2 CFR 200

UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS

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TRAINING OBJECTIVES

- Background Information
- 2 CFR 200
  - Administrative Requirements
  - Cost Principles
  - Audit Requirements
- What Do I Do With All This Information?
  - WYDOT Subward Agreements
  - Subrecipient Monitoring
  - Internal Review Audits
  - Subrecipient Requirements
  - What now?

BACKGROUND INFORMATION
## Flow of Federal Funds

The flow of federal funds can be illustrated as follows:

- **Federal Awarding Agency (FHWA, FTA, NHTSA)**
- **LPA (Recipient)**
- **Contractor**
- **WYDOT (Recipient)**
- **LPA (Subrecipient)**

## WYDOT FY 2015 Pass-Through Funding

<table>
<thead>
<tr>
<th>CFDA #</th>
<th>Program Title</th>
<th>Amount Provided To Subrecipients</th>
</tr>
</thead>
<tbody>
<tr>
<td>20.106</td>
<td>Airport Improvement Program</td>
<td>32,857,832</td>
</tr>
<tr>
<td>20.205</td>
<td>Highway Planning and Construction</td>
<td>4,791,869</td>
</tr>
<tr>
<td>20.501</td>
<td>Metropolitan Transportation Planning</td>
<td>1,371,010</td>
</tr>
<tr>
<td>20.509</td>
<td>Formula Grant for Rural Areas</td>
<td>5,015,760</td>
</tr>
<tr>
<td>20.513</td>
<td>Enhance Mobility of Seniors &amp; Individuals with Disabilities</td>
<td>381,530</td>
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<tr>
<td>20.515</td>
<td>State Planning &amp; Research</td>
<td>23,854</td>
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<tr>
<td>20.516</td>
<td>Job Access &amp; Reverse Commute Program</td>
<td>165,262</td>
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<tr>
<td>20.526</td>
<td>Bus &amp; Bus Facilities Formula Program</td>
<td>696,508</td>
</tr>
<tr>
<td>20.600</td>
<td>State and Community Highway Safety</td>
<td>500,573</td>
</tr>
<tr>
<td>20.601</td>
<td>Alcohol Impaired Driving Countermeasures Incentive Grants</td>
<td>500,996</td>
</tr>
<tr>
<td>20.602</td>
<td>Occupant Protection Incentive Grants</td>
<td>14,308</td>
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<td>20.607</td>
<td>Alcohol Open Container Requirements</td>
<td>3,994</td>
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<td>20.616</td>
<td>National Priority Safety Programs</td>
<td>885,599</td>
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<tr>
<td>20.933</td>
<td>National Infrastructure Investments</td>
<td>2,232,944</td>
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</tbody>
</table>

*Total Federal funds pass-through WYDOT to subrecipients: 49,980,055*

## 2 CFR 200 Uniform Requirements

**Past References**

- Administrative Requirements
  - 2 CFR 10: State & Local Governments
  - 2 CFR 11: Higher Education, Hospitals, and Nonprofits
- Cost Principles
  - 2 CFR 200: Education Institutions
  - 2 CFR 201: State & Local Gov’t & Indian Tribes
  - 2 CFR 203: Nonprofits
- OMB Circular A-133: Audits of State & Local Gov’t & Nonprofits

**Current References**

- 2 CFR 200
  - Subpart A: Acronyms & Definitions
  - Subpart B: General Provisions
  - Subpart C: Pre-award Requirements
  - Subpart D: Post Award Requirements
  - Subpart E: Cost Principles
  - Subpart F: Audit Requirements
  - Appendix I-VIII
2 CFR 200

GENERAL PROVISIONS

- 2 CFR 200.112 Conflicts of interest
  - Subrecipients must disclose in writing any potential conflict of interest to WYDOT

- 2 CFR 200.113 Mandatory disclosures
  - Subrecipient must disclose, in a timely manner, in writing to WYDOT all violations of federal criminal law involving fraud, bribery, or gratuity violations potentially affecting the federal awards

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Questions?

