



OMB Super Circular and the Effects on Grant Management

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Super or Omni Circular



Cost Accounting, Administrative and Audit Aspects

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CPAs & BUSINESS ADVISORS



Organization of the Super-Circular, 2 CFR Part 200 Uniform Guidance

Subpart A

- Acronyms & Definitions

Subpart B

- General Provisions (Section 200.1xx)

Subpart C

- Pre-Award Requirements (Section 200.2xx)

Subpart D

- Post Award Requirements (Section 200.3xx)

Subpart E

- Cost Principles (Section 200.4xx)

Subpart F

- Audit Requirements Section (200.5xx)



Key Sections – Subpart D

200.303 Internal Controls

- Recipients required to have internal controls in place that comply with federal statutes and regulations
 - Institutions and their auditors will need to review
- Suggestions included for sources of internal controls
 - “Standards for Internal Control in the Federal Government” (Green Book) issued by the Comptroller General
 - “Internal Control Framework” issued by the Committee on Sponsoring Organizations (COSO)
 - Appendix XI, Compliance Supplement – Part 6 Internal Control (which currently follows COSO but will consider both the Green Book and COSO in the 2015 update (200.514(c)(1)))



Key Sections – Subpart D

200.313 Equipment

- Property records must contain percentage of federal participation in the project costs for the federal award that the equipment was purchased
 - Confused yet?
- Property records must contain the “use” of the equipment
- However - The guidance isn’t entirely clear, and adds a layer of record keeping elements that the State may need to modify in its tracking systems
 - Equipment reporting could disappear from “cross-cutters”
- Small purchases likely expensed immediately including smartphones, laptops, tablets etc., as long as they have some use in federal programs (see subpart E)



