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

Federal Awarding Agency (FHWA, FTA, NHTSA)

LPA (Recipient)

Contractor

WYDOT (Recipient)

LPA (Subrecipient)
<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>26,620,975</td>
</tr>
<tr>
<td>20.205</td>
<td>Highway Planning and Construction</td>
<td>5,109,319</td>
</tr>
<tr>
<td>20.500</td>
<td>Federal Transit Capital Investment Grants</td>
<td>574,687</td>
</tr>
<tr>
<td>20.505</td>
<td>Metropolitan Transportation Planning</td>
<td>1,508,713</td>
</tr>
<tr>
<td>20.509</td>
<td>Formula Grant for Rural Areas</td>
<td>6,256,669</td>
</tr>
<tr>
<td>20.513</td>
<td>Enhance Mobility of Seniors &amp; Individuals with Disabilities</td>
<td>340,627</td>
</tr>
<tr>
<td>20.516</td>
<td>Job Access &amp; Reverse Commute Program</td>
<td>52,554</td>
</tr>
<tr>
<td>20.526</td>
<td>Bus &amp; Bus Facilities Formula Program</td>
<td>1,278,986</td>
</tr>
<tr>
<td>20.600</td>
<td>State and Community Highway Safety</td>
<td>418,778</td>
</tr>
<tr>
<td>20.601</td>
<td>Alcohol Impaired Driving Countermeasures Incentive Grants</td>
<td>24,358</td>
</tr>
<tr>
<td>20.607</td>
<td>Alcohol Open Container Requirements</td>
<td>107,630</td>
</tr>
<tr>
<td>20.616</td>
<td>National Priority Safety Programs</td>
<td>894,710</td>
</tr>
<tr>
<td>20.933</td>
<td>National Infrastructure Investments</td>
<td>261,999</td>
</tr>
</tbody>
</table>

**Total Federal funds pass-through WYDOT to subrecipients**  

43,450,005
2 CFR 200
UNIFORM REQUIREMENTS

Past References

Administrative Requirements
49 CFR 18: State & Local Governments

Cost Principles
2 CFR 220: Education Institutions
2 CFR 225: State & Local Gov’t & Indian Tribes
2 CFR 230: Nonprofits

OMB Circular A-133: Audits of States & 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
Questions?
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
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.
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

1. Micro Purchases
   - Up to $150K
   - Rate quotations
   - No cost or price analysis
   - $3K
   - No quotations
   - Equitable distributions

2. Small Purchases
   - > $150K
   - Construction projects
   - Price is a major factor

3. Sealed Bids
   - > $150K
   - Fixed price or cost reimbursement
   - RFP with evaluation methods

4. Competitive Proposals
   - > $150K
   - RFP

5. Sole Source
   - Unique
   - Public emergency
   - Authorized by agency (or PTE)
   - No competition
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
Financial records, supporting documents, statistical records & all other records pertinent to subawards must be retained for 3 years from performance end date.
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.
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
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
Direct Costs
+ Indirect Costs
- Applicable Credits
Total Cost of Federal Award
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
What is a reasonable cost?

- Ordinary/necessary
- Restraints and requirements
- Comparable prices
- Prudent acts
- Established practices
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
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
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
   - 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

**$100,000 total award with 80/20 match**

<table>
<thead>
<tr>
<th></th>
<th>With 10% Indirect Cost Rate</th>
<th>Without 10% Indirect Cost Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal Share</td>
<td>80,000</td>
<td>80,000</td>
</tr>
<tr>
<td>Available for Construction</td>
<td>72,000</td>
<td>80,000</td>
</tr>
<tr>
<td>Indirect Cost Paid</td>
<td>8,000</td>
<td>0</td>
</tr>
<tr>
<td>Local Share</td>
<td>20,000</td>
<td>20,000</td>
</tr>
<tr>
<td>Total Award</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
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.
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
### 2 CFR 200 Subpart F

**Audit Requirements**

<table>
<thead>
<tr>
<th>FYs Beginning Prior to 12/26/14</th>
<th>FYs Beginning After 12/26/14</th>
</tr>
</thead>
<tbody>
<tr>
<td>If subrecipient expends <strong>$500,000</strong> or more in <strong>combined</strong> Federal dollars during their <strong>fiscal year</strong> they are required to hire a qualified CPA to conduct Single Audit</td>
<td>If subrecipient expends <strong>$750,000</strong> or more in <strong>combined</strong> Federal dollars during their <strong>fiscal year</strong> they are required to hire a qualified CPA to conduct Single Audit</td>
</tr>
</tbody>
</table>

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
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
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 & indentifying 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
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
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.
WYDOT COOPERATIVE AGREEMENTS

- On Cooperative Agreements only, WYDOT charges an indirect cost rate to local entities
  
  - Prior to November 1, 2016 rate was 8.23%
  
  - All new agreements and projects with phase change amendments starting on November 1, 2016 rate will be 11%
  
  - New rate of 11% is effective through September 30, 2020
  
  - Based on FHWA approval, WYDOT may change the rate after this date
**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
"It’s safe to come out – the auditors have gone."
**CONTACT INFORMATION**

- Kirsten Rigg  
  Internal Review  
  307-777-4252  
  kirsten.rigg@wyo.gov

- IR website  
  [www.dot.state.wy.us/home/administration/internal_review.default.html](http://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](http://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr200_main_02.tpl)