



## OVERVIEW OF THE OMB CIRCULAR(S) FOR FINANCIAL ADMINISTRATORS

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# Workshop Description

This workshop will review the key Subparts of 2 CFR Chapter I, Chapter II, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the “Super Circular”) as related to OMB Circulars A-21, A-110, and A-133. In **Subpart C – Pre-Federal Award Requirements and Contents of Federal Awards** and **Subpart D – Post Federal Award Requirements** (A-110), we will focus on financial management, reporting, and subcontracting; in **Subpart E – Cost Principles** (A-21) on allowability of costs, direct/indirect costs, and selected items of costs; in **Subpart F – Audit Requirements** (A-133) on audit requirements and auditee responsibilities. Throughout, we will use scenarios and stories to illustrate the everyday influence of the circular(s) on managing sponsored projects.

Participants are encouraged to bring the Federal Register copy of 2 CFR Chapter I, Chapter II, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* to the workshop.

<http://www.gpo.gov/fdsys/pkg/FR-2013-12-26/pdf/2013-30465.pdf>

# Learning Objectives

- Understand the role each of the Circulars play in the financial management of sponsored projects;
- Develop some basic parameters to help interpret the regulations in light of your institutional culture;
- Identify and describe the changes to the regulations under the “omnibus” Circular.

# Summary

The modifications to the OMB Circulars are a key component of a larger Federal effort to **more effectively focus Federal resources on improving performance and outcomes while ensuring the financial integrity of taxpayer dollars** in partnership with non-Federal stakeholders.

This guidance provides a government-wide framework for grants management complemented by additional efforts to strengthen program outcomes through innovative and effective use of grantmaking models, **performance metrics**, and evaluation.

This reform of OMB guidance will **reduce administrative burden** for non-federal entities receiving Federal awards while **reducing the risk of waste, fraud and abuse**.

# Major Policy Reforms

## Reducing Administrative Burden and Waste, Fraud, and Abuse:

1. Eliminating Duplicative and Conflicting Guidance
2. Focusing on Performance over Compliance for Accountability
3. Encouraging Efficient Use of Information Technology and Shared Services
4. Providing for Consistent and Transparent Treatment of Costs
5. Limiting Allowable Costs to Make Best Use of Federal Resources
6. Setting Standard Business Processes Using Data Definitions
7. Encouraging Non-federal Entities to Have Family-Friendly Policies
8. Strengthening Oversight
9. Targeting Audit Requirements on Risk of Waste, Fraud, and Abuse

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# Subpart A – Acronyms and Definitions

# Acronyms and Definitions

Many definitions are included with the slides, however, you may want to review these additional definitions found in Subpart A:

- 200.8 Budget
- 200.10 Catalog of Federal Domestic Assistance
- 200.20 Computing devices
- 200.21 Compliance supplement
- 200.22 Contract
- 200.24 Cooperative agreement
- 200.38 Federal award: note especially (c)
- 200.45 Fixed amount awards
- 200.51 Grant agreement
- 200.59: Intangible property
- 200.61: Internal controls
- 200.62 Internal control over compliance Requirements for Federal awards (See “process” on the 3<sup>rd</sup> line.)
- 200.69 Non- Federal entity
- 200.74 Pass-through entity
- 200.86 Recipient
- 200.87 Research and Development (R&D)
- 200.88 Simplified acquisition threshold
- 200.95 Termination

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# Subpart B – General Provisions



# 200.100: Purpose

(A-110, Subpart A, General, .1: Purpose)

This Part establishes uniform administrative requirements, cost principles, and audit requirements for Federal awards to non-federal entities, **Federal awarding agencies must not impose additional or inconsistent requirements**, except as provided in 200.102 Exceptions and 200.210 Information Contained in a Federal Award, or unless specifically required by Federal statute, regulation, or Executive Order.

Subparts B through D set forth the uniform administrative requirements for grant and cooperative agreements (A-110).

Subpart E establishes principles for determining the allowable costs incurred by non-federal entities under Federal awards (A-21).

Subpart F sets forth standards for obtaining consistency and uniformity among Federal agencies for the audit of non-federal entities expending Federal awards (A-133).

# 200.112: Conflict of Interest

(New)

The Federal awarding agency must establish conflict of interest policies for Federal awards. **The non-federal entity must disclose in writing any potential conflict of interest to the Federal awarding agency** or pass-through entity in accordance with applicable Federal awarding agency policy.

# 200.113: Mandatory Disclosures

(New)

**The non-federal entity** or applicant for a Federal award **must disclose**, in a timely manner, in writing to the Federal awarding agency or pass-through entity **all violations of Federal criminal law involving fraud, bribery, or gratuity violations potentially affecting the Federal award**. Failure to make required disclosures can result in any of the remedies described in § 200.338 Remedies for noncompliance, including suspension or debarment.

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# Subpart C – Pre-Federal Award Requirements and Contents of Federal Awards

# 200.201: Use of grant agreements (including fixed amount awards), cooperative agreements, and contracts

(New)

1. Payments are based on meeting specific requirements of the Federal award. **Accountability is based on performance and results.**

- Negotiated using the cost principles as a guide
- No governmental review of the actual costs
- Scope must be specific and adequate cost, historical, or unit pricing data available
- Payments based on milestones, unit pricing, upon completion

2. No cost sharing or match

3. Certify in writing that project was completed or level of effort expended

4. Periodic reports may be required

5. Changes in PI, project partner, scope of effort must be approved

# 200.205: Federal awarding agency review of risk posed by applicants

(New)

Prior to making a Federal award **the awarding agency is required to review eligibility qualifications** or financial integrity information. For competitive grants or cooperative agreements, the awarding agency must have a framework to evaluate the risks posed by applicants before they receive an award.

Financial stability

Quality of management systems

History of performance

Audit reports and findings

Ability to implement statutory, regulatory, or other requirements

# 200.207: Specific conditions

(A-110, Subpart B, .14, Special Award Conditions)

Based upon the criteria set forth in 200.205, the Federal agency may impose additional specific award conditions, for example:

- Providing reimbursements rather than advanced payments;
- Requiring evidence of acceptable performance before approval to proceed;
- Requiring additional, more detailed financial reports;
- Requiring additional project monitoring;
- Requiring technical or management assistance;
- Establishing additional prior approvals.

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# Subpart D – Post Federal Award Requirements



# Standards for Financial and Program Management

(A-110, Subpart C -- Post Award Requirements,  
Financial and Program Management, C.20 – C.29)

# 200.301: Performance measurement

(New)

Requires the use of OMB approved **government-wide standard reports** when providing financial and performance data and information.

Performance should be measured in a way that helps to **improve program outcomes, share lessons learned, and spread the adoption of promising practices.**

# 200.302: Financial management

(A-110, Subpart C.21, Standards for financial management systems)

The financial management system must provide for the following:

1. Identification of all Federal programs and the funds received and expended;
2. Accurate, current, and complete disclosure of the financial results of each Federal award;
3. Records that identify adequately the source and application of funds for federally funded activities;
4. Effective control and accountability for all funds, property, and other assets;
5. Comparison of expenditures with budget amounts for each Federal award;
6. Written procedures to implement the requirements of 200.305 Payment;
7. Written procedures for determining the allowability of costs.

# 200.305: Payment

(A-110, Subpart C.22, Payment)

Payment methods must minimize the time between the transfer of funds and the disbursement of funds.

1. Advance payment is preferred (Treasury check, electronic funds transfer);
2. Consolidated payments, if possible;
3. Reimbursement, if there are specific conditions;
4. Working capital advance cash payments, if necessary;
5. Disburse funds from program income, etc. before requesting advance payments;
6. Payments for allowable costs must not be withheld;
7. Separate accounts not required; funds must be deposited in insured accounts;
8. Advance payments must be deposited in interest bearing accounts;
9. Interest income must be remitted annually to DHHS if over \$500.

# Cost Sharing or matching Definitions

**200.29 Cost sharing or matching.** *Cost sharing or matching* means the portion of project costs not paid by Federal funds (unless otherwise authorized by Federal statute).

**200.99 Voluntary committed cost sharing.** *Voluntary committed cost sharing* means cost sharing specifically pledged on a voluntary basis in the proposal's budget or the Federal award on the part of the non-federal entity and that becomes a binding requirement of Federal award.

**200.96 Third-party in-kind contributions.** *Third-party in-kind contributions* means the value of non-cash contributions (i.e., property or services) that—

- Benefit a federally assisted project or program; and
- Are contributed by non-federal third parties, without charge, to a non-federal entity under a Federal award.

