Grants Administrative Changes under the New EDGAR

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The Importance and Structure of the New EDGAR

Part 76

Part 200
  - Major changes
  - Financial management
  - Allowability
  - Procurement
  - Inventory
  - Subrecipient monitoring
  - Audits
The mayor, his brother, the president of the School Board, another brother, the former district risk manager, and their father, the director of maintenance and transportation at the district, were indicted for a public contracting scam.

They were sentenced to prison for extracting bribes and kickbacks from several service providers.

- The now former mayor: 21 months in prison and forfeit $314,000;
- The now former school board president: 71 months in prison forfeit $300,000; and
- The now former district risk manager: 10 months in prison and $12,800 in restitution.
- The now former district director of maintenance and transportation: 151 months in prison, was ordered to forfeit $300,000, and was ordered to pay a fine of $10,000.
- One of the service providers was also sentenced to 60 months in prison.
Nonprofit Center for Independent Living (Florida)

- The former executive director of the Center for Independent Living of Southwest Florida was sentenced to 39 years in prison for stealing more than $900,000 intended for the nonprofit center, which provided services to people with disabilities in a number of Florida counties.

- The former official used the money to fund an extravagant lifestyle that included international travel.

- The center closed in 2011 due to a lack of operational funds.
**Title 34**
- Part 75 – Direct Grant Programs
- Part 76 – State-Administered Programs
- Part 77 – Definitions
- Part 81 – General Education Provisions Act (GEPA)

**Title 2**
- Part 200 – Cost/Administrative/Audit Rules
- Part 3474 – USDE Exceptions – Adopts Part 200
- Part 3485 – Nonprocurement Debarment and Suspension
  - Incorporates 2 CFR Part 180, OMB’s Guidelines on Debarment and Suspension
- A-87 – Cost Rules – State / Local Gov’t
- A-122 – Cost Rules – Nonprofit
- A-102 – Administrative Rules State / Local Gov’t
- A-110 – Administrative Rules IHEs
- A-133 – Audit Rules
• **December 26, 2014** – Direct Grants from ED
• **July 1, 2015** – State Administered Programs
• **July 1, 2016** – Procurement Rules
• Indirect Cost Rates When Due For Renegotiation
The general principles to be used in determining costs applicable to grants is 2 CFR Part 200 Subpart E

- Prohibited:
  - Use of funds for religion 76.532
  - Real property and construction (unless authorized) 76.533
- Incorporates language from 2 CFR Part 200
- Includes information on Restricted indirect cost rate and how to calculate the rate.
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<th>Type of Obligation</th>
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Carryover funds must be used in accordance with the Federal statute and regulation that apply and are in effect for the carryover period and any state plan or application required.
A State and subgrantee shall keep records that fully show:

- The amount of funds;
- How funds were used;
- Total cost of the project;
- Share of the cost provided from other sources; and
- Other records to facilitate an effective audit.

References throughout new reporting requirements on financial management in 2 CFR 200.302 (performance reporting)
- Goes beyond 2 CFR Part 200, Subpart D
- A State shall have procedures for reviewing and approving applications and amendments, for technical assistance, for evaluating projects and for performing other admin responsibilities the State has determined necessary.
- A subgrantee may request a hearing if State has violated a State or Federal statute.
Formerly known as the “Uniform Grants Guidance”, the “Omni Circular” and the “Super Circular”
- Subpart A – Definitions
- Subpart B – General Provisions
- Subpart C – Pre Award Requirements
- Subpart D – Post Award Requirements
- Subpart E – Cost Principles
- Subpart F – Audit Requirements
1. Focus on **Outcomes**
2. **Performance** Metrics
3. **Risk** Assessments
4. **Financial** Management Policies
5. **Equipment** Use
6. **Micro** Purchases
7. **Corrective Action**
8. **Family Friendly** Policies
9. **False Claims** Certifications
10. **Audit Thresholds**
Part 200 has a **MAJOR** emphasis on strengthening accountability by improving policies that protect against waste, fraud and abuse
**Prior Rule 80.20(b)**

1. Financial Reporting  
2. Accounting Records  
3. Internal Control  
4. Budget Control  
5. Allowable Cost  
6. Source Documentation  
7. Cash Management

**2 CFR 200.302 (b)**

1. Identification of Awards (NEW)  
2. Financial Reporting  
3. Accounting Records (Source Docs)  
4. Internal Control  
5. Budget Control  
6. Written Cash Management Procedures (NEW)  
7. Written Allowability Procedures (NEW)
**NEW:** All federal “awards” received and expended

- The name of the federal “program”
- Identification # of award
  - CFDA Title and Number
  - Federal Award I.D. #
  - Fiscal Year of Award
  - Federal Agency
  - Pass-Through (If S/A)
Accurate, current, complete disclosure of financial results of each award in accordance with 200.327 and 200.328.

