

Introduction to 2 CFR Chapter I, Chapter II, Part 200, et al.

Uniform Administrative Requirements: Cost Principles,
and Audit Requirements for Federal Awards; Final Rule
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Facilitated Discussion
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Objectives & Background

A. Objectives

(1) streamline guidance for Federal awards to ease administrative burden and

(2) strengthen oversight over Federal funds to reduce risks of waste, fraud, and abuse. Streamlining existing OMB guidance will increase the efficiency and effectiveness of Federal awards to ensure best use of the more than \$500 billion expended annually.

Objectives & Background

B. The Development of the Reform

This proposal reflects input from more than two years of work by the Federal and non-Federal financial assistance community led by the COFAR in response to the following two Presidential Directives:

1. February 28, 2011, Presidential Memorandum on Administrative Flexibility, Lower Costs, and Better Results for State, Local, and Tribal Governments, Daily Comp. Pres. Docs:

<http://www.gpo.gov/fdsys/pkg/DCPD-201100123/pdf/DCPD-201100123.pdf>

Objectives & Background

2. Executive Order 13520 on Reducing Improper Payments (74 FR 62201; November 25, 2009:

<http://www.gpo.gov/fdsys/pkg/FR-2009-11-25/pdf/E9-28493.pdf>

Objectives & Background

In the ANPG and NPG, OMB invited comments from the public on all issues addressed in those notices, and further invited the public to make additional reform suggestions.

In response to each notice, OMB received more than 300 comments which were carefully considered in the development of this guidance.

II. Major Policy Reforms

The objective of this reform is to reduce both administrative burden and risk of waste, fraud and abuse.

II. Major Policy Reforms

1. Eliminating Duplicative and Conflicting Guidance: By combining eight previously separate sets of OMB guidance into one, OMB has eliminated numerous overlapping duplicative and conflicting provisions of guidance that were written separately over many years.



II. Major Policy Reforms

2. Focusing on Performance over Compliance for Accountability: The final guidance includes provisions that focus on performance over compliance to provide accountability for Federal funds

II. Major Policy Reforms

3. Encouraging Efficient Use of Information Technology and Shared Services: The final guidance updates provisions throughout to account for the efficient use of electronic information, as well as the acquisition and use of the information technology systems and services that permeate an effective and modern operating environment.



II. Major Policy Reforms

4. Providing For Consistent and Transparent Treatment of Costs: The final guidance updates policies on direct and indirect cost to reduce administrative burden by providing more consistent and transparent treatment governmentwide.



II. Major Policy Reforms

5. Limiting Allowable Costs to Make Best Use of Federal Resources: The final guidance strengthens language in certain items of cost to appropriately limit costs under Federal awards.

II. Major Policy Reforms

6. Setting Standard Business Processes Using Data Definitions: The final guidance includes provisions that set the stage for Federal agencies to manage Federal awards via standardized business process and use of consistently defined data elements.

This will reduce administrative burden on non-Federal entities that must navigate the processes of multiple Federal agencies as they manage information required to implement Federal awards.

II. Major Policy Reforms

7. Encouraging Non-Federal Entities to Have Family-Friendly Policies: Provisions in the final guidance provide flexibilities that better allow non-Federal entities to have policies that allow their employees to balance their personal responsibilities while maintaining successful careers contributing to Federal awards.

II. Major Policy Reforms

8. Strengthening Oversight: The final guidance strengthens oversight over Federal awards by requiring Federal agencies and pass-through entities to review the risk associated with a potential recipient prior to making an award (including by making better use of available audit information where appropriate), requiring disclosures conflict of interest and relevant criminal violations, expressly prohibiting profit, requiring certifications of senior non-Federal entity officials, and providing Federal agencies with strong remedies to address non-compliance.

II. Major Policy Reforms

9. Targeting Audit Requirements on Risk of Waste, Fraud, and Abuse: The final guidance right-sizes the footprint of oversight and Single Audit requirements to strengthen oversight and focus audits where there is greatest risk of waste, fraud, and abuse of taxpayer dollars.

