
  - Grantee must retain documentation that participation of individual in conference is necessary for the project
  - **NEW:** Travel costs must be reasonable and consistent with written travel policy / or follow GSA 48 CFR 31.205-46(a)





# Time and Effort Documentation



# Documentation for Personnel Expenses

## 200.430(i) (pg 154)

- **NEW:** Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed.
- How staff demonstrate allocability
  - If employee paid with federal funds, then must show that the employee worked on that specific federal program cost objective  
200.403(a)

# Who must participate?

## 200.430(i)(1) and (i)(4) (pg 154, 155)

- Must be maintained for all employees whose salaries are:
  - Paid in whole or in part with federal funds
  - Used to meet a match/cost share requirement
  - NOT contractors



# The Prior A-87 Rule (SEAs and LEAs)

## Semi-Annual Certifications

- If an employee works on a single cost objective:
  - After the fact
  - Account for the total activity
  - Signed by employee **or** supervisor
  - Every six months (at least twice a year)

## Personnel Activity Report (PAR)

- If an employee works on multiple cost objectives:
  - After the fact
  - Account for total activity
  - Signed by employee
  - Prepared at least monthly and coincide with one or more pay periods

# Documentation for Personnel Expenses (cont.)

## 200.430(i)(1) (pg 154)

**NEW:** These records MUST:

1. Be supported by a system of internal controls which provides reasonable assurance charges are accurate, allowable and properly allocated;
2. Be incorporated into official records;
3. Reasonably reflect total activity for which employee is compensated;
  - Not to exceed 100%

# Documentation for Personnel Expenses (cont.)

## 200.430(i)(1) (pg 154)

4. Encompass all activities (federal and non-federal);
5. Comply with established accounting polices and practices; and
6. Support distribution among specific activities or cost objectives.

# Cost Objectives

## 200.28 (pg 98)

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, capital projects, etc.



# Not Cost Objectives

- Federal programs
- Title I, Part A
- Doing my job
- ESEA
- Working on initiatives and programs that benefit Title I students
- Director of Federal Programs

# Use of Budget Estimates

## 200.430(i)(1)(viii) (pg 154)

- Budget estimates alone do not qualify as support for charges to Federal awards May be used for interim accounting purposes if:
  - Produces reasonable approximations
  - Significant changes to the corresponding work activity are identified in a timely manner
  - Internal controls in place to review after-the-fact interim charges based on budget estimates

# Percentages

## 200.430(i)(1)(ix) (pg 154)

- **NEW:** Because practices vary as to the activity constituting a full workload, records may reflect categories of activities expressed as a percentage distribution of total activities.

# Focus on IHEs

## 200.430(i)(1)(x) (pg 155)

- 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.

# Compliance

## 200.430(i)(2) (pg 155)

- **NEW:** For records which meet the standards, the non-federal entity will not be required to provide additional support or documentation for the work performed.
- DOL regulations for Fair Labor Standards Act must still be met (i.e. charges must be supported by records indicating the total number of hours worked each day).

# Noncompliance

## 200.430(i)(8) (pg 155)

- For a non-Federal entity where the records do not meet these standards:
  - USDE 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!!

# Substitute Systems

## 200.430(i)(5) (pg 155)

- States, local governments and Indian tribes encouraged to adopt “substitute systems” if approved by cognizant agency for indirect cost.
  - No longer applies to nonprofits.
- Still acceptable to allocate sampled employees’ supervisors, clerical and support staffs, based on the result of the sampled employees.

# Alternative Proposals

## 200.430(i)(6) (pg 155)

- **NEW:** Cognizant agencies for indirect costs are encouraged to accept alternative proposals based on outcomes and milestones for program performance.
- These plans are acceptable as alternatives to the Part 200 standards.



# Blended Funding

## 200.430(i)(7) (pg 155)

- A non-Federal entity may submit performance plans that incorporate funds from multiple Federal awards and account for their combined use based on performance-based metrics, if approved.
- Must submit a request for a waiver that includes certain information, including the method of charging costs.