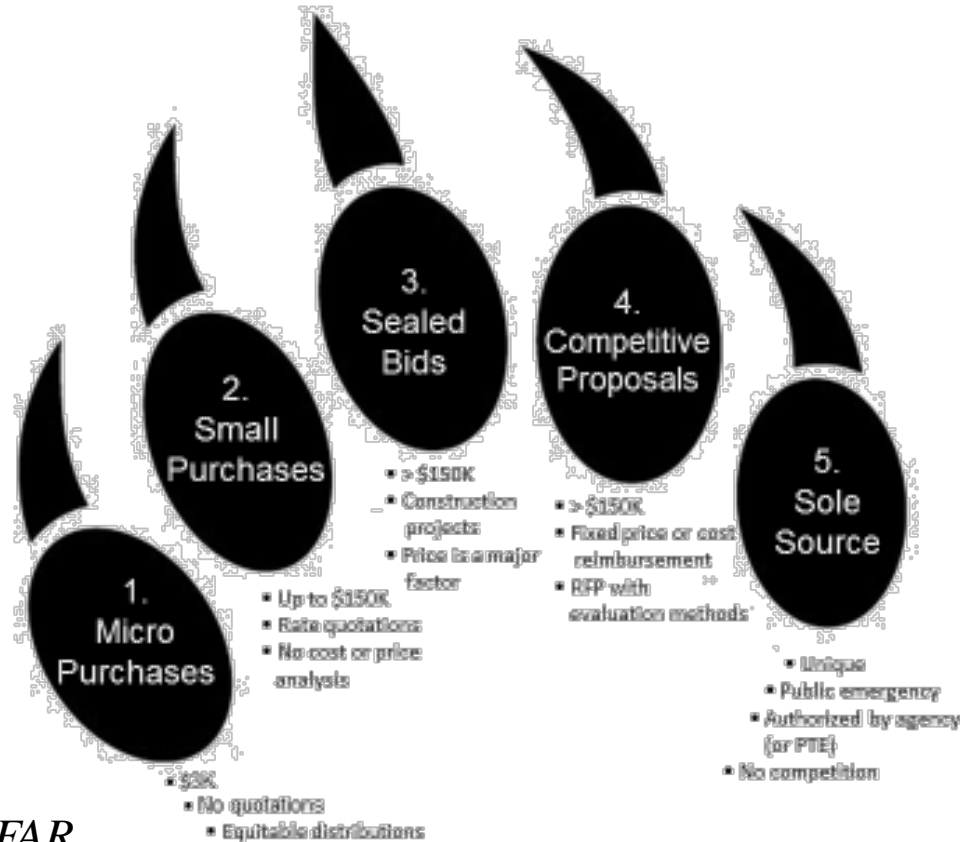
Key Sections – Subpart D

200.320 Methods of procurement

- A prescriptive list of 5 procurement methods is provided
 - Micro-purchases, small purchase procedures, sealed bids, competitive, sole source
 - Small purchases (<\$150,000)
 - Sealed and competitive bids (more than \$150,000)
 - Sole sourcing at all levels
- A “micro-purchase” category is introduced, which appears to be the threshold (up to \$3,000) (\$2,000 for Davis Bacon) for which competition would not be required
- By default, is implied that purchases > \$3K would require competition
- Sole source justification definition is updated

The Procurement “Bear Claw”

Procurement “Claw” (Section 200.320)



In all cases – procurements must have

- Documented policies
- Necessary
- Full & Open competition
- Free of conflicts of interest
- Documentation must include
 - Cost & Price Analysis
 - Vendor selection

Source – COFAR
FAQs



Key Sections – Subpart D

200.331 Subrecipient Monitoring

- Guidance is seemingly improved; use the subrecipient's negotiated rates, or subrecipients without a negotiated rate can get an automatic 10% Modified Total Direct Cost rate
- Agency must grant prior approval for issuing fixed price subawards
- New maximum limit for fixed price subawards \$150K (Simplified Acquisition Threshold)
 - Potentially more risk assessment burden for prime recipients though as audit threshold increases to \$750K, time will tell



Key Sections – Subpart E

200.407 Prior Written Approval

- New section clarifies that in order to avoid disallowed costs, recipients **can seek prior approval of the federal agency**
- One stop section that provides a comprehensive list of circumstances for which we can seek prior approvals
- *This section is key for the incurrence of unusual costs or costs that fall in a grey area*



Sub Part D. Post-Federal Award

§200.327 Financial reporting

- Awarding agency may solicit only the standard, OMB-approved government-wide data elements for collection of financial information
- No less frequently than annually nor more frequently than quarterly except in unusual circumstances



Key Sections – Subpart D

200.331 Subrecipient Monitoring

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Sub Part D. Post-Federal Award

§200.333 Retention requirements for records

- All records pertinent to an award must be retained for 3 years from the date of submission of the final report
- Must be retained through the resolution of any litigation, claim or audit that has begun before the 3 year period
- Can be extended if notified in writing

Sub Part D. Post-Federal Award

NEW §200.335 Methods for collection, transmission and storage of information

- Should collect, transmit and store award-related information in open and machine-readable formats rather than paper
- No need to print electronic records
- Can scan paper records if there are quality controls, the electronic records can't be changed and are readable



Sub Part D. Post-Federal Award

§200.336 Access to records

(c) Awarding and pass-through have access to records as long as they exist

§200.337 Restrictions on public access to records

- The Freedom of Information Act does not apply to records under a non-Federal entity's control
- Unless required by statute, non-Federal entities are not required to permit public access to their records

Sub Part D. Post-Federal Award

Best Practices:

- Sort out and dispose of the records you don't need to keep
- Identify permanent records
- Keep everything else the length of time required by your state for HR records
 - This is usually the longest time requirement (often 7 years)
- Consider scanning

Sub Part D. Post-Federal Award

§200.343 Closeout

- (a) Submit no later than 90 calendar days after the end of the period of performance, all financial, performance and other reports required. Extensions may be approved
- (b) Liquidate all obligations no later than 90 calendar days after the end of the period of performance. May be extended
- (g) NEW Awarding agency should complete all closeout actions no later than 1 year after receipt and acceptance of all final reports



Sub Part E. Cost Principles

Sub Part E. Cost Principles

§200.400 Policy Guide

The non-Federal entity:

- (a) Is responsible for efficient and effective administration
- (b) Is responsible for complying with agreements, objectives and terms and conditions
- (c) Is responsible for its form of organization and management techniques
- (d) Has operations consistent with cost principles
- (e) Applies accounting on a consistent basis
- (g) May not earn or keep profit unless expressly authorized

Sub Part E. Cost Principles

§200.403 Factors affecting allowability of costs

- (a) Be necessary and reasonable
- (b) Conform to limitations
- (c) Be consistent with other organization activities
- (d) Be treated consistently
- (e) Be determined in accordance with generally accepted accounting principles, as appropriate
- (f) Not be included as cost or match in any other federally funded program (current or prior)
- (g) Be adequately documented

Sub Part E. Cost Principles

§200.404 Reasonable Costs

A cost is reasonable if, in its nature or amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the costs.

Guidelines for determining reasonable cost:

- a) Whether the cost is ordinary and necessary for operation of the organization or the proper and efficient performance of the award.
- b) The restraints imposed by such factors as: sound business practices, arms length bargaining, federal state and other laws and regulations, and terms and conditions of the Federal award
- c) Market prices for comparable goods or services for the geographic area.
- d) Whether the individuals concerned acted with prudence in the circumstances.
- e) Significant deviations from the established practices and policies regarding the incurrence of costs

Sub Part E. Cost Principles

§200.405 Allocable Costs

(a) A cost is allocable to a particular Federal award or cost objective, if the goods or services involved are chargeable or assignable to that Federal award in accordance with the relative benefits received.

- (1) Is incurred specifically for the award.
- (2) Benefits both the award and other work and can be distributed in proportions that may be approximated using reasonable methods and
- (3) Is necessary to the overall operation of the organization and is assignable in part to the Federal award in accordance with the principles in this subpart.

Sub Part E. Cost Principles

§200.405 Allocable Costs (cont.)

- (b) All activities which benefit from the non-Federal entity's indirect cost, including unallowable activities and donated services, will receive an appropriate allocation of indirect costs.
- (c) Any cost allocable to an Federal award may not be charged to other Federal awards to overcome fund deficiencies, to avoid restrictions imposed by Federal statutes, regulations, or terms and conditions of the Federal awards, or for other reasons.

Sub Part E. Cost Principles

§200.405 Allocable Costs (cont.)

(d) Direct cost allocation principles.

- If a cost benefits two or more projects or activities in proportions that can be easily determined, the cost should be allocated to the projects based on the proportional benefit.
- If a cost benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved, then the costs may be allocated on any reasonable documented

Sub Part E. Cost Principles

§200.406 Applicable Credits

- (a) Must be credited to the award as cost reduction or refund, depending on the credit.
- Examples: purchase discounts, rebates, insurance refunds, etc.

Sub Part E. Cost Principles

NEW §200.407 Prior Written Approval

Under any given Federal award, the reasonableness and allocability of certain items of costs may be difficult to determine. In order to avoid subsequent disallowance or dispute based on unreasonableness or nonallocability, the non-Federal entity may seek the prior written approval of the cost. The absence of prior written approval on any element of cost will not, in itself, affect the reasonableness or allocability of that element, unless prior approval is specifically required

(a) – (v) list of sections in 2 CFR Part 200 requiring prior approval

Sub Part E. Cost Principles

NEW §200.410 Collection of unallowable costs

(a) Costs which are determined to be unallowable either as direct or indirect, must be refunded (including interest)

Sub Part E. Cost Principles

§200.411 Adjustment of previously negotiated indirect (F&A) cost rates containing unallowable costs

If a negotiated indirect cost rate is determined to contain unallowable costs:

- The Federal government will require repayment including interest (NEW) of the unallowable costs charged to a past period.
- For rates that are to be used currently or in the future unallowable costs will be removed and rates adjusted.



Sub Part E. Cost Principles (Direct and Indirect)

NEW §200.412 Classification of costs

There is no universal rule for classifying certain costs as either direct or indirect (F&A) under every accounting system.

It is essential that each item of cost incurred for the same purpose be treated consistently in like circumstances either as a direct or an indirect (F&A) cost.