# 200.306: Cost sharing or matching

(A-110, Subpart C.23, Cost sharing or matching)

- **Under Federal research proposals, voluntary committed cost sharing is not expected and cannot be used as a factor during merit review.**
- It may be considered if it is both in accordance with agency regulations and specified in the notice of funding opportunity.
- The **criteria** for considering voluntary committed cost sharing **must be explicitly described in the notice of funding opportunity.**
- Only mandatory cost sharing or cost sharing **specifically committed in the project budget** must be included in the organized research base.

# 200.306: Cost sharing or matching

(A-110, Subpart C, .23, Cost sharing or matching)

To be eligible, cost sharing must:

- Be verifiable;
- **Not included as a contribution to any other Federal award;**
- Be necessary and reasonable for accomplishment of project objectives;
- Be allowable under the Cost Principles;
- **Not be paid under another Federal award;**
- Be provided for in the approved budget;
- Conform to other provisions of this part.

# 200.306: Cost sharing or matching

(A-110, Subpart C.23, Cost sharing or matching)

- **Unrecovered indirect costs, including on cost sharing, may be offered as cost share only with the prior approval of the awarding agency.**
- Third-party volunteer services may be counted as cost sharing if an integral and necessary part of an approved project. Rates should be consistent with those paid for similar work.
- Third-party employee services must be valued at the employee's regular rate of pay, plus fringe benefits and indirect costs.
- The value of third-party donated property must not exceed market value at the time of the donation.
- The value of donated space and loaned equipment must not exceed their fair rental value.



# 200.307: Program income

(A-110, Subchapter C.24, Program income)

**200.80.** Program income means gross income that is directly generated by a supported activity or earned as a result of the Federal award during the period of performance, e.g. conference income, fees for services, rental or sale of property acquired or developed under the award.

Income use:

- Deduction;
- Addition; or
- Cost sharing.

**For IHE's and nonprofit research institutions, if a method for income use is not specified in the award, then the income may be added to the available funding.**

# 200.308: Revision of budget and program plans

(A-110, Subpart C.25, Revision of budget and program plans)

The approved budget summarizes the financial aspects of the project as approved by the awarding agency. **It must be related to performance for program evaluation purposes, whenever appropriate.**

Recipients are required to report deviations from budget, project scope, or objective(s), and request prior approvals for the following revisions:

1. Change in scope or objectives;
2. Change in a key person;
3. Disengagement of the PI for more than 3 months or a 25% reduction in effort;
4. Inclusion of costs requiring prior approval under the Cost Principles;
5. Transfer of funds budgeted for participant support;
6. Subawarding, transferring, or contracting out of any work;
7. Changes in the amount of approved cost sharing.

# 200.308: Revision of budget and program plans

(A-110, Subpart C, .25, Revision of budget and program plans)

- Deviations versus Revisions
- “Expanded Authority”  
**Except for requirements listed in paragraph (c)(1) of this section, the Federal awarding agencies are authorized, at their option, to waive prior written approvals required by paragraph (c) of this section.**
- Such waivers may include:
  - > **Incurring project costs 90 calendar days before award;**
  - > **Initiating a one-time extension of the period of performance by up to 12 months;**
  - > **Carrying forward unobligated balances to subsequent periods of performance.**
- **For research awards, these prior approval requirements are automatically waived.**

# 200.309: Period of performance

(A-110, Subpart C, .28, Period of availability of funds)

**200.77.** Period of performance means the time during which the non-federal entity may incur new obligations to carry out the work authorized under the Federal award. The Federal awarding agency or pass-through entity must include start and end dates of the period of performance in the Federal award.

- Only allowable costs during the period of performance and approved pre-award costs may be charged.

# Property Standards

(A-110: Subpart C – Post-Award Requirements,  
Property Standards, C.30 -- C.37)

# 200.313: Equipment Definitions

**200.33. Equipment.** Equipment means tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the non-federal entity for financial statement purposes, or \$5,000.

**200.48 General purpose equipment.** *General purpose equipment* means equipment which is not limited to research, medical, scientific or other technical activities. Examples include office equipment and furnishings, modular offices, telephone networks, information technology equipment and systems, air conditioning equipment, reproduction and printing equipment, and motor vehicles.

**200.89 Special purpose equipment.** *Special purpose equipment* means equipment which is used only for research, medical, scientific, or other technical activities. Examples of special purpose equipment include microscopes, x-ray machines, surgical instruments, and spectrometers.

# 200.313: Equipment

(A-110, Subpart C.34, Equipment)

**Title to equipment acquired under a Federal award will vest upon acquisition in the non-federal entity, subject to the following conditions:**

- Conditional ownership;
- Authorized purposes;
- Unencumbered.
- During the time the equipment is used on the project for which it was acquired, **the equipment must be made available to other current or previously supported Federal projects** so long as it doesn't interfere with work on the original project. **Use on non-federally funded projects is permissible.**

# 200.313: Equipment

(A-110, Subpart C.34, Equipment)

- **The equipment should not be used to provide services for a fee that is less than private companies charge for equivalent services.**
- When the equipment is no longer needed for the original project, then it should be used in other activities supported by, first, the awarding agency or, second, other Federal agencies.

## Disposition:

- Current value of less than \$5,000
- Current Value of \$5,000 or more and 120 day rule
- Request to transfer title



# 200.313: Equipment

(A-110, Subpart C.34, Equipment)

## Equipment Management:

1. Property records must describe the equipment.
2. A physical inventory must be taken at least every two years.
3. A control system must ensure adequate safeguards to prevent loss, damage, or theft.
4. Adequate maintenance procedures must keep the equipment in good condition.
5. If authorized, proper sales procedures must ensure the highest possible return.

# 200.314: Supplies

## Definition

**200.94.** *Supplies* means all tangible personal property other than those described in 200.33 Equipment. **A computing device is a supply if the acquisition cost is less than the lesser of the capitalization level established by the non-federal entity for financial statement purposes or \$5,000, regardless of the length of its useful life.**

# 200.314: Supplies

(A-110, Subpart C.35, Supplies and other expendable property)

- **Title to supplies will vest in the non-federal entity upon acquisition.**
- A residual inventory of unused supplies exceeding \$5,000 at termination or completion of the project must be used on other Federal projects or sold, but, in either case, the Federal government must be compensated.
- As long as the Federal government retains interest in the supplies, they must not be used to provide services for a fee that is less than private companies charge for equivalent services.

# Procurement Standards

(A-110: Subpart C – Post-Award Requirements,  
Procurement Standards, C.40 - C.48)

# Procurement Standards

These clauses set forth the standards for purchasing supplies and other expendable property, equipment, real property, and other services with Federal funds. (A-110)

200.318: General procurement standards

200.319: Competition

200.320: Methods of procurement to be followed

200.321: Contracting with small and minority businesses, women's business enterprises, and labor surplus area firms

200.323: Contract cost and price

200.324: Federal awarding agency or pass-through entity review

# Performance and Financial Monitoring and Reporting

(A-110, Subpart C, Reports and Records, C.50 – C.53)

# 200.327: Financial reporting

(A-110, Subpart C.52, Financial reporting)

- **Only standard Federal forms may be used to collect OMB-approved government-wide data elements** of financial information. All exceptions must be approved by OMB.
- Information must be collected with the frequency required by the terms and conditions of the Federal award, but **no less frequently than annually nor more frequently than quarterly** except in unusual circumstances, e.g. when required for more effective monitoring or related to program outcomes or performance reporting.

# 200.328: Monitoring and reporting program performance

(A-110, Subpart C.51, Monitoring and reporting program performance)

The non-federal entity must monitor its activities to assure compliance with applicable Federal requirements and **achievement of performance expectations.**

Performance reports must be submitted as required by the awarding agency, but no less frequently than annually nor more frequently than quarterly.

Quarterly or semiannual reports are due 30 calendar days and annual reports 90 calendar days after the reporting period.

The final performance report is due 90 calendar days after the period of performance end date.



# 200.328: Monitoring and reporting program performance

(A-110, Subpart C.51, Monitoring and reporting program performance)

Performance reports must include:

- A comparison of actual accomplishments to objectives, whenever quantifiable, a computation of the cost may be required;
- The reasons why established goals were not met;
- Additional pertinent information (cost overruns/high unit costs);
- Significant developments (problems/favorable outcomes).