# Procurement



# Contract vs. Grant 200.330 (pg 135)

- No change from the current requirement.
- Entities must clearly determine what is a subgrant and what is a contract.



# General Procurement Standards 200.318(a) (pg 129)

- All nonfederal entities must have documented procurement procedures which reflect applicable Federal, State, and local laws and regulations.

# Contract Administration

## 200.318(b) (pg 129)

- Nonfederal entities must maintain oversight to ensure that contractors perform in accordance with the terms, conditions, and specifications of the contract

# Conflict of Interest

## 200.318(c)(1) (pg 129)

- Must maintain written standard of conduct, including conflict of interest policy.
- A conflict of interest arises when any of the following has a financial or other interest in the firm selected for award:
  - Employee, officer or agent
  - Any member of that person's immediate family
  - That person's partner
  - An organization which employs, or is about to employ, any of the above or has a financial interest in the firm selected for award

# Conflict of Interest (cont.)

## 200.318(c)(1) (pg 129)

- Must neither solicit nor accept gratuities, favors, or anything of monetary value from contractors/ subcontractors.
- However, may set standards for situations in which the financial interest is not substantial or the gift is an unsolicited item of nominal value.
- Standards of conduct must include disciplinary actions applies for violations.



# Conflict of Interest (cont.)

## 200.318(c)(2) (pg 130)

- **NEW:** If the non-federal entity has a parent, affiliate, or subsidiary organization that is not a state or local government the entity must also maintain written standards of conduct covering organization conflicts of interest



# Conflict of Interest (cont.)

## 200.112 (pg 112)

- The Federal awarding agency must establish conflict of interest policies for Federal awards.
- **NEW:** All non federal entities must establish conflict of interest policies, and disclose in writing any potential conflict to federal awarding agency in accordance with applicable Federal awarding agency policy.

# Mandatory Disclosures

## 200.113 (pg 113)

- **NEW:** Must disclose in writing, in a timely manner:
  - All violations of Federal criminal law involving fraud, bribery, or gratuity violations potentially affecting the Federal award.
  - Failure to make disclosures can result in remedies in 200.338 (remedies for noncompliance) including suspension and debarment.

# Competition

## 200.319(a) (pg 130)

- All procurement transactions must be conducted with full and open competition.
  - Must have protest procedures to handle disputes
- To eliminate unfair advantage, contractors that develop or draft specifications, requirements, statement of work, and invitations for bids or RFPs must be excluded from competing for such procurements.

# Competition (cont.)

## 200.319(a) (pg 130)

### ■ Situations that restrict competition:

1. Unreasonable requirements on firms to qualify to do business
2. Requiring unnecessary experience or excessive bonding
3. Noncompetitive pricing practices
4. Noncompetitive awards to consultants on retainer
5. Organizational conflicts of interest (see 200.318(c)(2))
6. Specifying a brand name instead of allowing “an equal”
7. Any arbitrary action in the procurement process

# Methods of Procurement 200.320 (pg 131)

- Method of procurement:
  - **NEW:** Micro-purchase
  - Small purchase procedures
  - Competitive sealed bids
  - Competitive proposals
  - Noncompetitive proposals

# Micro-Purchase

## 300.320(a) (pg 131)

- **NEW:** Acquisition of supplies and services under \$3,000 or less.
  - \$2,000 for construction subject to the Davis-Bacon Act
- May be awarded without soliciting competitive quotations if nonfederal entity considers the cost reasonable.
- To the extent practicable must distribute micro-purchases equitably among qualified suppliers.