Sub Part E. Cost Principles (Direct and Indirect)

§200.413 Direct Costs

- (a) Direct costs are those that can be easily and accurately assigned to a specific award
- (c) NEW Salaries of administrative and clerical staff should normally be treated as indirect. Direct charge only if all of the following are met:
 - (1) Integral to the project,
 - (2) Specifically identified with the project,
 - (3) Explicitly included in the budget or have prior written approval and,
 - (4) Not recovered as indirect.



Sub Part E. Cost Principles (Direct and Indirect)

§200.414 Indirect Costs

- (a) Major nonprofits (receive > \$10 million in direct federal funding) must classify indirect costs as Facilities and Administration (F&A)
- (c) Negotiated rate must be accepted by all Federal agencies
- (d) Pass-through are subject to the requirements in §200.331
- (e) Appendix IV Cost allocation plans for nonprofits; Appendix V & VI Cost allocation plans for units of government



Sub Part E. Cost Principles (Direct and Indirect)

§200.414 Indirect Costs (cont.)

(f)NEW Any non-Federal entity that has never negotiated an IDCR may elect to charge a de minimis rate of 10% of modified total direct costs (MTDC) which may be used indefinitely.



Sub Part E. Cost Principles (Direct and Indirect)

§200.414 Indirect Costs (cont.)

(g) NEW Any non-Federal entity that has a federally negotiated indirect cost rate may apply for a one-time extension of the current negotiated indirect cost rate for a period of up to 4 years.

- Must be approved by a cost negotiator
- If approved, may not request a rate review until the extension ends
- At end of extension, must apply for a new rate



Sub Part E. Cost Principles (Direct and Indirect)

§200.415 Required Certifications

The annual and final fiscal reports or vouchers requesting payment must include a certification signed by an official who is authorized to legally bind the entity attesting to the following:

“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 omission of any material fact, may subject me to criminal, civil or administrative penalties for fraud, false statements, false claims or otherwise.”



Indirect Cost Rates

Negotiation and Approval of Rates

- Apply to the appropriate cognizant agency for indirect costs
 - The cognizant agency is usually the Federal agency from which an entity receives the largest amount of Federal funds
- Indirect cost rate proposal
 - Based on most recent audited financial statements adjusted for anticipated changes
 - Details of the indirect cost pool
 - Base
 - Calculation of the requested rate



Indirect Cost Rates

Bases:

- Modified Total Direct Costs (MTDC)
 - Total direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel and subawards up to the first \$25,000
 - Excludes equipment, capital expenditures, participant support costs and the portion of each subaward in excess of \$25,000
 - This is the required base for the 10% de minimis rate
- Direct salaries and wages
- Direct salaries, wages and fringe benefits



Indirect Cost Rates

§200.414(c)(1)

An approved indirect cost rate must be accepted by federal funding sources

NEW §200.331 Requirements for pass-through entities – required information

(4) An approved federally recognized indirect cost rate negotiated between the subrecipient and the Federal government or, if no such rate exists, either a rate negotiated between the pass-through entity and the subrecipient, or a de minimis indirect cost rate (10% based on MTDC)



Sub Part E. Cost Principles (Selected Items of Cost)

§200.420 Considerations for selected items of cost.

- Cost principles apply to direct and indirect costs
- Failure to mention a particular cost does not imply allowable or unallowable. Its treatment should be based on that of similar items
- When there is a discrepancy between the principles in 2 CFR Part 200 and the provisions of a specific Federal award, the award governs.



Sub Part E. Cost Principles (Selected Items of Cost)

§200.421 Advertising and Public Relations

- (a) Advertising – magazines, newspapers, radio and television, direct mail, exhibits, electronic transmittals
- (b) Allowable advertising:
 - (1) Recruitment of personnel
 - (2) Procurement of goods and services
 - (3) Disposal of scrap or surplus material
 - (4) Program outreach necessary for the award



Sub Part E. Cost Principles (Selected Items of Cost)

§200.421 Advertising and Public Relations (cont.)