**Note: the awarding agency may waive any required performance report.**

# Subrecipient Monitoring and Management

(A- 133, General, A.105, Definitions and Audits, B.210, Subrecipient and vendor determinations)

# 200.330: Subrecipient and contractor determinations

## Definitions

**200.92 Subaward.** *Subaward* means an award provided by a pass-through entity to a subrecipient for the subrecipient to carry out part of a Federal award received by the pass-through entity. It does not include payments to a contractor or payments to an individual that is a beneficiary of a Federal program. A subaward may be provided through any form of legal agreement, including an agreement that the pass through entity considers a contract.

**200.93 Subrecipient.** *Subrecipient* means a non-federal entity that receives a subaward from a pass-through entity to carry out part of a Federal program; but does not include an individual that is a beneficiary of such program. A subrecipient may also be a recipient of other Federal awards directly from a Federal awarding agency.

# 200.330: Subrecipient and contractor determinations

(A-133, General, A.105, Definitions)

Pass-through entities must determine if disbursement of funds is to a subrecipient or contractor.

- Subrecipients. A **subaward** is for the purpose of carrying out a portion of a Federal award and **creates a Federal assistance relationship** with the subrecipients.
- Contractors. A **contract** is for the purpose of obtaining goods and services for the non-federal entities own use and **creates a procurement relationship** with the contractors.

# 200.330: Subrecipient and contractor determinations

(A-133, Audits, B.210, Subrecipient and vendor determinations)

## **Subrecipients**

- Determines eligibility of second-tier recipients to receive Federal assistance
- Measures performance against objectives
- **Makes programmatic decisions**
- Assumes responsibility for complying with Federal regulations
- Uses Federal funds to carry out a program for a public purpose

# 200.330: Subrecipient and contractor determinations

(A-133, Audits, B.210, Subrecipient and vendor determinations)

## **Contractors**

- Provides goods and services within normal business operations
- Provides similar goods or services to many purchasers
- Operates in a competitive environment
- **Provides goods or services ancillary to the Federal program**
- Not subject to compliance requirements of the Federal program

**Note: the substance of the relationship is more important than the form of the agreement.**

# 200.331: Requirements for pass-through entities

(New)

All pass-through entities must:

- Ensure that every subaward is clearly identified as such
- Evaluate each subrecipient's risk of non-compliance
- Consider imposing specific conditions upon a subrecipient
- Ensure that the subaward is used for authorized purposes and that performance goals are achieved (financial and performance reports, timely and appropriate action on deficiencies)

# 200.331: Requirements for pass-through entities

(New)

All pass-through entities must:

- If determined to be a risky subrecipient then increase monitoring to include training and technical assistance, on-site reviews, audits
- Consider if the results of additional monitoring necessitates adjustments to pass-through entities' records
- Consider enforcement action

**Note: with approval, subawards may be based upon fixed amounts up to the Simplified Acquisition Threshold of \$150,000.**



# Record Retention and Access

(A-110: Subpart C – Post-Award Requirements,  
Reports and Records, C.50 -- C.53)

# 200.333: Retention Requirements for Records

(A-110, Subpart C.53, Retention and access requirements for records)

Financial Records must be retained for a period of three years from the date of submission of the final expenditure report.

Exceptions:

- If a litigation, claim, audit starts before the end of the 3 year period, until all findings have been resolved and final action taken;
- If notified by an awarding or cognizant agency to extend the retention period;
- Records for real property and equipment, until 3 years after disposition;
- If records are transferred to or retained by the awarding agency, the 3 year retention period is not applicable;
- The retention period for records of program income earned after the end of the Period of Performance starts at the end of the recipient's fiscal year.
- Rate proposals = if submitted, then from the date of submission; if not submitted, then from the end of the fiscal year covered by the proposal.

# Remedies for Noncompliance

(A-110: Subpart C – Post-Award Requirements,  
Termination and Enforcement, C.60 -- C.62)

# 200.338 Remedies for noncompliance

(A-110, Subpart C.62, Enforcement)

If a non-federal entity fails to comply with Federal statutes, regulations or the terms and conditions of an award, then additional *specific conditions* may be imposed. If the issue is not remedied, then one or more of the following actions may be taken:

- Withholding cash payments pending correction;
- Disallowing all or part of the cost of activities not in compliance;
- **Suspending or terminating the Federal award;**
- **Initiating suspension or debarment proceedings;**
- Withholding further Federal awards;
- Taking other remedies that may be legally available.

# 200.339: Termination

(A-110, Subpart C.61, Termination)

The Federal award may be terminated in whole or in part as follows:

1. By the awarding agency if the non-federal entity fails to comply with the terms and conditions of the award;
2. By the awarding agency for cause;
3. By the awarding agency For “convenience” with the consent of the non-federal entity;
4. **By the non-federal entity upon written notification setting forth the reasons for such termination, the effective date, and, in the case of partial termination, the portion of the work to be terminated.**

If an award is terminated, all parties remain responsible for their closeout and post-closeout obligations.

# Closeout, Post-Closeout Adjustments and Continuing Responsibilities, Collection of Amounts Due

(A-110: Subpart D, After the Award Requirements, D.70 -- D.73)

# 200.343: Closeout

(A-110, Subpart D.71, Closeout procedures)

## Non-federal Entity:

- Submit, no later than **90 calendar days** after the end date of the period of performance, all financial, performance, and other reports (property, invention) required by the terms and conditions of the award;
- Liquidate all obligations incurred not later than **90 calendar days** after the end date of the period of performance;
- Promptly refund any unobligated cash paid in advance or not authorized to be retained.

## Awarding Agency:

- Make prompt payments for allowable reimbursable costs;
- Settle any upward or downward adjustments to the Federal share of costs;
- **Complete all closeout actions no later than 1 year after receipt and acceptance of all final reports.**

# 200.344: Post-closeout adjustments and continuing responsibilities

(A-110, Subpart D.72, Subsequent adjustments and continuing responsibilities)

The closeout of a Federal award does not affect any of the following:

- The right of the awarding agency to disallow costs and recover funds on the basis of a later audit or review.
- The obligation of the non-federal entity to return any funds due as a result of later refunds, corrections or transactions;
- Audit requirements;
- Property management and disposition requirements;
- Records retention requirements.



# 200.344: Collection of amounts due

(A-110, Subpart D.73, Collection of amounts due)

If excess amounts paid to the non-federal entity are not returned to the Federal government within 90 calendar days after demand, then the awarding agency may reduce the debt by:

- **Making an administrative offset** against other requests for reimbursement;
- **Withholding advance payments** otherwise due to the non-federal entity;
- Other action permitted by Federal statute.

The Federal agency will charge interest on an overdue debt in accordance with the Federal Claims Collection Standards.

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# Subpart E – Cost Principles

# General Provisions

(A-21, Subpart A, Purpose and Scope, A.1 – A.4)

# 200.400: Policy guide

(A-21, Subpart A.2, Policy Guides)

## Fundamental premises:

- The non-federal entity is responsible for the efficient and effective administration of the award.
- The non-federal entity assumes responsibility for administering funds consistent with underlying agreements, program objectives, and award terms and conditions.
- The non-federal entity has primary responsibility for employing sound management techniques to assure proper and efficient award management.
- Application of the cost principles should require no significant change in the internal accounting policies and procedures.

# 200.400: Policy guide

(A-21, Subpart A.2, Policy Guides)

Fundamental premises continued:

- Cost accounting principles should be consistently applied in the review, negotiation, and approval of cost allocation plans and IDC proposals.
- **The dual role of students as both trainees and employees contributing to the completion of Federal awards for research must be recognized in the application of the principles.**
- The non-federal entity may not earn or keep any profit resulting from Federal financial assistance, unless expressly authorized by the terms and conditions of the Federal award.

# 200.401: Application

(A-21, Subpart A.3, Application)

The principles must be used in determining the allowable costs of work performed under Federal awards and must be used as a guide in the pricing of fixed-price contracts and subcontracts.

The principles do not apply to:

- Loans, scholarships, fellowships, traineeships, or other fixed amounts based upon educational allowances or published tuition rates and fees;
- Capitation awards based on case counts or number of beneficiaries;
- Fixed amount awards;
- Federal awards to hospitals.

# 200.401: Application

(A-21, Subpart A.3, Application)

## Cost Accounting Standards:

Where a Federal contract is subject to the Cost Accounting Standards (CAS), it incorporates the applicable CAS clauses, Standards, and CAS administration requirements.

