

**2 CFR Part 200—Uniform Administrative Requirements, Cost Principles, and Audit Requirements
for Federal Awards
Summary of Changes**

1. **General:** New CFR Combines all prior CFRs and OMB Circulars
 - a. Annual Financial Assistance Recipient Risk Assessment
 - b. New Grant Monitoring / Reporting Requirements based on annual risk assessment
 - c. New Financial Assistance Award covers all pre-award and award processes and requirements.
 - d. New Disclosure Policies– Conflict of Interest (§112) and Mandatory Disclosure (§113).
 - e. Performance Goals (§210) - Must include timing and scope of expected performance and outcomes.
 - f. Performance Measurement: (§301) - must require recipient to relate financial data to performance accomplishments. “recipients must provide cost information to demonstrate cost effective practices.”

“How are States affected?”

2. **Should states expect big changes?**
 - a. In much of the regulation, OMB Circular A-102 was followed most closely (e.g. procurement), which is good for State recipients but will pose some challenges for other entities (e.g. universities). We need to be mindful of this with subrecipients.
 - b. **Government-wide, the new CFR must be implemented (must be effective) on December 26, 2014.** The Department of Interior will “implement” almost the entire CFR without any “guidance”. DOI is preparing new policies to provide implementation guidance in only 5 very limited areas that OMB said the departments have some latitude.
 - c. Subpart F, **Audit requirements**, will apply to audits of non-Federal entity fiscal years beginning on or after December 26, 2014. The revised audit requirements are not applicable to fiscal years beginning prior to that date.
 - d. Administrative requirements and cost principles will apply to new awards and to additional funding (funding increments) to existing awards made after Dec 26, 2014.
 - e. Existing Federal awards will continue to be governed by the terms and conditions of the Federal award.
 - f. A few notable examples of unchanged regulations:
 - i. Equipment use, management, and disposal by States unchanged.
 - ii. Cost share valuation largely unchanged.
 - g. Procurement regulation closely adheres to A-102.
3. **What’s new in the omniscircular?**

Most emphasize that some of our recipients will be on a stiff learning curve. As pass-through entities, our monitoring responsibilities have increased under the Omniscircular. More on that later.

 - a. **Pay close attention to two new terms: *Must* and *Should*.**
 - i. “Must” = required.
 - ii. “Should” = best practices approach.

- iii. May sometimes be subtle, but very important, so read regulations carefully.
 - 1. Auditors treat deviations from ‘must’ strictly; deviations from ‘should’ need to be carefully rationalized by recipients.
 - b. **Two new disclosure policies coming soon** – Conflict of Interest (§112) and Mandatory Disclosure (§113).
 - c. **DOI formalizing policy now.** Purpose is to strengthen oversight.
 - i. Conflict of Interest – Grantees “**must** disclose in writing any potential conflict of interest to the Federal awarding agency or pass-thru entity in accordance with applicable Federal awarding agency policy”.
 - ii. Mandatory Disclosure –ALL applicants and grantees ‘**must** disclose, in a timely manner, in writing to the Federal awarding agency or pass-thru entity all violations of Federal Law involving fraud, bribery, or gratuity violations that may affect the Federal award. Failure may result in noncompliance actions, leading up to, and including, suspension and debarment.’
 - d. Some key items moved for clarity. A couple of examples:
 - i. Appendices – Include NOFA, contracts under federal awards, indirect costs and cost allocation, exempted nonprofits from cost principles.
 - ii. Subrecipient vs. contractor (previously, ‘vendor’) moved from Single Audit circular (A-133) to administrative rule, which OMB deemed to be more appropriate.
 - e. Some minor changes to regulations affecting State agencies:
 - i. Financial management systems – distinction between States and ‘other grantees’ not as exclusive as before.
 - ii. Procurement – States use their own procurement rules, all others (to include State subrecipients) follow Omniscircular guidance. Omniscircular procurement rule most closely follows A-102 (States), which may be news to your university and non-profit subrecipients.
4. **New, updated, changed:**
- a. **Risk Assessment of All Awardees – § 200.205** In addition to use of the OMB-designated repositories of government-wide eligibility information, Federal awarding agencies must have a framework for evaluating the risks posed by applicants prior to receipt of a federal award.
 - i. Items that MAY BE considered by Federal awarding agencies include: DIG 2011-03, Amendment 1, FA Monitoring Protocol provides risk elements on the Risk Assessment Checklist.
 - ii. Financial stability
 - iii. Quality of management systems
 - iv. History of performance
 - v. Reports and findings from audits performed under Subpart F
 - vi. Applicant’s ability to effectively implement statutory, regulatory or other requirements
 - b. **Subrecipient § 200.93**, *Subrecipient* means a non-Federal entity that receives a subaward from a pass-through entity to carry out part of a Federal program. Look at the nature of the relationship rather than what the agreement is called; See § 200.330, e.g., the recipient may call the document a “contract” but it is a subaward if a discrete award objective is carried out by the 3rd- party (subrecipient).

