

2 CFR 200 Overview

Purpose, Areas of Focus, Internal Controls

November 19, 2014



The State of Ohio is an Equal Opportunity Employer and Provider of ADA Services

2 CFR 200 Overview

- Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards
 - Commonly referred to as the “Super Circular”
 - Published in Federal Register on 12/26/13
 - Becomes effective for all federal grants/awards issued after 12/26/14
 - Will be reviewed by OMB every 5 years
 - ecfr.gov

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- **Must** = Required, mandatory
- **Should** = Best practice, strongly encouraged



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Federal awarding agency = federal department where the funds originate, e.g., HUD

Pass-through entity = entity that receives federal funds which are passed through to another entity, e.g., OCD is a pass-through entity for HUD funds

Non-federal entity = any entity that is not a federal awarding agency, e.g., County, City, not-for-profit organization

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– **Purpose:**

- Strengthen oversight of federal awards
- Improve performance/outcomes
- Ensure financial integrity of taxpayer dollars
- Reduce administrative burden for non-federal entities receiving federal funds
- Reduce risk of fraud, waste and abuse

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Supersedes 8 OMB Circulars:

- A-21 Cost Principles for Education Institutions
- A-50 Audit Follow-Up (portions related to single audits)
- A-87 Cost Principles for State, Local and Indian Tribal Governments
- A-89 Catalog of Federal Domestic Assistance

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Supersedes 8 OMB Circulars:

A-102 Grants and Cooperative Agreements with State and Local Governments (admin rules)

A-110 Uniform Administrative Requirements for Grants and Other Agreements with Institutions of Higher Educations, Hospitals and Other Non-Profit Organizations

A-122 Cost Principles for Non-Profit Organizations

A-133 Audits of States, Local Governments and Non-Profit Organizations

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Contents:

Subpart A: Acronyms and 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 to XI

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– Focus on performance over compliance:

- Will consider waiving certain compliance requirements when new strategies improve cost effectiveness
- Encourage collaboration to achieve outcomes
- Fixed amount awards that minimizes compliance in favor of requirement to meet performance goals (i.e., fee for service)
- High standards for internal controls

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– Efficient use of information technologies and shared services:

- Allowance for computing devices
- Internal controls to safeguard protected personal information & other sensitive data
- Avoid duplicative purchases
- Encourage interagency agreements for shared services
- Allows financing costs with patents and computer software capitalization per GAAP

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– Consistent and transparent treatment of costs:

- Requires pass-through entities to provide an indirect cost rate to subrecipients including a de minimus rate
- Administrative costs can be treated as direct costs
- Allows a de minimus rate of 10% for indirect costs for entities that have never had an indirect cost rate approved by a federal agency (excludes units of gov't)

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– Consistent and transparent treatment of costs:

- Federal agencies must accept indirect cost rate approved by another federal agency – this includes pass-through entities
- Allows one-time extension up to 4 years for renegotiation of a previously approved indirect cost rate
- Clarified contingency costs provisions

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– Limiting allowable costs:

- Conferences: exercise discretion/judgment in appropriateness of costs, minimize costs to federal awards
- Eliminates allowance for employee morale costs
- Relocation costs: limits amount of time for costs of employee's vacant home to 6 months

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– Standard business processes:

- Acronyms and definitions provide uniformity
- Notice of funding opportunities: same set of data for all notices
- Standard information collections for all federal awards
- All interest income is payable to HHS annually
- Prior written approval: comprehensive list of when required

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– Family-friendly policies:

- Costs associated with identifying local child care when hosting a conference – not actually providing the child care
- Costs of temporary dependent care directly associated with travel to conferences



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– Strengthen oversight:

- Mandatory disclosures by non-federal entities to federal agencies of any instances of conflict of interest (real or potential) and relevant violations of federal criminal law
- Federal agencies must evaluate merit and risks associated with a potential award – impose special conditions to mitigate potential risks of fraud, waste and abuse prior to money being spent
- Pass-through entities must consider risks associated with subawards