- (c) Public relations – community relations, maintaining the image of the entity, promoting understanding by the community
- (d) Allowable public relations:
 - (1) Specifically required by the award
 - (2) Communicating accomplishments of the award
 - (3) Conducting general liaison such as funding opportunities



Sub Part E. Cost Principles (Selected Items of Cost)

§200.421 Advertising and Public Relations (cont.)

(e) Unallowable:

- (2) Meetings and conventions, including displays, meeting rooms, salaries
- (3) Promotional items and memorabilia
- (4) Advertising and public relations designed solely to promote the entity



Sub Part E. Cost Principles (Selected Items of Cost)

§200.425 Audit services

- Audits in accordance with Single Audit Act are allowable
- Audit costs are unallowable if the entity doesn't meet the Single Audit threshold of \$750,000
- Pass-through entity may charge an award for the cost of agreed-upon procedures to monitor subrecipients who are exempt from Single Audit Act
 - Limited in scope to activities allowed or unallowed, allowable costs, eligibility and reporting



Sub Part E. Cost Principles (Selected Items of Cost)

§200.426 Bad debts

Bad debts are unallowable

Collection costs and legal fees arising from bad debts are also unallowable



Sub Part E. Cost Principles (Selected Items of Cost)

§200.427 Bonding costs

Bonding costs are allowable:

- If required by an award, charge the award
- If for general operations, charge as an indirect cost



Sub Part E. Cost Principles (Selected Items of Cost)

NEW §200.428 Collections of improper payments

Costs to recover improper payments are allowable as direct or indirect, as appropriate

Amounts collected must be used in accordance with cash management standards (used before Federal funds)



Sub Part E. Cost Principles (Selected Items of Cost)

§200.430 Compensation – personal services

- (a) Compensation includes all remuneration paid currently or accrued and may not be limited to salaries and wages. Allowable if:
- (1) Reasonable for the services rendered
 - (2) Adheres to entity's written policies
 - (3) Is supported by documentation based on these principles



Sub Part E. Cost Principles (Selected Items of Cost)

§200.430 Compensation – personal services (cont.)

- (b) Must be reasonable – consistent with that paid for similar work, or comparable to that paid for similar work in the community
- (d) Allowable compensation for certain employees is subject to a ceiling in accordance with statute
- (f) Incentive pay for cost reduction, efficient performance, suggestion awards, etc. allowable if an agreement was in place before the work was performed



Sub Part E. Cost Principles (Selected Items of Cost)

§200.430 Compensation – personal services (cont.)

(i) NEW Standards for Documentation of Personnel Services

(1) Records accurately reflect work performed

- (i) Supported by a system of internal controls that assures charges are accurate, allowable and properly allocated
- (ii) Part of official records of the entity
- (iii) Reflect total activity
- (iv) Include Federal and non-Federal activities
- (v) Comply with accounting policies
- (vii) Support distribution to two or more activities or cost objectives



Sub Part E. Cost Principles (Selected Items of Cost)

§200.430 Compensation – personal services

(i) NEW Standards for Documentation of Personnel Services

(1) Records accurately reflect work performed (cont.)

(vii) Budget estimates alone cannot be used as support for charges but may be used for interim accounting purposes

(A) Must be reasonable approximations

(B) Significant changes must be entered in a timely manner

(C) Internal control system includes review of after-the-fact charges and adjustments made so the final amount charged is accurate, allowable and properly

allocated



Sub Part E. Cost Principles (Selected Items of Cost)

§200.430 Compensation – personal services

(i) NEW Standards for Documentation of Personnel Services (cont.)

(2) If records meet these standards, no additional documentation required

(3) Must comply with Dept. of Labor requirements for non-exempt

(4) Salaries and wages of employees used for in-kind must meet same requirements

(6) Cognizant agencies encouraged to approve alternative methods based on outcomes



Sub Part E. Cost Principles (Selected Items of Cost)

§200.430 Compensation – personal services

(i) NEW Standards for Documentation of Personnel Services (cont.)