**CAS applies directly to the CAS-covered contract and the Cost Accounting Standards take precedence over the cost principles with respect to the allocation of costs.**

When a contract is subject to full CAS coverage, the allowability of certain costs under the cost principles will be effected.

# Basic Considerations

(A-21, Subpart C, Basic Considerations, C.1 -- C.14)



# 200.403: Factors affecting allowability of costs

(A-21, Subpart C.2, Factors affecting allowability of costs)

- Be **necessary, reasonable, and allocable** for performance of the award.
- Conform to any limitations or exclusions set forth in the principles or in the award as to types or amount of cost items.
- Be consistent with policies and procedures that apply to Federally-financed and other activities of the non-federal entity.
- Be **accorded consistent treatment** as a direct or indirect cost.
- Be determined in accordance with GAAP.
- Not be included as a cost or for cost sharing in any other Federally financed program in either the current or a prior period.
- Be adequately documented.

# 200.404: Reasonable costs

(A-21, Subpart C.3, Reasonable costs)

A cost is **reasonable** if it does not exceed that which would be incurred by a **prudent person** under the circumstances prevailing at the time the decision is made to incur the cost.

- Is the cost recognized as ordinary and necessary for the operation of the non- federal entity or the proper and efficient performance of the Federal award?
- Is the cost consistent with sound business practices; Federal, state and other laws and regulations; and the terms and conditions of the award?
- Is the cost comparable to market prices for similar goods or services for the geographic area?
- Is the “prudent person” considering his responsibilities to her employers, employees, students, the public at large, and the Federal government?
- Does the cost significantly deviate from the institution’s established practices and policies regarding the incurrence of costs?

# 200.405: Allocable costs

(A-21, Subpart C.4, Allocable costs)

A cost is **allocable** to a particular Federal award or other cost objective if the goods or services are chargeable or **assignable to that award** or cost objective in accordance **with relative benefits received**. This standard is met if the cost:

- Is incurred specifically for the Federal award;
- Benefits both the Federal award and other work of the non-Federal entity and can be distributed in proportions that may be approximated using reasonable methods; and
- Is necessary to the overall operation of the non-federal entity and assignable, in part, to the Federal award in accordance with the cost principles.

# 200.405: Allocable costs

(A-21, Subpart C.4, Allocable costs)

Any cost allocable to a particular Federal award may not be charged to other Federal awards to **overcome fund deficiencies**, to **avoid restrictions**, or for other reasons. However, this prohibition does not preclude shifting costs that are allowable under two or more awards in accordance with statutes, regulations, or the awards terms and conditions.

If a cost benefits two or more projects or activities, the cost should be allocated to the projects based on 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 or transferred to the projects on any reasonable basis.

# 400.406: Applicable credits

(A-21, Subpart C.5, Applicable credits)

**Applicable credits** are receipts or reduction-of-expenditure-type transactions that offset or reduce expenses allocable to the Federal award as direct or indirect (F&A) costs, e.g. **purchase discounts, rebates** or allowances, recoveries or indemnities on losses, insurance refunds or rebates, and adjustments of overpayments or erroneous charges.

To the extent that such credits relate to allowable costs, they **must be credited to the Federal award** either as a cost reduction or cash refund, as appropriate.

## 200.407: Prior written approval (prior approval)

(New)

The non-federal entity may seek the prior written approval of the cognizant agency **for indirect costs** or the Federal awarding agency in advance of the incurrence of special **or unusual costs**. Prior written approval should include the timeframe or scope of the agreement.

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 for allowability.

# 200.407: Prior written approval (prior approval)

(New)

- 200.201 Use of grant agreements (including fixed amount awards), cooperative agreements, and contracts;
- 200.306 Cost sharing or matching;
- 200.307 Program income;
- 200.308 Revision of budget and program plans;
- 200.332 Fixed amount subawards;
- 200.413 Direct costs;
- 200.430 Compensation—personal services;
- 200.431 Compensation—fringe benefits;
- 200.438 Entertainment costs;
- 200.439 Equipment and other capital expenditures;
- **200.440 Exchange rates (new);**

# 200.407: Prior written approval (prior approval)

(New)

- 200.441 Fines, penalties, damages and other settlements;
- 200.442 Fund raising and investment management costs;
- 200.445 Goods or services for personal use;
- 200.447 Insurance and indemnification;
- 200.454 Memberships, subscriptions, and professional activity costs;
- 200.455 Organization costs;
- 200.456 Participant support costs;
- 200.458 Pre-award costs;
- 200.462 Rearrangement and reconversion costs;
- **200.467 Selling and marketing costs;** and
- 200.474 Travel costs.



# Direct and Indirect (F&A) Costs

(A-21, Subpart D, Direct Costs, D.1 – D.2; Subpart E, F&A Costs, E.1 – E.2; Subpart F, Identification and Assignment of F&A Costs, F.1 – F.10; Subpart G, Determination and Application of F&A Cost Rate or Rates, G.1 – G.12)

# 200.412: Classification of costs

(New)

There is no universal rule for classifying certain costs as either direct or indirect (F&A) . . . A cost may be direct with respect to some specific service or function, but indirect with respect to the Federal award or other final cost objective. Therefore, **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 in order to avoid possible double-charging of Federal awards.

# 200.413: Direct costs

(A-21, Subpart D.1, General)

Direct costs are 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.**

Identification with the Federal award rather than the nature of the goods and services involved is the determining factor in distinguishing direct from indirect (F&A) costs of Federal awards.

Typical costs charged directly to a Federal award are the compensation of employees, their related fringe benefits, the costs of materials and other items incurred for the Federal award.

# 200.413: Direct costs

(A-21, Subpart F.6.b[2])

## Administrative and Clerical Staff

The salaries of administrative and clerical staff should **normally be treated as indirect (F&A) costs**. Direct charging of these costs may be appropriate only if all of the following conditions are met:

- Administrative or clerical services are integral to a project or activity;
- Individuals involved can be specifically identified with the project or activity;
- Such costs are explicitly included in the budget or have the prior written approval of the Federal awarding agency; and
- The costs are not also recovered as indirect costs.

# Indirect costs

## Definitions

**200.56. Indirect (Facilities and Administrative) Costs.** Indirect (F&A) costs means those **costs incurred for a common or joint purpose benefitting more than one cost objective, and not readily assignable to the cost objectives** specifically benefitted, without effort disproportionate to the results achieved.

**200.68 Modified Total Direct Cost(MTDC).** MTDC means all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and subawards and **subcontracts up to the first \$25,000 of each subaward or subcontract (regardless of the period of performance of the subawards and subcontracts under the award)**. MTDC excludes equipment, capital expenditures, charges for patient care, rental costs, tuition remission, scholarships and fellowships, participant support costs and the portion of each subaward and subcontract in excess of \$25,000. Other items may only be excluded when necessary to avoid a serious inequity in the distribution of indirect costs, and with the approval of the cognizant agency for indirect costs.

# 200.414: Indirect (F&A) costs

(A-21, Subpart E.1, General)

To facilitate equitable distribution of indirect expenses to the cost objectives served, it may be necessary to establish a number of pools of direct and indirect (F&A) costs.

Direct and indirect (F&A) cost pools should be distributed to benefitted cost objectives on bases that will produce an equitable result in consideration of relative benefits derived.

# Appendix III: Major functions of an institution (Direct Cost Pools) (A-21, Subpart E.1, General)

**Instruction** means the teaching and training activities of an institution, except for research training:

- *Sponsored instruction* and training means specific instructional or training activities established by grant, contract, or cooperative agreement;
- *Departmental research* means research, development, and scholarly activities that are not *organized research* and, consequently, are not separately budgeted and accounted for.

**Organized research** means all research and development activities of an institution that are separately budgeted and accounted for:

- *Sponsored research* means all research and development activities that are sponsored by Federal and non-federal agencies and organizations.
- University research means all research and development activities that are separately budgeted and account for by the institution under an internal application of institutional funds.

# Appendix III: Major Functions of an Institution (Direct Cost Pools) (A-21, Subpart E.1, General)

**Other sponsored activities** means programs and projects financed by Federal and non-federal agencies and organizations, which involve the performance of work other than instruction and organized research, e.g. health service projects and community service programs.

**Other institutional activities** means all activities of an institution except for **instruction**, *departmental research*, **organized research**, and **other sponsored activities**, e.g. operation of residence halls, dining halls, hospitals and clinics, student unions, intercollegiate athletics. Bookstores . . .