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– Strengthen oversight:

- Non-federal entities should better structure internal controls
- Federal agencies provided tools to manage non-compliance and closeout of federal awards
- Expressly prohibits earning or keeping profit resulting from federal awards unless expressly stated in terms/conditions of award

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– Targets audit requirements on risk of fraud, waste and abuse:

- Audit threshold raised to \$750K for fiscal years beginning after 12/26/14 – generally FY 2015
- Audits published online with protected personal info safeguards
- Federal agency to designate a single audit accountable official

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– Targets audit requirements on risk of fraud, waste and abuse:

- Major program determination focuses on internal control deficiencies identified as material weaknesses
- Threshold of questioned costs raised to real or projected of \$25K or more



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– Other items of note:

- For federal awards, all administrative requirements, program manuals, handbooks and other non-regulatory materials that are inconsistent with 2 CFR 200 must be superseded (200.105)
- All applications must be in English and US dollars (200.111)
- Program income must be expended before grant funds are spent (200.307)

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– **Other items of note:**

- Whenever practical, collect, transmit and store records in open & machine readable formats (200.335)
- Federal agencies and pass-through entities must provide for and/or accept paper versions of information (200.335)
- Federal agencies and pass-through entities cannot require more than one original and 2 copies if paper is used (200.335)

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– **Other items of note:**

- When amounts due are not paid to federal agency or pass-through entity within 90 days of request, interest will be charged (200.345)
 - Unexpended grant funds
 - Disallowed costs
 - Interest income

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– **Other items of note:**

- Contracts for goods, property or services must contain specific provisions (200.326)
 - Address administrative, contractual or legal remedies where contractors violate or breach terms – provide for sanctions and penalties if contract over \$150K
 - Termination for cause
 - Equal Employment Opportunity, Davis Bacon, Copeland Anti-Kickback for construction contracts

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– **Other items of note:**

- Contracts for goods, property or services must contain specific provisions
 - Clean Air Act, Water Pollution Control Act if contract over \$150K
 - Energy Policy and Conservation Act
 - Debarment and Suspension
 - Byrd Anti-Lobbying Amendment if contract over \$100K



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- **Financial Management Systems:**

- Non-federal entities ***must***:

- Identify all federal awards received & expended by federal program, CFDA title and #, federal award identification # and year, federal awarding agency, name of pass-through entity
- Accurate, current and complete disclosure of financial results of each federal award/program

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- **Financial Management Systems:**

- Non-federal entities ***must***:

- Records that identify sources and uses of each federal award (revenue, expenses), including program and interest income
- Effective control over and accountability for all funds, property and other assets
- Safeguard assets to ensure used solely for authorized purposes

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- **Financial Management Systems:**
- Non-federal entities ***must***:
 - Comparison of expenditures to budgets
 - Written procedures for payment of funds
 - Written procedures for determining allowability of costs



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- **Internal Controls:**
- Non-federal entities ***must***:
 - Establish & maintain effective internal controls that provide reasonable assurance that management of the award is in compliance with all federal statutes, regulations and terms/conditions
 - Follow *Standards for Internal Control in the Federal Government* (**Green** Book) issued by US Comptroller and *Internal Control Integrated Framework* issued by Committee of Sponsoring Organizations of Treadway Commission (COSO)

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- **Internal Controls:**

- Non-federal entities ***must***:

- Comply with federal statutes, regulations and terms/conditions
- Evaluation & monitoring for compliance with federal statutes, regulations and terms/conditions

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- **Internal Controls:**

- Non-federal entities ***must***:

- Take prompt action when instances of noncompliance are identified – including those in audits
- Take reasonable measures to safeguard protected personnel information & other sensitive data



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- **Other:**
- All citations that relate to procedures, internal controls or processes should be in writing
- Provides documentation of compliance with regulations for managers, auditors and program monitors



Questions?

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