(7) Approved blended funding – may use a performance-based measure. Must be approved by all funding sources

– Examples of performance-based measures: child or client counts

(8) Entities who cannot meet these standards may be required by the Federal government to maintain personnel activity reports (PARs)



Sub Part E. Cost Principles (Selected Items of Cost)

§200.430 Compensation – personal services (cont.)

“While many non-Federal entities may still find that existing procedures in place such as personal activity reports and similar documentation are the best method for them to meet the internal control requirements, this final guidance does not specifically require them.

The focus in this final guidance on overall internal controls mitigates the risk that a non-Federal entity or their auditor will focus solely on prescribed procedures such as reports, certifications, or certification time periods which alone may be ineffective in assuring full accountability.”

from Comments to the Regulations



Sub Part E. Cost Principles (Selected Items of Cost)

§200.431 Compensation – fringe benefits

- (a) Allowable if reasonable and required by law or entity policy
- (b) (3) Leave accounting methods:
 - (i) Cash basis – recognize when taken and paid
 - Payments for unused leave when an employee terminates are allowable as indirect costs in the year of payment
 - (ii) Accrual basis – allowable costs are the lesser of the amount accrued or the amount funded



Sub Part E. Cost Principles (Selected Items of Cost)

§200.431 Compensation – fringe benefits (cont.)

(e) (3) Actual claims paid to or on behalf of employees or former employees for workers' compensation, unemployment compensation, severance pay, and similar employee benefits (e.g., post-retirement health benefits), are allowable in the year of payment provided that the entity follows a consistent costing policy and they are allocated as indirect costs.



Sub Part E. Cost Principles (Selected Items of Cost)

§200.431 Compensation – fringe benefits (cont.)

(f) Automobiles

Personal use of organization vehicles:

- Unallowable as charges to Federal grants even if reported on a W-2



Sub Part E. Cost Principles (Selected Items of Cost)

§200.431 Compensation – fringe benefits (cont.)

- (i) Severance Pay – allowable if required:
 - a. By law;
 - b. Employer-employee agreement;
 - c. Established policy that constitutes an implied agreement; or
 - d. Circumstances of the particular employment.



Sub Part E. Cost Principles (Selected Items of Cost)

NEW §200.432 Conferences

Definition: meeting, retreat, seminar, symposium, workshop or event to disseminate technical information beyond the non-Federal entity

Allowable costs (appropriate, reasonable and necessary) paid by the host:

- Facility
- Speaker fees
- Meals and refreshments
- Local transportation
- Cost of identifying but not providing dependent care resources



Sub Part E. Cost Principles (Selected Items of Cost)

NEW §200.433 Contingency provisions

- (b) May be budgeted for foreseeable events
(construction cost, IT systems)
- (c) Payments to contingency reserves are
unallowable (cannot draw funds unless you
have incurred an actual expense for an
event you have budgeted)



Sub Part E. Cost Principles (Selected Items of Cost)

§200.434 Contributions and donations (cont.)

- (a) Unallowable from the non-Federal entity to other entities
- (b) Donated property and services cannot be charged to an award but may be claimed as in-kind
- (d) Services donated (in-kind) must be supported by the same methods used to support the allocability of employees



Sub Part E. Cost Principles (Selected Items of Cost)

§200.434 Contributions and donations (cont.)

- (e) Value of donated services must be considered in determining the indirect cost rate if:
 - (1) Aggregate value is material; and
 - (2) Services are supported by a significant amount of indirect cost

- (g) (2) If donations are treated as indirect, indirect cost rates will separate the value of the donations so reimbursement will not be made (that is, donated indirect is not part of the indirect cost pool)



Sub Part E. Cost Principles (Selected Items of Cost)

§200.435 Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringements (cont.)

In general, allowability of legal fees in defense of criminal, civil or administrative proceedings depends on the result

- Fees are allowable:
 - With a result of a favorable outcome
 - If approved in a settlement with the federal government
 - Condition of the award

Otherwise unallowable, including appealing a federal agency decision



Sub Part E. Cost Principles (Selected Items of Cost)

§200.436 Depreciation

(d)(4)NEW No depreciation allowed on assets that have outlived their useful lives

- No use allowance
- NEW If use allowance was taken on an asset not fully depreciated, you may convert to depreciation but total of both depreciation and use allowance may not exceed cost of the asset



Sub Part E. Cost Principles (Selected Items of Cost)

§200.436 Depreciation (cont.)