# Small Purchase Procedures

## 300.320(b) (pg 131)

- Good or service that costs \$150,000 or less
  - (NEW: Simplified Acquisition Threshold was raised under 200.88)
  - Organization may set lower threshold
- Must obtain price or rate quotes from an adequate number of qualified sources
- “Relatively simply and informal”

# Sealed Bids

## 300.320(c) (pg 130)

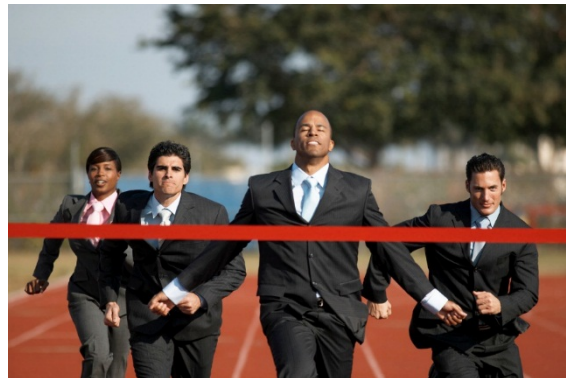


- Over \$150,000
  - Organization may set lower threshold
- Bids are publically solicited.
- Appropriate when:
  - A complete, adequate and realistic specification or description of good or service is available;
  - Two or more responsible bidders are willing and able to compete effectively for the business
  - Selection of vendor can be made principally based on price and it's a firm fixed price contract.



# Competitive Proposals 300.320(d) (pg 132)

- Over \$150,000
  - Organization may set lower threshold
- Award contract to responsible vendor whose proposal is most advantageous to the program, considering price and other factors.
- Generally used when sealed bid is not appropriate.



# Noncompetitive Proposals 200.320(f) (pg 132)



- Appropriate only when:
  - The item is only available from a single source;
  - There is a public emergency that will not permit delay;
  - **NEW:** The Federal awarding agency or pass-through expressly authorizes noncompetitive proposals in response to a written request from non-Federal entity; or
  - After soliciting a number of sources, competition is determined inadequate.

# Contract Cost and Price 200.323 (pg 133)

- **NEW:** Must perform a cost or price analysis in connection with every procurement action over \$150,000, including contract modifications
- Independent estimate before receiving bids or proposals.
  - Cost analysis generally means evaluating the separate cost elements that make up the total price (including profit)
  - Price analysis generally means evaluating the total price





# Property Management

# Equipment

## 200.33 (pg 99)

- Equipment: tangible, nonexpendible, personal property having a useful life of more than one year and an acquisition cost of \$5,000 or more per unit.
- Grantee may also use its own definition of equipment as long as the definition would at least include all equipment defined above.

# Supplies

## 200.94 (pg 106)

- All tangible personal property other than equipment
  - **NEW:** Computing devices are supplies if less than \$5,000
- **NEW:** Computing devices 200.20 (pg 97)
  - Machines used to acquire, store, analyze, process, public data and other information electronically
  - Includes accessories for printing, transmitting and receiving or storing electronic information

# Internal Controls

## 200.302(b)(4) (pg 119)

- Regardless of cost, grantee must maintain effective control and “**safeguard all assets** and assure that they are used solely for authorized purposes.”

# Equipment

## 200.313(a) and (c)(4) (pg 127)

- **NEW:** Conditional Title vests with the non-Federal entity.
- **NEW:** Cannot encumber the property without approval of Federal agency or Pass-through agency

But

- **NEW:** When acquiring replacement equipment, may use the equipment to be replaced as a trade-in or sell the property and use the proceeds to offset the cost of the replacement property.



# Use of Equipment

## 200.313(c)(1) and (2) (pg 127)

- Equipment must be used by the Non-Federal entity 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.
- When no longer needed, may be used in other activities with the following priority:
  1. Projects supported by Federal awarding agency
  2. Project funded by other Federal agencies
- When used it may be shared (according to the above priorities) provided such use will not interfere with work on the original projects/programs.
- Exception – Private Schools 76.661 (page 61)

# Equipment Procedures 200.313 (d) (pg 127)

Procedures for managing equipment must meet the following requirements:

1. Property records
  - Description, serial number or other ID, source of funding, title, acquisition date and cost, percent of federal participation, location, use and condition, and ultimate disposition date including sale price
2. Physical inventory at least every two years
3. Control system to prevent loss, damage, theft
  - All incident must be investigated
4. Adequate maintenance procedures
5. If authorized or required to sell property, proper sales procedures to ensure highest possible return.