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2 CFR 200

SUBPART D

ADMINISTRATIVE REQUIREMENTS
2 CFR 200.302
FINANCIAL MANAGEMENT

- Financial management system must be sufficient to:
  - Permit the preparation of required reports; and
  - Trace funds to a level of expenditures adequate to establish that such funds have been used appropriately.

- Financial management system must provide the following:
  - Identification, in its accounts, of all federal awards received & expended;
  - Accurate, current, and complete disclosure of financial results;
  - Records that adequately identify source & application of funds;
  - Effective control over, and accountability for, all funds, property, & other assets;
  - Comparison of expenditures with budget amounts; and
  - Written procedures for determining the allowability of costs.

2 CFR 200.303
INTERNAL CONTROLS

- Subrecipients must:
  - Establish & maintain effective internal control over subaward;
  - Comply with Federal statutes, regulations, and the terms & conditions of subaward;
  - Evaluate & monitor compliance;
  - Take prompt action when instances of noncompliance are identified;
  - Take reasonable measures to safeguard protected personally identifiable information (PPII) & other information designated as sensitive.

2 CFR 200.305
PAYMENT

- WYDOT pays on a reimbursement basis which means the following:
  - Subrecipients must pay all employees, contractors, consultants, etc. prior to requesting reimbursement from WYDOT.
  - WYDOT must make payment to subrecipient within 30 calendar days after receipt of the reimbursement request, unless request is determined to be improper.
2 CFR 200.306
COST SHARING OR MATCHING

- Any shared costs or matching funds and all contributions must meet the following criteria:
  - Are verifiable from records;
  - Are not included as contributions for any other award;
  - Are necessary and reasonable;
  - Are allowable;
  - Are not paid by the Federal government under another Federal award;
  - Conform to other provisions of 2 CFR 200.306

2 CFR 200.309
PERIOD OF PERFORMANCE

May charge to the Federal award only allowable costs incurred during the period of performance and any costs incurred before Federal award that were authorized by WYDOT.

2 CFR 200.317-326
PROCUREMENT STANDARDS
### 2 CFR 200.331
#### REQUIREMENTS FOR WYDOT
- Every subaward is clearly identified as a subaward & includes required information
  - Federal award identification information
  - Flow-through all requirements & any additional requirements
  - If requested, negotiate indirect cost rate
  - Require access to records & financial statements
  - Relay terms & conditions of closeout of subaward
- Evaluate each subrecipient’s risk of noncompliance
- Impose specific subaward conditions, if necessary
- Monitor the activities of the subaward
- Consider results of subrecipient audits, on-site reviews or other monitoring
- Consider taking enforcement action for noncompliance

### 2 CFR 200.331 (A)(1)
#### FEDERAL AWARD IDENTIFICATION
- Required elements include
  - Subrecipient name
  - Subrecipient DUNS #
  - Federal Award Identification Number (FAIN #)
  - Federal award date
  - Subaward period of performance start and end date
  - Amount of federal funds obligated by action
  - Total amount of federal funds obligated to subrecipient
  - Total amount of the federal award
  - Federal award project description
  - Contact information for federal awarding agency & WYDOT
  - Catalog of Federal Domestic Assistance (CFDA) number & title
  - Whether the subaward is research & development
  - Indirect cost rate

### 2 CFR 200.333
#### RETENTION REQUIREMENTS FOR RECORDS
- Financial records, supporting documents, statistical records & all other records pertinent to subawards must be retained for 3 years from performance end date
2 CFR 200.336
ACCESS TO RECORDS

Federal awarding agency, Inspectors General, the Comptroller General of the United States, and WYDOT must have the right of access to any documents, papers, or other records which are pertinent to the subaward.

The right also includes timely & reasonable access to personnel for interviews & discussion related to documents.