# 200.414: Indirect (F&A) costs

(A-21, Subpart F.1, Definition of Facilities and Administration)

## Facilities and Administration Costs (Indirect Cost Pools)

“Facilities” is defined as **depreciation** on buildings, equipment and capital improvement, **interest** on debt associated with certain buildings, equipment and **capital improvements**, and **operations and maintenance** expenses (including **library expenses** for IHEs).

“Administration” is defined as **general administration** and general expenses such as the director’s office, accounting, personnel and all other types of expenditures not listed specifically under one of the subcategories of “Facilities”.

# 200.414: Indirect (F&A) costs

(New)

**The negotiated rates must be accepted by all Federal awarding agencies.** A Federal awarding agency may use a rate different from the negotiated rate for a class of Federal awards or a single Federal award only when required by Federal statute or regulation, or when approved by a Federal awarding agency head or delegate based on documented justification.

Any non-federal entity that has never received a negotiated indirect cost rate may elect to charge a **de minimus rate of 10%** of modified total direct costs (MTDC) which may be used indefinitely.

Any non-federal entity that has a Federally negotiated indirect cost rate may apply for a **one-time extension of a current negotiated indirect cost rates for a period of up to four years.**

# 200.415: Required certifications

(New)

Annual and final fiscal reports or vouchers requesting payment under the agreements must include a certification, signed by an official who is authorized to legally bind the non-federal entity, 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.”

# Special Considerations for Institutions of Higher Education

# 200.419: Cost accounting standards and disclosure statement

(A-21, Appendix A, Cost Accounting Standards for Educational Institutions)

An **IHE** that received Federal awards totaling **\$50 million or more** in its most recent fiscal year must comply with the **Cost Accounting Standards**: 48 CFR 9905.501, 9905.502, 9905.505, and 9905.506.

An **IHE** that received Federal awards totaling **\$50 million or more** in its most recent fiscal year must disclose their cost accounting practices by filing a **Disclosure Statement (DS-2)**.

Excess amounts paid under Federal awards due to a noncompliant cost accounting practice used to estimate, accumulate, or report costs must be credited or refunded.

# 200.419: Cost accounting standards and disclosure statement

(A-21, Appendix A, Cost Accounting Standards for Educational Institutions)

## **CAS 9905.501. Consistency in estimating, accumulating, and reporting costs by educational institutions:**

Each educational institution's practices used in estimating costs for a proposal must be consistent with cost accounting practices used in accumulating and reporting costs (and vice versa). **Consistency in the application of cost accounting practices is necessary to enhance the likelihood that comparable transactions are treated alike.**

- Estimating costs means the process of forecasting a future result in terms of cost, based upon information available at the time.
- Accumulating costs means the collecting of cost data in an organized manner, such as through a system of accounts.
- Reporting costs means the providing of cost information to others.

# 200.419: Cost accounting standards and disclosure statement

(A-21, Appendix A, Cost Accounting Standards for Educational Institutions)

## **CAS 9905.502. Consistency in allocating costs incurred for the same purpose by educational institutions:**

Each type of cost must be allocated only once and on only one basis (direct or indirect) to any sponsored agreement. The criteria for determining the allocation of costs to a sponsored agreement should be the same for all similar cost objectives (i.e. a function, organizational subdivision, sponsored agreement or other work unit).

Adherence to these cost accounting concepts is necessary to guard against the overcharging of some cost objectives and **to prevent double counting.**

**All costs incurred for the same purpose, in like circumstances, are either direct costs only or indirect costs only with respect to final cost objectives.**

# 200.419: Cost accounting standards and disclosure statement

(A-21, Appendix A, Cost Accounting Standards for Educational Institutions)

## **CAS 9905.505. Accounting for unallowable costs – educational institutions:**

This standard establishes guidelines covering (1) identification of costs specifically described as unallowable and (2) the treatment to be accorded such unallowable costs in order to promote the consistent application of sound cost accounting principles covering all incurred costs. Unallowable costs include:

- Costs expressly unallowable or mutually agreed to be unallowable;
- Costs which are unallowable as a result of a written decision furnished by a Federal official pursuant to sponsored agreement disputes procedures;
- Costs which, in a Federal official's written decision, are designated as unallowable directly associated costs of unallowable costs (any cost which is generated solely as a result of the incurrence of another cost, and which would not have been incurred had the other cost not been incurred).
- Costs not contractually authorized, whether or not related to performance of a proposed or existing contract.



# 200.419: Cost accounting standards and disclosure statement

(A-21, Appendix A, Cost Accounting Standards for Educational Institutions)

## **CAS 9905.506. Cost accounting period – educational institutions:**

This standard is to provide criteria for the selection of the time periods to be used as cost accounting periods for sponsored agreement cost estimating, accumulating, and reporting.

Educational institutions shall use their fiscal year as their cost accounting period, except that:

- Costs of an indirect function which exists for only a part of a cost accounting period may be allocated to cost objectives of that same part of the period.
- An annual period other than the fiscal year may be used if its use is an established practice of the educational institution.
- A transitional cost accounting period other than a year shall be used whenever a change of fiscal year occurs.

# General Provisions for Selected Items of Cost

(A-21, Section J, General Provisions for Selected Items of Cost, J.1 – J.54)

# 200.420: Consideration for selected items of cost

(A-21, Section J, General Provisions for Selected Items of Cost)

This section provides principles to be applied in establishing the allowability of certain items involved in determining cost . . .

**These principles apply whether or not a particular item of cost is properly treated as direct cost or indirect (F&A) cost.** Failure to mention a particular item of cost is not intended to imply that it is either allowable or unallowable; rather, **determination as to allowability in each case should be based on the treatment provided for similar or related items of cost . . .** In case of a discrepancy between the provisions of a specific Federal award and the provisions below, the Federal award governs.

# 200.423: Alcoholic beverages

(A-21, J3, Alcoholic Beverages)

Costs of alcoholic beverages are unallowable.

# 200.430: Compensation – personal services

(A-21, Subpart J.10, Compensation for personal services)

Compensation for personal services includes **all remuneration for services of employees rendered during the period of performance** under the Federal award, including but not necessarily limited to wages and salaries.

Total compensation for individual employees (must be):

- Reasonable for the services rendered and conforming to established written policy of the non-federal entity consistently applied to both Federal and non-federal activities for similar work in other activities of the non-federal entity.
- Made in accordance with a non-federal entity's laws and/or rules or written policies and meets the requirements of Federal statute; and
- Determined and supported as provided in the Standards for Documentation of Personnel Expenses.

# 200.430: Compensation – personal services

(A-21, Subpart J.10, Compensation for personal services)

Allowable activities. **Charges to Federal awards may include reasonable amounts for activities contributing and directly related to work under an agreement, such as:**

- Delivering special lectures about specific aspects of the ongoing activity,
- Writing reports and articles,
- Developing and maintaining protocols (human, animals, etc.),
- Managing substances/chemicals,
- Managing and securing project-specific data,
- Coordinating research subjects,
- Participating in appropriate seminars,
- Consulting with colleagues and graduate students, and
- Attending meetings and conferences.

# 200.430: Compensation – personal services

(A-21, Subpart J.10, Compensation for personal services)

**Salary basis.** Charges for work performed on Federal awards by faculty members during the academic year are allowable at the Institutional Base Salary (IBS) rate. Except for incidental activities, no charges will exceed the proportionate share of the IBS for the period worked on an award. **IBS is defined as the annual compensation paid by an IHE for an individual's appointment, whether that individual's time is spent on research, instruction, administration, or other activities.** IBS excludes any income earned outside of duties performed for the IHE.

# 200.430: Compensation – personal services

(A-21, Subpart J.10, Compensation for personal services)

Special Considerations:

**Professional activities outside the non-federal entity.** Unless an arrangement is specifically authorized by a Federal awarding agency, a non-federal entity must follow its written non-federal entity-wide policies and practices concerning the permissible extent of professional services that can be provided outside the non-federal entity for non-organizational compensation.

**Incentive compensation.** Incentive compensation to employees based on cost reduction, or efficient performance, suggestion awards, safety awards, etc., is allowable to the extent that the overall compensation is determined to be reasonable and such costs are paid or accrued pursuant to an agreement between the non-federal entity and the employees before the services were rendered.