- **NEW: 200.327** – Federal awarding agency can only collect OMB approved data elements, **no less than annually, no more than quarterly**

- **NEW: 200.328** – Non federal entity must submit performance reports at intervals required by federal agency or pass through.
  - Annual performance reports due 90 days after reporting period; Quarterly performance reports due 30 days after reporting period
**NEW: Performance Metrics**

1. Compare actual accomplishments to objectives. (quantify to extent possible)
2. Reasons goals were not met if appropriate
4. Additional pertinent information (e.g. analysis and explanation of cost overruns, high unit costs)

**Significant developments**

a. Problems, delays. Adverse conditions that would impair ability to meet objective of the award
b. Favorable developments. Finishing sooner or at less cost
Combined 80.20(b)(2) and 80.20(b)(6):

- **Source** Documentation Must Be Kept On:
  1. Federal Awards
  2. Authorizations
  3. Obligations
  4. Unobligated balances
  5. Assets
  6. Expenditures
  7. Income
  8. Interest (New) *(Eliminated liabilities)*
Essentially same as prior 80.20(b)(3):

- Effective control over and accountability for:
  1. All funds
  2. Property
  3. Other assets

- Must adequately safeguard all assets
- Use assets solely for authorized purpose
Although under the new EDGAR requirements, computing devices that cost less than $5000 may be considered supplies, LEAs must continue to have controls in place to safeguard such property.

a. True

b. False
a. Non-Federal entities must establish and maintain effective internal control over the Federal award that provides reasonable assurances that the entity is managing the award in compliance with federal statutes, regs, and terms of the award.

- **NEW:** Internal controls “should” be in compliance with:
  - The U.S. Comptroller General’s Standard for Internal Control Integrated Framework; and
  - Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)
b. Comply with Federal statutes, regs, and the terms and conditions of the Federal awards.

c. Evaluate and monitor the non-Federal entity's compliance with statutes, regs and the terms and conditions of Federal awards.

d. Take prompt action when instances of noncompliance are identified including in audit findings.

e. Take reasonable measures to safeguard protected personally identifiable info (PII) and other information designated or deemed sensitive
NEW: An official authorized to legally bind the non-federal entity **must certify on annual and final fiscal reports or vouchers requesting payment:**

- “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.”
- Same as current rule 80.20(b)(4)
- Comparison of expenditures with budget amounts for each award
**NEW:** Written Procedures to implement the requirements of 200.305
For states, payments are governed by Treasury – State CMIA agreements 31 CFR Part 205

No Change

For all other non federal entities, payments must **minimize** time elapsing between **draw** from G-5 and **disbursement** (not obligation)
• Written procedures must describe whether non-federal entity uses:

1) **Advance Payments** (preferred)
   • Limited to minimum amounts needed to meet immediate cash needs

2) **Reimbursement**
   • Pass through must make payment within 30 calendar days after receipt of the billing

3) **Working Capital Advance**
   • The pass through determines that the nonfederal entity lacks sufficient working capital. Allows advance payment to cover estimated disbursement needs for initial period
NEW: Advances must be maintained in insured accounts

NEW: Pass through cannot require separate depository accounts

NEW: Accounts must be interest bearing unless:

1. Aggregate federal awards under $120,000
2. Account not expected to earn in excess of $500 per year
3. Bank require minimum balance so high, that such account not feasible
4. A foreign gov’t or banking system prohibits or precludes interest bearing accounts.
NEW: Interest amounts up to $500 may be retained by non federal entity for administrative purposes
  - Currently $100 for State and local Gov’ts
  - Currently $250 for IHEs and Non-profits.

NEW: Interest earned must be remitted annually to HHS Payment Management System.
NEW: Written procedures for determining allowability of costs in accordance with Subpart E – Cost Principles

- Procedures can not simply restate the Uniform Guidance Subpart E
- Should explain the process used throughout the grant development and budget process
  - Training tool and guide for employees
• Non-Federal entities are encouraged to earn income to defray program costs where appropriate.
  • Costs of generating program income may only be deducted if:
    ▪ Authorized by federal regulations or the Federal award;
    ▪ Costs are incidental and not charged to the Federal award.
  • Property from the sale of real property or equipment is not program income – apply post award property rules.

• Program Income Must Be Deducted from Total Allowable Costs (except for IHEs and Research Non-profits)
  • With prior approval may add to Federal award.
cost (köst, kost) v. costing 2 To cause him his life
For a cost to be allowable to a Federal award, it must meet the following criteria:

a. Necessary
b. Allocable to the Federal grant award
c. Reasonable
d. All of the above
All Costs Must Be:

1. Necessary, Reasonable and Allocable
2. Conform with federal law & grant terms
3. Consistent with state and local policies
4. Consistently treated
5. In accordance with GAAP
6. Not included as match
7. *Net of applicable credits (moved to 200.406)*
8. Adequately documented
Consideration must be given to:

a. Whether cost is a type generally recognized as ordinary and necessary for the operation of the non-Federal entity or the proper and efficient performance of the Federal award;

b. The restraints or requirements imposed such as:
   - Arms length bargaining (hint: procurement processes);
   - Federal, state and local laws; and
   - Terms of the grant award.

c. Market Prices for comparable goods or services in the geographical area;

d. Whether the individuals acted with prudence under the circumstances considering their responsibilities; and

e. No significant deviation from established prices.
A cost is allocable to a Federal award or cost objective if the goods or services involved are chargeable or assignable in accordance with relative benefits received.