Reform Ideas In 3 Categories

Section A: Subparts A–E: Reforms to Administrative Requirements (the government-wide Common Rule implementing Circular A–102; Circular A–110; and Circular A–89)

Section B: Subpart F: Reforms to Cost Principles (Circulars A–21, A–87, and A–122)

Section C: Subpart G: Reforms to Audit Requirements (Circulars A–133 and A–50)

Linguistic Clarity

Conforming changes and those for linguistic clarity are shown in supporting materials provided on the OMB Web site with this proposal available at:

http://www.whitehouse.gov/omb/grants_docs#final

Subpart A—Acronyms and Definitions

Subpart A lists definitions and acronyms for key terms found throughout the document.



Subpart A—Acronyms and Definitions

**200.18 Cognizant Agency for Audit
and 200.73 Oversight Agency for Audit**

Subpart A—Acronyms and Definitions

200.23 Contractor

Some commenters suggested that the term “vendor” is more appropriate and, in line with the Federal Acquisition Regulation, should be used throughout the final guidance in place of the proposed “contractor.” The COFAR considered this but determined that “contractor” is more accurate in the context of guidance on how to distinguish between a contract and a grant. The COFAR believes that framing the distinction this way will better encourage Federal agencies to appropriately apply the guidance to awards for financial assistance regardless of the term they currently use to describe those awards. The COFAR recommended continued use of the term “contractor” throughout. As used in this guidance, the term “contractor” includes entities that, in other contexts, may be referred to as “vendors.”

Subpart A—Acronyms and Definitions

200.54 Indian Tribe (or “Federally Recognized Indian Tribe”)

Subpart A—Acronyms and Definitions

200.94 Supplies

The definition of supplies in existing guidance includes all tangible personal property that fall below the prescribed threshold for equipment. Since, as technology improves, computing devices (inclusive of accessories) increasingly fall below this threshold, the proposed guidance made explicit that when they do, they shall be treated consistently with all other items below this level. Many commenters were highly supportive of this clarification in the proposal and indicated that it would greatly help in minimizing administrative burden. Other commenters recommended that because of the high value of the information on computing devices and because of their attractiveness to potential thieves, they should be subject to the more prescriptive oversight requirements of equipment that falls above the threshold.

Subpart A—Acronyms and Definitions

The COFAR considered both views and determined that the sensitive information on computing devices could more efficiently be protected through guidance specifically on internal controls for sensitive information, rather than through prescriptive requirements for the devices themselves. Further, the COFAR considered that the prescriptive requirements that are appropriately in place for equipment over the threshold of \$5,000 would create an administrative burden the cost of which would outweigh any benefits achieved by reducing the potential attractiveness of these devices to thieves. To guard against the costly burden that treating these devices as equipment would create, the COFAR recommended retaining the definition of supplies as proposed. To protect the sensitive information on these devices, the COFAR recommended new specific language on internal controls governing sensitive information (see section 200.303 Internal Controls).

Subpart A—Acronyms and Definitions

200.33 Equipment

Commenters advocated for a higher threshold for equipment than \$5,000. Comments suggested that particularly for large state governments with high amounts of Federal awards, and with state policies of higher capitalization thresholds in place, a higher threshold, possibly in line with the non-Federal entity's own capitalization threshold, would be more appropriate. The COFAR considered and determined that even though entities may view higher thresholds as appropriate for their own purposes, maintaining the threshold at \$5,000 is important to protect the assets purchased with taxpayer dollars under Federal awards. The COFAR did not recommend raising the threshold.