# 200.430: Compensation – personal services

(A-21, J10, Compensation for personal services)

Special Considerations:

**Incidental activities.** Incidental activities for which **supplemental compensation** is allowable under written institutional policy need not be included in the records, such activities must either be specifically provided for in the award budget or receive prior written approval by the awarding agency.

**Intra-Institution of Higher Education (IHE) consulting.** Intra-IHE consulting by faculty is assumed to be undertaken as an IHE obligation requiring no compensation in addition to IBS. However, in **unusual cases** where **consultation is across departmental lines or involves a separate or remote operation**, and the **work performed by the faculty member is in addition to his or her regular responsibilities**, additional compensation above IBS is allowable provided that such consulting arrangements are specifically provided for in the award or approved in writing by the awarding agency.

# 200.430: Compensation – personal services

(A-21, J10, Compensation for personal services)

Special Consideration:

**Extra Service Pay.** Represents **overload compensation** and is subject to institutional compensation policies for services above and beyond IBS. It is allowable if:

- The non-federal entity establishes consistent written policies which apply uniformly to all faculty members, not just those working on Federal awards.
- The non-federal entity establishes a consistent written definition of work covered by IBS which is specific enough to determine when work beyond that level has occurred.
- The supplemental amount paid is commensurate with the IBS rate of pay and the amount of additional work performed.
- The salaries fall within the salary structure and pay ranges established by the non-federal entity.
- The total salaries charged to Federal awards, including extra service pay, are subject to the Standards of Documentation.

# 200.430: Compensation – personal services

(A-21, Subpart J.10, Compensation for personal services)

Special Considerations:

**Periods outside the academic year.** Except as specified for teaching activity (below), charges for work performed by faculty members on Federal awards during periods not included in the base salary period will be at a rate not in excess of the IBS.

**Charges for teaching activities performed by faculty members on awards during periods not included in IBS period will be based on the normal written policy of the IHE governing compensation to faculty members for teaching assignments during such periods.**

**Part-time faculty.** Charges for work performed on awards by faculty members having only part-time appointments will be determined at a rate not in excess of that regularly paid for part-time assignments

# 200.430: Compensation – personal services

(A-21, J10, Compensation for personal services)

Special Consideration.

**Sabbatical leave costs.** Costs of leaves of absence by employees for performance of graduate work or sabbatical study, travel, or research are allowable provided the IHE has a uniform written policy on sabbatical leave for persons engaged in instruction and research. Such costs will be allocated on an equitable basis among all related activities of the IHE. Where sabbatical leave is included in fringe benefits as a direct charge, the aggregate amount of such assessments must be reasonable in relation to the IHE's actual experience under its sabbatical leave policy.

**Salary rates for non-faculty members.** Non-faculty, full-time professional personnel may also earn “extra service pay” if the costs are consistent with “allowable activities” for personal services and in accordance with the non-federal entity's written policy.

# 200.430: Compensation – personal services

(A-21, Subpart J.10, Compensation for personal services)

## Standards for Documentation of Personnel Expenses

Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

- **Be supported by a system of internal control**, which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- Be incorporated into the official records of the non-federal entity;
- Reasonably reflect the total activity for which the employee is compensated, not exceeding 100% of compensated activities;
- **Encompass both Federally assisted and all other activities compensated by the non-federal entity;**
- Comply with the established accounting policies and practices of the non-federal entity; and
- **Support the distribution of salary or wages among specific activities or cost objectives**, if the employee works on more than one Federal award.

# 200.430: Compensation – personal services

(A-21, Subpart J.10, Compensation for personal services)

## Systems for Internal Controls (Documentation of Effort)

- Budget estimates alone do not qualify as support for charges to Federal awards. **The non-federal entity's system of internal controls must include processes to review after-the-fact interim charges made to Federal awards.**
- Short-term fluctuations between workload categories need not be considered as long as the distribution of salaries and wages is reasonable over the longer term.
- Records may reflect categories of activities expressed as a percentage of total activities.
- **Teaching, research, and administration are often intermingled in an academic setting.** A precise assessment of factors contributing to costs is not always feasible, nor expected.
- Charges for the salaries and wages of nonexempt employees must be documented by the total number of hours worked each day.

# 200.431: Compensation – fringe benefits

(A-21, Section J10, Compensation for personal services)

Fringe benefits are allowances and services provided by employers to their employees as compensation in addition to regular salaries and wages. Fringe benefits include . . . the costs of leave (vacation, family related, sick or military), employee insurance, pensions, and unemployment benefit plans.

Fringe benefits are allowable provided that the benefits are reasonable and are required by law, non-federal entity-employee agreement, or an established policy of the non-federal entity.

Note: Automobiles and Severance Pay

# 200.431: Compensation – fringe benefits

(A-21, Section J10, Compensation for personal services)

Fringe benefits in the form of tuition or remission of tuition for individual employees are allowable, provided such benefits are granted in accordance with established non-federal entity policies, and are distributed to all non-federal entity activities on an equitable basis.

Tuition benefits for family members other than the employee are unallowable.

Tuition Benefits are limited to the institution for which the employee works.



# 200.432 Conferences

(A-21, Section J.32, Meetings and conferences)

A conference is a meeting, retreat, seminar, symposium, workshop or event whose primary purpose is **the dissemination of technical information beyond the non-federal entity** and is necessary and reasonable for successful performance of the Federal award.

Allowable costs may include rental of facilities, speakers' fees, costs of meals and refreshments, local transportation, and other items incidental to such conferences.

As needed, **the costs of identifying, but not providing, locally available dependent-care resources are allowable.**

# 200.436 Depreciation

(A-21, Section J.14, Depreciation and use allowances)

Depreciation is the method for allocating the cost of fixed assets to periods benefitting from asset use. The non-federal entity may be compensated for the use of its buildings, capital improvements, equipment, and software projects capitalized **in accordance with GAAP**, provided that they are used, needed in the non-federal entity's activities, and properly allocated.

An entire building may be treated as a single asset and depreciated over a single useful life or be divided into multiple components and each component depreciated over its estimated useful life.

The building components must be grouped into the 1) building shell, 2) building service systems, and 3) fixed equipment.

# 200.438: Entertainment costs

(A-21, Subpart J.17, Entertainment costs)

Costs of entertainment, including amusement, diversion, and social activities and any associated costs are unallowable, except where specific costs that might otherwise be considered entertainment have a programmatic purpose and are authorized either in the approved budget for the Federal award or with prior written approval of the Federal awarding agency.

# 200.439: Equipment and other capital expenditures

## Definitions

**200.13. Capital expenditures** means expenditures to acquire capital assets or expenditures to make additions, improvements, modifications, replacements, rearrangements, reinstallations, renovations, or alterations to capital assets that materially increase their value or useful life.

**200.33. Equipment** means tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the non-federal entity for financial statement purposes, or \$5,000.

# 200.439: Equipment and other capital expenditures

## Definitions

**200.48. General purpose equipment** means equipment which is not limited to research, medical, scientific or other technical activities. Examples include office equipment and furnishings, modular offices, telephone networks, information technology equipment and systems, air conditioning equipment, reproduction and printing equipment, and motor vehicles.

**200.89. Special purpose equipment** means equipment which is used only for research, medical, scientific, or other technical activities. Examples of special purpose equipment include microscopes, x-ray machines, surgical instruments, and spectrometers.

# 200.439: Equipment and other capital expenditures

(A-21, Subpart J.18, Equipment and other capital expenditures)

1. Capital expenditures for general purpose equipment, buildings, and land are unallowable as direct charges, except with the prior written approval of the Federal awarding agency.
2. Capital expenditures for special purpose equipment are allowable as direct costs, provided that items with a unit cost of \$5,000 or more have the prior written approval of the Federal awarding agency.
3. Capital expenditures for improvements to land, buildings, or equipment which materially increase their value or useful life are unallowable as a direct cost except with the prior written approval of the Federal awarding agency.
4. When approved as a direct charge, capital expenditures will be charged in the period in which the expenditure is incurred, or as negotiated with the Federal awarding agency.
5. Cost of equipment disposal. If instructed by the Federal awarding agency to otherwise dispose of or transfer the equipment the costs of such disposal or transfer are allowable.

# 200.453: Materials and supplies costs, including cost of computing devices

## Definition

**200.94.** *Supplies* means all tangible personal property other than those described in 200.33 Equipment. A computing device is a supply if the acquisition cost is less than the lesser of the capitalization level established by the non-federal entity for financial statement purposes or \$5,000, regardless of the length of its useful life.