- c. **Based on the Risk Assessment**, then Special conditions on the award (200.207) , or Monitoring protocols
- d. **Performance Goals (200.210)**
 - i. Must include timing and scope of expected performance and outcomes.
- e. **Performance Measurement: (200.301)-** Federal agency must require recipient to relate financial data to performance accomplishments. “. . .recipients must provide cost information to demonstrate cost effective practices.”
- f. **Indirect costs** – Federal awarding agencies must accept recipient NICRAs.
 - i. Additionally, non-federal pass-through entities (e.g. State fish and wildlife agencies) must accept subrecipient NICRA.
 - ii. 10% de minimis available, with restrictions, to both recipients and subrecipients that are Not Government agencies and had never had a NICRA
 - iii. Pass-through entities may negotiate an indirect rate with its subrecipients in certain circumstance.
 - iv. For Modified Total Direct Cost method – a cap on charging indirect rate to the first \$25,000 of pass-through funds, contracts, subawards).
- g. **Valuing volunteer in-kind** – Fringe benefits now calculated into all volunteer in-kind (previously State grantees calculated organization volunteer match exclusive of fringe benefits).
- h. **Prior written approval (\$407).**
 - i. List of circumstances (22 areas) where recipients should consider getting prior approval of awarding agency.
 - ii. A best practice approach to dealing with the potential question of reasonableness.
- i. **Administration as a direct cost (\$413).**
 - i. Strengthened circumstances when direct charging admin costs normally in indirect rate is allowable.
- j. **Contingency provisions (\$433)** Was unallowable under old cost principles, now allowable in the defined circumstances.
- k. **9Federal awarding agency review of merit of proposals 200.204:** New Requirement
 - i. For competitive grants or cooperative agreements, Federal awarding agencies must design and execute a merit review process for applications.
 - ii. Process must be described (or incorporated by reference) in funding opportunity (NOFA).
- l. **Single Audit**
 - i. No early implementation of new Single Audit requirements.
 - ii. Threshold for requiring an audit is raised to \$750,000. This change retains 99% of federal award dollars subject to audit while reducing number of entities requiring the Single Audit by approximately 5,000.

1. This affects any subrecipients of the recipient, WSFR is responsible to monitor compliance.
- iii. Federal Audit Clearinghouse to become repository for Single Audits, no longer just the SF-FAC.
- iv. Subrecipients will only submit one electronic copy of their Single Audit to Clearinghouse; no longer will be required to submit copy of their single audit to pass-throughs.

5. How are Subrecipients affected?

- a. Subrecipient monitoring by pass-through entities (e.g. States) now expanded and clarified. This will be an expanded responsibility of States with subrecipients.
- b. Risk-based monitoring is a responsibility of the pass-through entities (e.g. States).
- c. Remedies for noncompliance (§ 200.338)
 - i. Applies to awards and subawards.
 - ii. Expanded to include post-award 'additional conditions' (under Common Rule only used in preaward 'high-risk recipient' cases).
 - iii. Meant to minimize suspension and termination actions by early intervention by awarding agency (both federal and pass-through entities).
- d. Scrutiny of subrecipient/contractor agreements for compliance