2 CFR 200.338
REMEDIES FOR NONCOMPLIANCE

If WYDOT determines that noncompliance cannot be remedied by imposing additional conditions, WYDOT may take on or more of the following actions:

- Temporarily withhold payment pending correction of deficiency
- Disallow all or part of the cost of the activity not in compliance
- Wholly or partially suspend or terminate the subaward
- Initiate suspension or debarment proceedings
- Withhold further subawards
- Take other remedies that may be legally available

2 CFR 200.343
CLOSEOUT

- WYDOT will closeout the subaward when it determines that all applicable administrative actions and all required work of the subaward have been completed.

- WYDOT has no more than 90 days after the end date of the period of performance to submit all required information.

- Subrecipients will be required to submit all required information prior to end date of period of performance as outlined in subaward agreement.
Any questions about administrative requirements?

2 CFR 200
SUBPART E
COST PRINCIPLES

2 CFR 200.402
COMPOSITION OF COSTS

Direct Costs
+ Indirect Costs
- Applicable Credits
Total Cost of Federal Award
2 CFR 200.403
FACTORS AFFECTING ALLOWABILITY OF COSTS

• Cost must meet the following criteria to be allowable:
  • Necessary
  • Reasonable
  • Allocable
  • Legal
  • Consistent treatment
  • In accordance with GAAP
  • Not duplicated
  • Net of applicable credits
  • Adequately documented

2 CFR 200.404
REASONABLE COSTS

• What is a reasonable cost?
  • Ordinary/necessary
  • Restraints and requirements
  • Comparable prices
  • Prudent acts
  • Established practices

2 CFR 200.405
ALLOCABLE COSTS

• What is an allocable cost?
  • Cost benefit relationship
  • Appropriate amount
  • Cost shifting
  • Cost allocation plan
2 CFR 200.406
APPLICABLE CREDITS

- What are applicable credits?
  - Discounts and rebates
  - Recoveries of losses
  - Refunds
  - Corrections of overpayments or errors
  - Federal receipts or finance activities

2 CFR 200.407
PRIOR WRITTEN APPROVAL

- Prior Approval may be sought in advance of incurring costs:
  - Reasonableness and allocability are difficult to determine
  - Avoid disallowance or dispute by getting advance approval from WYDOT
  - Generally not required except under certain circumstances & when specifically required within the terms & conditions of the subaward agreement and 2 CFR 200

2 CFR 200.414
INDIRECT COSTS

- Options for charging indirect cost rates to subawards:
  1. Develop and submit an indirect cost rate proposal and cost allocation plan.
  2. Use the 10% de minimis Indirect Cost Rate if:
     - Receive less than $35 million in direct Federal funding
     - AND
     - Have never received a negotiated indirect cost rate before
**Note:** if you choose to charge an indirect cost rate, the amount of your subaward does not change!

### APPLICATION OF INDIRECT COSTS

<table>
<thead>
<tr>
<th></th>
<th>With 10% Indirect Cost Rate</th>
<th>Without 10% Indirect Cost Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Federal Share</strong></td>
<td>80,000</td>
<td>80,000</td>
</tr>
<tr>
<td><strong>Available for Construction</strong></td>
<td>72,000</td>
<td>80,000</td>
</tr>
<tr>
<td><strong>Indirect Cost Paid</strong></td>
<td>8,000</td>
<td>0</td>
</tr>
<tr>
<td><strong>Local Share</strong></td>
<td>20,000</td>
<td>20,000</td>
</tr>
<tr>
<td><strong>Total Award</strong></td>
<td><strong>$100,000</strong></td>
<td><strong>$100,000</strong></td>
</tr>
</tbody>
</table>

### 2 CFR 200.414 INDIRECT COSTS

- **Benefits to claiming indirect costs**
  - Flexibility with local funds
  - Cash management tool

- **“Pitfalls” of claiming indirect costs**
  - Less federal dollars for projects
  - Administratively burdensome
2 CFR 200.415
REQUIRED CERTIFICATIONS

- All subrecipients must provide the following two certifications:
  1. Expenditures are proper and in accordance with the terms and conditions of the award.
  2. Indirect Cost Plans include only costs that are allowable under the Uniform Guidance (2 CFR 200) and allocable to the Federal award.