# 200.453: Materials and supplies costs, including cost of computing devices

(A-21, Subpart J.32, Material and supplies costs)

1. Costs incurred for **materials, supplies, and fabricated parts** necessary to carry out a Federal award are allowable.
2. Purchased materials and supplies must be charged at their actual prices, net of applicable credits. **Withdrawals from stores or stockrooms should be charged at their actual net cost** under any recognized method of pricing inventory withdrawals. Incoming transportation charges are allowable.
3. Materials and supplies used for the performance of a Federal award may be charged as direct costs. **Charging computing devices as direct costs is allowable for devices that are essential and allocable**, but not solely dedicated, to the performance of a Federal award.
4. Where Federally-donated or furnished materials are used in performing the Federal award, such materials will be used without charge.



# 200.454: Memberships, subscriptions, and professional activity costs

(A-21, Subpart j.33, Memberships, subscriptions, and professional activity costs)

1. Costs of membership in business, technical, and professional organizations are allowable.
2. Costs of subscriptions to business, professional, and technical periodicals are allowable.
3. Costs of membership in any civic or community organization are allowable with prior approval by the Federal awarding agency.
4. Costs of membership in any country club or social or dining club or organization are unallowable.
5. Costs of membership in organizations whose primary purpose is lobbying are unallowable.

## 200.456 Participant support costs (New)

**200.75 Participant support costs.** *Participant support costs* means direct costs for items such as stipends or subsistence allowances, travel allowances, and registration fees paid to or on behalf of participants or trainees (but not employees) in connection with conferences, or training projects.

Participant support costs are allowable with the prior approval of the Federal awarding agency.

# 200.458: Pre-award costs

(A-21, Subpart J.36, Pre-agreement costs)

Pre-award costs are those incurred prior to the effective date of the Federal award 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.

**Such costs are allowable only to the extent that they would have been allowable if incurred after the date of the Federal award and only with the written approval of the Federal awarding agency.**

# 200.459: Professional service costs

(A-21, Subpart J.37, Professional service costs)

Costs of professional and consultant services rendered by persons who are members of a particular profession or possess a special skill, and who are not officers or employees of the non-federal entity, are allowable, **but must not be contingent upon recovery of the costs from the Federal government.**

In determining the allowability of costs in a particular case, no single factor or any special combination of factors is necessarily determinative. However, the following factors are relevant:

- (1) Nature and scope of the service rendered in relation to the service required;
- (2) Necessity of contracting for the service, considering the non-federal entity's capability in the particular area;
- (3) Past pattern of such costs, particularly in the years prior to the award;

# 200.459: Professional service costs

(A-21, Subpart J.37, Professional service costs)

- (4) Impact of Federal awards on the non-federal entity's business (i.e., what new problems have arisen);
- (5) Proportion of Federal work to the non-federal entity's total business, particularly where the services rendered are not of a continuing nature and have little relationship to work under Federal awards;
- (6) Whether the service can be performed more economically by direct employment rather than contracting;
- (7) The qualifications and customary fees of the individual or concern rendering the service;
- (8) Adequacy of the contractual agreement for the service.

In addition to the above factors, retainer fees must be supported by evidence of bona fide services available or rendered.

# 200.460: Proposal costs

(A-21, Subpart J.38, Proposal costs)

Proposal costs are the costs of preparing bids, proposals, or applications on potential Federal and non-federal awards or projects, including the development of data necessary to support the non-federal entity's bids or proposals.

**Proposal costs** of the current accounting period of both successful and unsuccessful bids and proposals normally **should be treated as indirect (F&A)** costs and allocated currently to all activities of the non-federal entity. No proposal costs of past accounting periods will be allocable to the current period.

# 200.461: Publication and printing costs

(A-21, Subpart J.39, Publication and printing costs)

Publication costs for electronic and print media, including distribution, promotion, and general handling are allowable. If these costs are not identifiable with a particular cost objective, they should be allocated as indirect costs to all benefiting activities of the non-federal entity.

Page charges for professional journal publications are allowable where:

- The publications report work supported by the Federal government;
- The charges are levied impartially on all items published by the journal, whether or not under a Federal award.

The non-federal entity may charge the Federal award before closeout for the costs of publication or sharing of research results if the costs are not incurred during the period of performance of the Federal award.

# 200.463: Recruiting costs

(A-21, Subpart J.42, Recruiting costs)

Costs of advertising, operating an employment office, operating an aptitude and educational testing program, recruitment travel, applicant travel for interviews, and relocation costs, are allowable to the extent that such costs are incurred pursuant to the non-federal entity's standard recruitment program.

Special emoluments, fringe benefits, and salary allowances incurred to attract professional personnel that do not meet the test of reasonableness or do not conform with the established practices of the non-federal entity are unallowable.

**Short-term, travel visa costs are generally allowable as a direct cost**, if they can be clearly identified as directly connected to work performed on a Federal award. For these costs to be directly charged to a Federal award, they must:

- Be critical and necessary for the conduct of the project;
- Be allowable under the applicable cost principles;
- Be consistent with the non-federal entity's cost accounting practices and policy;
- Meet the definition of "direct cost" as described in the cost principles.



# 200.464: Relocation costs of employees

(A-21, Subpart J.42, Recruiting costs)

Relocation costs are costs incident to the permanent change of duty assignment of an existing employee or upon recruitment of a new employee. Such costs are allowable, provided that:

- (1) The move is for the benefit of the employer.
- (2) Reimbursement to the employee is in accordance with an established written policy, consistently followed by the employer.
- (3) The reimbursement does not exceed the employee's actual expenses.

# 200.464: Relocation costs of employees

(A-21, Subpart J.42, Recruiting costs)

Allowable relocation costs for current employees are limited to the following:

- (1) The costs of transportation of the employee, members of his or her immediate family and his household, and personal effects to the new location.
- (2) The costs of finding a new home, including temporary lodging during the transition period, up to maximum period of 30 calendar days.
- (3) Closing costs incident to the disposition of the employee's former home (limited to 8 per cent of the sales price of the employee's former home).
- (4) The continuing costs of ownership (for up to six months) of the vacant former home after the settlement or lease date of the employee's new permanent home (limited to 8 per cent of the sales price of the employee's former home).
- (5) Other necessary and reasonable expenses normally incident to relocation.

# 200.464: Relocation costs of employees

(A-21, Subpart J.42, Recruiting costs)

The following costs related to relocation are unallowable:

- (1) Fees and other costs associated with acquiring a new home.
- (2) A loss on the sale of a former home.
- (3) Continuing mortgage principal and interest payments on a home being sold.
- (4) Income taxes paid by an employee related to reimbursed relocation costs.

**If the employee resigns for reasons within the employee's control within 12 months after hire, the non-federal entity must refund or credit the Federal government for its share of the cost.**

# 200.465: Rental costs of real property and equipment

(A-21, Subpart J.43, Rental costs of buildings and equipment)

- Rental costs are allowable to the extent that the rates are reasonable in light of such factors as: rental costs of comparable property, if any; market conditions in the area; alternatives available; and the type, life expectancy, condition, and value of the property leased.
- Rental costs under “sale and lease back” arrangements are allowable only up to the amount that would be allowed had the non-federal entity continued to own the property.
- Rental costs under “less-than-arm’s-length” leases are allowable only up to the amount that would be allowed had the non-federal entity continued to own the property. A less-than-arm’s-length lease is one under which one party to the lease agreement is able to control or substantially influence the actions of the other.
- **The rental of any property owned by any individuals or entities affiliated with the non-federal entity for purposes such as the home office workspace is unallowable.**

# 200.474: Travel costs

(A-21, Subpart J.53, Travel costs)

**Travel costs** are the expenses for transportation, lodging, subsistence, and related items incurred by employees who are in travel status on official business.

Such 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 to an entire trip and not to selected days of the trip, and results in charges consistent with those normally allowed in like circumstances in non-federally funded activities in accordance with written travel reimbursement policies.

# 200.474: Travel costs

(A-21, Subpart J.53, Travel costs)

**Lodging and subsistence.** Costs incurred by employees and officers for travel, including costs of lodging, other subsistence, and incidental expenses, must not exceed charges normally allowed by the non-federal entity in its regular operations as the result of its written travel policy.

If these costs are charged directly to the award, documentation must justify that:

(1) Participation of the individual is necessary to the Federal award; and

(2) The costs are reasonable and consistent with non-federal entity's established travel policy.