# Disposition of Equipment 200.313(e) (pg 127)

- When property is no longer needed in any current or previously Federally-funded supported activity, must follow disposition rules:
  - **NEW:** Nonfederal entity must request disposition instructions from the federal awarding agency if required by the terms of the grant.
  - Otherwise, may be retained, sold or otherwise disposed as follows:
    - Over \$5,000 – pay federal share
      - If equipment is sold: Federal awarding agency may permit non-Federal entity to deduct and retain \$500 or 10% of the proceeds for selling and handling instructions.
    - Under \$5,000 – no accountability (still must formally dispose)

# Disposition of Supplies 200.314 (pg 128)

If there is a residual inventory of unused supplies exceeding \$5,000 in total aggregate value upon termination or completion of the project or program and the supplies are not needed for any other federal award, must compensate the federal government for its share.

# Requirements of Pass-through Entities



# Federal Awarding Agency Review of Risk Posed by Applicants 200.205 (pg 115)

**NEW:** Must have in place a framework for evaluating risks posed by applicants, which may include reviewing:

1. Financial Stability
2. Quality of Management System
3. History of Performance
4. Audit Reports
5. Applicant's ability to effectively implement program

# Specific Conditions 200.207(a) (pg 116)

Federal agency or pass-through agency may impose additional Federal award conditions:

- Require reimbursement;
- Withholding authority to proceed until evidence of acceptable performance;
- Additional detailed reporting
- Additional project monitoring;
- Require grantee to obtain technical or management assistance; or
- Establish additional prior approvals.

# Specific Conditions (cont.)

## 200.207(b)-(c) (pg 116)

### Right to Notice:

1. Nature of additional requirements,
2. Reason why imposed,
3. Nature of the action needed to remove the requirement's;
4. Time for completing actions;
5. Method for requesting reconsideration.

Specific conditions **MUST** be removed once corrected.



# Remedies for Noncompliance

## 200.338 (pg 139)

- **NEW:** If noncompliance can not be remedied with Specific Conditions, the entity may take one or more of the following actions:
  - Temporarily withhold cash payment pending correction
  - Disallow all of part of the cost
  - Wholly or partly suspend or terminate the Federal award (see 200.339 Termination)
  - Initiate suspension or debarment proceedings under 2 CFR Part 180
  - Withhold further Federal awards for the project or program
  - Take other remedies that may be legally available.



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# Audit Requirements

# Audit Requirements

## 200.501 (pg 177)

- ❑ **NEW:** Threshold increased to \$750,000
- ❑ The federal agency, OIG, or GAO may arrange for audits in addition to single audit

# Federal Agency Responsibilities 200.513 (pg 184)

- ❑ **NEW:** The federal awarding agency must use cooperative audit resolution to improve federal program outcomes
  - ❑ Cooperative Audit Resolution: means the use of audit follow-up techniques which promote prompt corrective action by improving communication, fostering collaboration, promoting trust and developing an understanding between the Federal agency and non-Federal entity 200.25.



# Audit Findings

## 200.516 (pg 188)

- ❑ The auditor must report (for major programs):
  - ❑ Significant deficiencies and material weaknesses in internal controls
  - ❑ Significant instances of abuse
  - ❑ Material noncompliance
  - ❑ Known questioned costs > \$25,000
- ❑ Auditor will not normally find questioned costs for a program that is not audited as a “major program”
  - ❑ **NEW:** But if auditor becomes aware of questioned costs > \$25,000 for non-major program, must report



# QUESTIONS?



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