2 CFR 200.420 – 475
GENERAL PROVISIONS FOR SELECTED ITEMS OF COST

- List of selected items of cost is not all inclusive

- Apply whether or not an item is direct or indirect

- Based on treatment provided to similar or related items of cost

2 CFR 200.420 – 475
GENERAL PROVISIONS FOR SELECTED ITEMS OF COST

- Selected Items of Cost (not all inclusive)
  - Advertising and Public Relations (2 CFR 200.421)
  - Alcoholic Beverages (2 CFR 200.423)
  - Depreciation (2 CFR 200.436)
  - Entertainment (2 CFR 200.438)
  - General Government Expenses (2 CFR 200.444)
  - Maintenance & Repair Costs (2 CFR 200.452)
  - Materials & Supplies (2 CFR 200.453)
  - Professional Service Costs (2 CFR 200.459)
  - Rental Costs (2 CFR 200.465)
  - Training (2 CFR 200.472)
  - Travel (2 CFR 200.474)
Any questions about cost principles?

2 CFR 200
SUBPART F
AUDIT REQUIREMENTS

- If subrecipient expends $500,000 or more in combined Federal dollars during their fiscal year, they are required to hire a qualified CPA to conduct Single Audit.
- If subrecipient expends $750,000 or more in combined Federal dollars during their fiscal year, they are required to hire a qualified CPA to conduct Single Audit.

File with the Federal Audit Clearinghouse within earlier of:
- 30 days after receipt of audit report or
- 9 months after end of fiscal year

Note: Consequences for not having audit conducted in accordance with regulations.
2 CFR 200.508
AUDITEE RESPONSIBILITIES

- The auditee must:
  - Procure for the audit
  - Prepare appropriate financial statements, including the schedule of expenditures of Federal awards
  - Promptly follow up and take corrective action on audit findings
  - Provide CPA with access to personnel, accounts, books, records, supporting documentation, and other information as needed/requested

2 CFR 200.509
AUDITOR SELECTION

- Factors to be considered in evaluating each proposal include:
  - Responsiveness to the RFP,
  - Relevant experience,
  - Availability of staff with professional qualifications & technical abilities,
  - The results of peer review & external quality control reviews, and
  - Price

Note: there are restrictions on CPA preparing indirect cost proposals

2 CFR 200.510
FINANCIAL STATEMENTS

- Auditee must prepare:
  - Financial Statements
  - Schedule of Expenditures of Federal Awards (SEFA) at a minimum must include:
    - List individual Federal programs by Federal agency
    - The name of the pass-through entity & identifying number assigned by the pass-through, if applicable
    - Total Federal awards expended for each individual Federal program and the Catalog of Federal Domestic Assistance (CFDA) number
    - Notes that describe significant accounting policies used in preparing the schedule, and note whether or not the 10% de minimis cost rate was elected
### 2 CFR 200.511
**Audit Findings Follow-Up**
- Auditee is responsible for follow-up and corrective action on all audit findings.
- Summary schedule of prior audit findings must report the status of all prior year audit findings.
- Corrective action plan must be prepared and include:
  - Name(s) of the contact person(s) responsible for corrective action.
  - Corrective action planned.
  - Anticipated completion date.
  - If you do not agree with the audit findings or believe corrective action is not required, then the corrective action plan must include an explanation & specific reasons.

### 2 CFR 200.512
**Report Submission**
- Audit must be completed and the data collection form & reporting package must be submitted to the Federal Audit Clearinghouse (FAC) within the earlier of:
  - 30 calendar days after receipt of the auditor’s report(s), or
  - 9 months after the end of the audit period.
- Reporting package must include:
  - Financial statements & SEFA.
  - Summary schedule of prior audit findings.
  - Corrective action plan.