# 200.474: Travel costs

(A-21, Subpart J.53, Travel costs)

1. Temporary dependent care costs above and beyond regular dependent care that directly results from travel to conferences are allowable provided that:
  - The costs are a direct result of the individual’s travel for the Federal award;
  - The costs are consistent with the non-federal entity’s documented travel policy for all entity travel; and (iii) Are only temporary during the travel period.
2. Travel costs for dependents are unallowable, except for travel of duration of six months or more with prior approval of the Federal awarding agency.
3. In the absence of an acceptable, written non-federal entity policy regarding travel costs, Federal government rates must apply to travel under Federal awards .

# 200.474: Travel costs

(A-21, Subpart J.53, Travel costs)

Commercial air travel:

Airfare costs in excess of the basic least expensive unrestricted accommodations class offered by commercial airlines are unallowable except when such accommodations would:

- Require circuitous routing;
- Require travel during unreasonable hours;
- Excessively prolong travel;
- Result in additional costs that would offset the transportation savings;
- Offer accommodations not reasonably adequate for the traveler's medical needs. The non-federal entity must justify and document these conditions on a case-by-case basis in order for the use of first-class or business-class airfare to be allowable in such cases.



# 200.474: Travel costs

(A-21, Subpart J.53, Travel costs)

**Unless a pattern of avoidance is detected**, the Federal government will generally not question a non-federal entity's determinations that customary standard airfare or other discount airfare is unavailable for specific trips if the non-federal entity can demonstrate that such airfare was not available in the specific case.

Air travel by other than commercial carrier. Costs of travel by non-federal entity-owned, leased, or chartered aircraft include the cost of lease, charter, operation (including personnel costs), maintenance, depreciation, insurance, and other related costs. The portion of such costs that exceeds the cost of airfare as provided for in paragraph (d) of this section, is unallowable.

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# Subpart F – Audit Requirements

# General: Definition

(A-133, Subpart A, General, A.100, Purpose)

**200.500 Purpose.** This Part sets forth standards for obtaining consistency and uniformity among Federal agencies for the audit of non-federal entities expending Federal awards.

# Audits: Definitions

(A-133, Subpart A, General, A.105, Definitions)

## **200.49 Generally Accepted Accounting Principles (GAAP).**

*GAAP* has the meaning specified in accounting standards issued by the Government Accounting Standards Board (GASB) and the Financial Accounting Standards Board (FASB).

## **200.50 Generally Accepted Government Auditing Standards (GAGAS).**

*GAGAS* means generally accepted government auditing standards issued by the Comptroller General of the United States, which are applicable to financial audits.

# 200.501: Audit requirements

(A-133, Subpart B, Audits, B.200, Audit requirements)

(Change)

**A non-federal entity that expends \$750,000 or more during the non-federal entity's fiscal year in Federal awards must have a single or program-specific audit conducted for that year.**

Federal awards expended as a recipient or a subrecipient are subject to audit under this Part.

The auditee's compliance responsibility for contractors is only to ensure that the procurement, receipt, and payment for goods and services comply with Federal statutes, regulations, and the terms and conditions of Federal awards. Federal award compliance requirements normally do not pass through to contractors.

# 200.503: Relation to other audit requirements

(A-133, Subpart B, Audits, B.215, Relation to other audit requirements)

An audit conducted in accordance with this Part must be in lieu of any financial audit of Federal awards which a non-federal entity is required to undergo under any other Federal statute or regulation. To the extent that such audit provides a Federal agency with the information it requires to carry out its responsibilities under Federal statute or regulation, a Federal agency must rely upon and use that information.

The provisions of this Part do not limit the authority of Federal agencies to conduct, or arrange for the conduct of, audits and evaluations of Federal awards, nor limit the authority of any Federal agency Inspector General or other Federal official.

A Federal agency that conducts or arranges for additional audits must, arrange for funding the full cost of such additional audits.

# Auditees: Definition

(A-133, Subpart A, General, A.105, Definitions)

**200.6 Auditee.** *Auditee* means any non-federal entity that expends Federal awards which must be audited under Subpart F—Audit Requirements of this Part.

# 200.508: Auditee responsibilities

(A-133, Subpart C, Auditees, C.300, Auditee responsibilities)

The auditee must:

- Procure or otherwise arrange for the audit required by this Part in accordance with 200.509 Auditors election, and ensure it is properly performed and submitted when due.
- Prepare appropriate financial statements, including the schedule of expenditures of Federal awards.
- Promptly follow up and take corrective action on audit findings, including preparation of a summary schedule of prior audit findings and a corrective action plan.
- Provide the auditor with access to personnel, accounts, books, records, supporting documentation, and other information as needed for the auditor to perform the audit.



# Auditors: Definition

(New)

**200.7 Auditor.** *Auditor* means an auditor who is a public accountant or a Federal, state or local government audit organization, which meets the general standards specified in generally accepted government auditing standards (GAGAS). The term auditor does not include internal auditors of nonprofit organizations.

# 200.514: Scope of audit

(A-133, Subpart E, Auditors, E.500, Scope of audit)

The audit must be conducted in accordance with GAGAS. The audit must cover the entire operations of the auditee, or, at the option of the auditee, such audit must include a series of audits that cover departments, agencies, and other organizational units that expended or otherwise administered Federal awards during such audit period, provided that each such audit must encompass the financial statements and schedule of expenditures of Federal awards for each such department, agency, and other organizational unit, which must be considered to be a non-federal entity.

# 200.516: Audit findings

(A-133, Subpart A, General, A.105, Definitions)

**200.5 Audit finding.** *Audit finding* means deficiencies which the auditor is required by **200.516 Audit findings**, paragraph (a) to report in the schedule of findings and questioned costs.

**200.65 Major program.** *Major program* means a Federal program determined by the auditor to be a major program in accordance with **200.518 Major program** determination or a program identified as a major program by a Federal awarding agency or pass-through entity in accordance with **200.503 Relation to other audit requirements**, paragraph (e).

# 200.516: Audit findings

(A-133, Subpart E, Auditors, E.510, Audit findings)

The auditor must report the following as audit findings in a schedule of findings and questioned costs:

- Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs.
- Material noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards related to a major program.
- Known questioned costs that are greater than \$25,000 for a type of compliance requirement for a major program.
- Known questioned costs that are greater than \$25,000 for a Federal program which is not audited as a major program.

# 200.516: Audit findings

(A-133, Subpart E, Auditors, E.510, Audit findings)

- The circumstances concerning why the auditor's report on compliance for each major program is other than an unmodified opinion.
- Known or likely fraud affecting a Federal award.
- Instances where the results of audit follow-up procedures disclosed that the summary schedule of prior audit findings prepared by the auditee materially misrepresents the status of any prior audit finding.

**Audit findings must be presented in sufficient detail and clarity for the auditee to prepare a corrective action.**

# 200.521: Management decision

(A-133, Subpart D, Federal Agencies and Pass-Through Entities, D.405.  
Management decision)

**200.66 Management decision.** *Management decision* means the evaluation by the Federal awarding agency or pass-through entity of the audit findings and corrective action plan and the issuance of a written decision to the auditee as to what corrective action is necessary.

**The management decision must clearly state whether or not the audit finding is sustained, the reasons for the decision, and the expected auditee action to repay disallowed costs, make financial adjustments, or take other action.**

The management decision should describe any appeal process available to the auditee.

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# Appendices

**Appendix I** to Part 200—Full Text of Notice of Funding Opportunity

**Appendix II** to Part 200—Contract Provisions for Non-federal Entity Contracts Under Federal Awards

**Appendix III** to Part 200—Indirect (F&A) Costs Identification and Assignment, and Rate Determination for Institutions of Higher Education (IHEs)

**Appendix IV** to Part 200—Indirect (F&A) Costs Identification and Assignment, and Rate Determination for Nonprofit Organizations

**Appendix V** to Part 200—State/Local Government and Indian Tribe-Wide Central Service Cost Allocation Plans



**Appendix VI** to Part 200—Public Assistance Cost Allocation Plans

**Appendix VII** to Part 220—States and Local Government and Indian Tribe Indirect Cost Proposals

**Appendix VIII** to Part 200—Nonprofit Organizations Exempted From Subpart E—Cost Principles of Part 200

**Appendix IX** to Part 200—Hospital Cost Principles

**Appendix X** to Part 200—Data Collection Form (Form SF–SAC)

**Appendix XI** to Part 200—Compliance Supplement

QUESTIONS?  
COMMENTS?

**THANK YOU!!!**