2. Subchapter B: General Provisions

200.101 Applicability

200.102 Exceptions

200.111 Effective Date

200.112 Conflict of Interest

200.113 Mandatory Disclosures

3. Subpart C—Pre-Award Requirements

200.201 Use of Grant Agreements (Including Fixed Amount Awards), Cooperative agreements, and Contracts

200.202 Requirement To Provide Public Notice of Federal Financial Assistance Programs

200.203 Notices of Funding Opportunities

All funding opportunities to be available for application for at least 60 days

3. Subpart C—Pre-Award Requirements

**200.204 Federal Awarding Agency
Review of Merit of Proposals**

**200.205 Federal Awarding Agency
Review of Risk Posed by Applicants**

200.206 Standard Application Requirements

200.207 Specific Conditions

4. Subpart D—Post-Award Requirements

Subtitle I Standards for Financial and Program Management

200.301 Performance Measurement

200.302 Financial Management

200.303 Internal Controls

200.305 Payment

200.306 Cost Sharing or Matching

4. Subpart D—Post-Award Requirements

Subtitle III Procurement Standards

200.318 General Procurement Standards

200.319 Competition

200.320 Methods of Procurement To Be Followed

200.322 Procurement of Recovered Materials

Subtitle IV Performance and Financial Monitoring and Reporting

**200.328 Monitoring and Reporting Program
Performance**

200.329 Reporting on Real Property

Subtitle V Subrecipient Monitoring and Management

200.331 Requirements for Pass-Through Entities

Subtitle VI Record Retention and Access

200.333 Retention Requirements for Records

The final guidance maintains and clarifies the existing requirement that records be retained for three years from the date of submission of the final expenditure report. The COFAR considered alternative scenarios proposed by commenters, and recommended that the proposed language be retained. The COFAR noted that this length can be extended if required by statute or with an exception from OMB, but that in most cases it is sufficient.

Subtitle VI Record Retention and Access

200.335 Methods for Collection, Transmission and Storage of Information

Subtitle VII Remedies for Noncompliance

200.338 Remedies for Noncompliance

200.339 Termination

200.343 Closeout

200.344 Post-Closeout Adjustments and Continuing Responsibilities

200.345 Collection Of Amounts Due

Section B: Subpart E and Appendices III–VIII: Cost Principles.

Reforms to Cost Principles (Circulars A-21, A-87, and A-122)

200.400 Policy Guide

200.401 Application

200.407 Prior Written Approval (Prior Approval)

200.413 Direct Costs

200.414 Indirect (F&A) Costs

200.415 Required Certifications

**200.419 Cost Accounting Standards and
Disclosure Statement**

Subtitle VI General Provisions for Selected Items of Cost

200.421 Advertising and Public Relations

200.422 Advisory Councils

200.425 Audit Services

200.430 Compensation—Personal Services

200.431 Compensation—Fringe Benefits

200.432 Conferences

200.433 Contingency Provisions

200.434 Contributions and Donations

Subtitle VI General Provisions for Selected Items of Cost

200.435 Defense and Prosecution of Criminal and Civil Proceedings, Claims, Appeals and Patent Infringements

200.436 Depreciation

200.437 Employee Health and Welfare Costs

200.438 Entertainment Costs

200.439 Equipment and Other Capital Expenditures

Subtitle VI General Provisions for Selected Items of Cost

200.441 Fines, Penalties, Damages and Other Settlements

200.444 General Costs of Government

200.445 Goods or Services for Personal Use

200.446 Idle Facilities and Idle Capacity

200.447 Insurance and Indemnification

200.448 Intellectual Property

Subtitle VI General Provisions for Selected Items of Cost

200.449 Interest

200.453 Materials and Supplies Costs, Including Costs Of Computing Devices

200.454 Memberships, Subscriptions, and Professional Activity Costs

200.455 Organization Costs

200.456 Participant Support Costs

200.460 Proposal Costs



Subtitle VI General Provisions for Selected Items of Cost

200.461 Publication and Printing Costs

200.463 Recruiting Costs

200.464 Relocation Costs of Employees

200.465 Rental Costs of Real Property and Equipment

200.466 Scholarships and Student Aid Costs

200.468 Specialized Service Facilities

Subtitle VI General Provisions for Selected Items of Cost

200.469 Student Activity Costs

200.471 Termination Costs

200.472 Training and Education Costs

200.474 Travel Costs

200.475 Trustees

Appendix V State/Local Government and Indian Tribe–Wide Central Service Cost Allocation Plans

Proposed guidance set the definition of “major local government” at \$100 million in order to more accurately reflect the updated universe of such governments which has changed since 1986.