### 2 CFR 200.521
**Management Decisions**
- Management Decision issued by Internal Review:
  - Certification letter.
  - Obtain copy of subrecipient audit reports if findings pertain to WYDOT funding:
    - Review audit report for accuracy.
    - Review corrective action plan for reasonableness.
    - Issue a management decision to subrecipient clearly stating:
      - Whether or not the audit finding is sustained.
      - Reason for the decision.
      - Expected auditee action to repay disallowed costs, make financial adjustments, or take other action.
**COMMON ISSUES FOUND**

- Common issues found with Single Audit Reports
  - Wrong CFDA & title & pass-through information
    - This information can be pulled directly from your subaward agreement
  - Corrective action plan does not include who will take corrective action and by when
  - Not obtaining an audit and submitting required information to FAC by required deadlines

**AUDIT FINDINGS**

- WYDOT sees the following findings:
  - Internal Controls
  - Allowable Costs
  - Cash Management
  - Davis Bacon
  - Procurement policies
  - Not obtaining audit within required time frame

**Any questions about audit requirements?**
WHAT DO I DO WITH ALL THIS INFORMATION?

WYDOT SUBAWARD AGREEMENTS

- Must clearly identify as a subaward agreement.
- Subaward agreement must include:
  - Federal Award Information
  - All federal and state requirements
  - Indirect cost rate negotiated, if applicable
  - Access to records
  - Terms & conditions concerning closeout of subaward
- Cooperative agreements will not have this required information and is not required to be part of your Single Audit reporting.

SUBRECIPIENT MONITORING

- Per 2 CFR 200 WYDOT is required to conduct oversight monitoring which could include the following:
  - Review subrecipient reimbursement requests
  - Review subrecipient reports/documents
  - Review single audits
  - Schedule site visits
  - Conduct subrecipient audits based on risk
  - Project inspections by WYDOT or Federal Agencies
  - Approval for certain activities
  - Provide technical assistance & training
  - Communicate (phone, email, etc.)
  - Follow subrecipient coverage in news
SUBRECIPIENT MONITORING

- Project Delivery Systems & Internal Control Questionnaire required for subrecipients:
  - Questionnaire must be filled out by new subrecipients prior to award
  - WYDOT Internal Review & Planning must both approve ICQ
  - Approval on ICQ is good for 4 years & then must be updated
  - [www.dot.state.wy.us/home/planning_projects/transportation_programs/grant_administration.html](http://www.dot.state.wy.us/home/planning_projects/transportation_programs/grant_administration.html)

WHAT DOES INTERNAL REVIEW LOOK AT DURING AN AUDIT

- Internal Controls from ICQ
  - Approvals
  - Policies & Procedures
  - Support documentation
- Compliance Requirements
  - Allowable Activities/Costs
  - Cash Management
  - Suspended & Debarred Entities
  - DBE & Title VI
  - Consultant selection & approval
  - Federal provisions included in contracts
- State Statutes

SUBRECIPIENT RESPONSIBILITY

- Follow the subaward agreement
- Develop internal policies and procedures
- Ensure the organization has a financial management system
- Establish a budget
- Keep abreast of changes in policies, procedures or requirements
- Request prior approvals when necessary
- Make the most of site visits by WYDOT
- Prepare necessary reports
- Communicate
- Permit WYDOT access to records
SO WHAT NOW?

- What you need to have in place:
  - Have a process in place to disclose conflicts of interest & mandatory disclosures
    - 2 CFR 200.112 & 113
  - Develop written procedures for determining allowability of costs
    - 2 CFR 200.302
  - Establish and maintain effective internal controls
    - 2 CFR 200.303
  - Develop written procurement policies
    - 2 CFR 200.318 – 326
  - Know when you need to obtain a Single Audit
    - 2 CFR 200.501

FINAL THOUGHTS

- Read and understand the terms and conditions of subaward agreement & revisit frequently
- Read & understand 2 CFR 200
- Familiarize all staff with provisions, regulations and program policies and procedures
- Maintain active status on CCR and sams.gov
- Ensure supporting documentation is present
  - If it isn’t documented, it didn’t happen!
- Attend WYDOT training when available
CONTACT INFORMATION

- Kristin Burkart
  Internal Review Manager
  307-777-4797
  kristin.burkart@wyo.gov

- IR website
  www.dot.state.wy.us/home/administration/internal_review.default.html

- 2 CFR 200
  www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr200_main_02.tpl