(e) Must maintain adequate records

- Must take a physical inventory at least once every two years
- NEW May use statistical sampling to take inventories
- Adequate documentation of depreciation must be maintained



Sub Part E. Cost Principles (Selected Items of Cost)

§200.437 Employee health and welfare costs

(a) Costs in accordance with documented policies for improvement of working conditions, employer-employee relations, health and performance are allowable

- NEW Costs for improvement of morale specifically excluded



Sub Part E. Cost Principles (Selected Items of Cost)

§200.438 Entertainment Costs

Costs of entertainment are unallowable, except:

When entertainment has a programmatic purpose and is authorized either in the approved budget* or with prior written approval

*Note this is the **only place** in these regulations where an approved budget provides approval.



Sub Part E. Cost Principles (Selected Items of Cost)

§200.439 Equipment and other capital expenditures

(b) Costs of equipment, buildings and land are allowable with prior written approval

Note: Because these regulations supersede other guidance, DHHS' requirement for prior approval for equipment purchases of \$25,000 or more will no longer apply.



Sub Part E. Cost Principles (Selected Items of Cost)

§200.442 Fund raising and investment management costs

(a) Costs of fund raising including financial campaigns, solicitation of gifts, etc., are unallowable.

NEW Fund raising costs for the purposes of meeting federal program objectives are allowable with prior written approval.



Sub Part E. Cost Principles (Selected Items of Cost)

§200.445 Goods or services for personal use

- (a) Costs of goods or services for personal use are unallowable regardless of whether the cost is reported as taxable income to the employee
- (b) Costs of housing and personal living expenses are only allowable as direct costs and must be approved in advance



Sub Part E. Cost Principles (Selected Items of Cost)

§200.447 Insurance and indemnification.

- (a) Costs of insurance required or approved and maintained pursuant to the Federal award are allowable.
- (c) Actual losses which could have been covered by permissible insurance (through a self-insurance program or otherwise) are unallowable.



Sub Part E. Cost Principles (Selected Items of Cost)

§200.449 Interest

(a) Costs incurred for interest on borrowed capital, temporary use of endowment funds, or the use of the non-Federal entity's own funds, however represented, are unallowable.

- Financing costs (including interest) to acquire, construct, or replace capital assets are allowable, subject to certain conditions.
- Note – Overall, the regulations for interest were simplified.
- Some programs require prior approval for charging interest to grants



Sub Part E. Cost Principles (Selected Items of Cost)

§200.452 Maintenance and repair costs

Costs incurred for utilities, insurance, security, necessary maintenance, janitorial services, repair, or upkeep of buildings and equipment which neither add to the permanent value of the property nor appreciably prolong its intended life are allowable



Sub Part E. Cost Principles (Selected Items of Cost)

§200.453 Materials and supplies costs, including computing devices

- (a) Costs for materials and supplies necessary to carry out an award are allowable.
- (b) **NEW** Charging computing devices as direct costs is allowable for devices that are essential and allocable, but not solely dedicated to the performance of the award.



Sub Part E. Cost Principles (Selected Items of Cost)

§200.464 Relocation costs of employees (cont.)

(b) Relocation costs are limited to:

- (1) Transportation
- (2) Finding a new home
- (3) Closing costs of disposition of the employee's former home
- (4) Continuing costs of ownership of the former home for up to 6 months **NEW**
- (5) Other necessary and reasonable costs such as costs of canceling an unexpired lease (limited to 3 times the monthly rental) and transportation of personal property



Sub Part E. Cost Principles (Selected Items of Cost)

§200.472 Training and education costs.

The cost of training and education provided for employee development is allowable.



Sub Part E. Cost Principles (Selected Items of Cost)

§200.474 Travel costs

(a) Costs may be charged on an actual cost basis, on a per diem or mileage basis in lieu of actual costs incurred, or on a combination of the two, provided the method used is applied consistently.

(b) **NEW** Documentation must justify:

(1) Participation is necessary for the federal award; and

(2) Costs are reasonable and consistent with entity policy



Sub Part E. Cost Principles (Selected Items of Cost)

§200.474 Travel costs (cont.)

- (c) (1) **NEW** Temporary dependent care costs resulting from travel to conferences are allowable provided that:
- (i) Costs are a direct result of travel;
 - (ii) Costs are consistent with the travel policy; and
 - (iii) Costs are temporary during the travel period



Sub Part E. Cost Principles (Selected Items of Cost)

§200.474 Travel costs (cont.)

(d) Commercial airfare:

(1) Costs in excess of the basic least expensive unrestricted class are unallowable except when they would:

- (i) Require circuitous routing;
- (ii) Require travel during unreasonable hours;
- (iii) Excessively prolong travel;
- (iv) Result in additional costs; or
- (v) Not be adequate for traveler's medical needs (medical needs must be documented)



Sub Part E. Cost Principles (Selected Items of Cost)

§200.475 Trustees

Travel and subsistence costs of trustees (or directors) at educational institutions and nonprofit organizations are allowable.



Key Sections – Subpart F

Audit Section Focuses on Risk

- Increased audit threshold from \$500k to \$750k
- Moves toward a risk-based approach
- Greater transparency of audit results (*i.e.- single audit reports made available to the public online*)
- Increased agency use of the single audit process by agencies



Key Sections – Subpart F

Audit Section Focuses on Risk

- Subrecipient monitoring
 - Federal award information, including data elements required by federal Digital Accountability and Transparency Act (DATA) / Federal Financial Accountability Transparency Act (FFATA) must transfer to subrecipient
 - FFATA / DATA phased in over the next few years
 - Seems to be more stringent
 - Follow up on all deficiencies pertaining to federal awards must be done timely
 - Potentially more risk assessment burden (alluded to in Subpart D)



Key Sections – Subpart F

Audit Section Focuses on Risk

- Reminders: Minimum threshold for type A/B determination raises to \$750k from \$300k – other changes
 - Major program determination formula
 - % of coverage based on risk (50-40% high risk) (25% - 20% low risk)
 - High risk program if known or likely questioned costs lowered to 5% of total federal awards
 - Known questioned costs raised to \$25k from \$10k
 - Finding formatting



Compliance Tests *May* Be Changing

Compliance Requirements	Current	Proposed
A. Activities Allowed or Unallowed	✓	✓
B. Allowable Costs/Cost Principles	✓	Incorporated into A.
C. Cash Management	✓	✓
D. Davis – Bacon Act	✓	Agency could request to be part of N.
E. Eligibility	✓	✓
F. Equipment	✓	Agency could request to be part of N.
G. Matching, Level of Effort, Earmarking	✓	Matching incorporated in A. Agency could request the remainder be part of N.
H. Period of Availability of Federal Funds	✓	Incorporated into A.
I. Procurement, Suspension, Debarment	✓	Agency could request to be part of N.
J. Program Income	✓	Agency could request to be part of N.
K. Real Property	✓	Agency could request to be part of N.
L. Reporting	✓	✓
M. Subrecipient Monitoring	✓	✓
N. Special Tests and Provisions	✓	✓



Audit Finding Structure Already Changing



Finding numbers must be in yyyy -### format – e.g. 2015-001



Timeline for Rollout – Not Always Fully Understood

- 200.110, Effective Implementation dates
- Federal Agencies must implement effective by 12/26/14
 - **Admin requirements and cost principles** will apply to **new awards**, and to **additional funding increments** made on or after 12/26/14
 - Existing awards will continue to be governed by the award terms and conditions
- Audit section, Subpart F. will apply to audits of fiscal years beginning **on or after 12/26/14**, so this will come into play for fiscal year beginning 7/1/2015 (FY 2016)
 - **As existing awards will be governed by award terms and conditions, audit will be using both sets of guidance**

Questions

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