- Incurred specifically for the award;
- Benefits both award and other work and can be distributed in proportions that may be approximated using reasonable methods; and
- Necessary to the overall operation of the entity and assignable to the award in accordance with this Part.

Can only charge in proportion to the value received by the program

- Example: Agency purchases a computer to use 50% on the Federal grant program and 50% on a state program – can only charge half the cost to the grant.
- Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.

- Be accorded consistent treatment
  - Can not charge cost as both direct and indirect

- Be determined in accordance with GAAP

- Not be included as a cost or used to meet cost sharing or matching
Adequately documented

- Amount of funds under grant
- How the funds are used
- Total cost of the project
- Share of costs provided by other sources
- Records that show compliance and performance
- Other records to facilitate an effective audit (see 76.730 page 68)
Recipients are not permitted to retain and store electronic records.

a. True

b. False
NEW: When original records are electronic and cannot be altered, there is no need to create and retain paper copies.

When original records are paper, electronic versions may be substituted through the use of duplication or other forms of electronic media provided they:

- Are subject to periodic quality control reviews,
- Provide reasonable safeguards against alteration; and
- Remain readable.
Those receipts or reduction-of-expenditure type transaction that offset or reduce expense items – must be credited to the Federal award as either cost reduction or cash refund, as appropriate.

Examples: purchase discounts, rebates or allowances, recoveries or indemnities on losses, insurance refunds or rebates, adjustments of overpayments
An LEA purchases a cell phone for a use that benefits a United States Department of Education program. The cell phone costs $150 with a $50 rebate. The LEA can charge its Federal grant:

a. $150
b. $100
c. $50
d. Cell phones are not an allowable cost.
NEW: In order to avoid subsequent disallowance:
- Non-Federal entity may seek prior written approval of cognizant agency (for indirect cost rate) or Federal awarding agency in advance of the incurrence of special or unusual costs
NEW: Salaries of administrative and clerical staff should be treated as “indirect” unless all of following are met:

1. Such services are integral to the activity
2. Individuals can be specifically identified with the activity
3. Such costs are explicitly included in the budget
4. Costs not also recovered as indirect
Selected Items of Cost

There are 55 specific items of cost! Listed on page 94. Starts at 200.420 (pg 150)
Conferences 200.432 (pg 158)

- Prior Rule: Generally allowable
- Includes Meals / Conferences / Travel and Family Friendly Policies
- Allowable conference costs include rental of facilities, costs of meals and refreshments, transportation, unless restricted by the federal award
- **NEW**: Costs related to identifying, but not providing, locally available dependent-care resources
- Conference hosts must exercise discretion in ensuring costs are appropriate, necessary and managed in manner than minimizes costs to federal award
Conferences 200.432

ED Restrictions on Food

(1) Is a working lunch necessary?
(2) Is the portion of the agenda to be carried out during lunch substantive and integral to the overall purpose of the conference or meeting?
(3) Is there a genuine time constraint that requires the working lunch?
(4) If a working lunch is necessary, is the cost of the working lunch reasonable?
(5) Has the SEA or LEA carefully documented that a working lunch is both reasonable and necessary?
**Participant Support Costs 200.456 (pg 170)**
- Means direct costs for stipends, travel, registration fees paid to or on behalf of participants or trainees (but not employees) in connection with conferences, or training projects. 200.75
- Allowable with prior approval of the Federal awarding agency.

**Training and Education Costs 200.472 (pg 176)**
- Costs for employee development are allowable.
Travel Costs 200.474 (Changed) (pg 176)

- Travel costs may be charged on actual, per diem, or mileage basis

- **NEW:** Travel charges must be consistent with entity’s *written* travel reimbursement policies

- **NEW:** Allows costs for “above and beyond regular dependent care”

- Grantee must retain documentation that participation of individual in conference is necessary for the project

- **NEW:** Travel costs must be reasonable and consistent with written travel policy / or follow GSA 48 CFR 31.205-46(a)
Time and Effort Documentation
NEW: Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed.

How staff demonstrate allocability

- If employee paid with federal funds, then must show that the employee worked on that specific federal program cost objective 200.403(a)
Must be maintained for all employees whose salaries are:

- Paid in whole or in part with federal funds
- Used to meet a match/cost share requirement
- NOT contractors
Semi-Annual Certifications

- If an employee works on a single cost objective:
  - After the fact
  - Account for the total activity
  - Signed by employee or supervisor
  - Every six months (at least twice a year)

Personnel Activity Report (PAR)

- If an employee works on multiple cost objectives:
  - After the fact
  - Account for total activity
  - Signed by employee
  - Prepared at least monthly and coincide with one or more pay periods
NEW: These records MUST:

1. Be supported by a system of internal controls which provides reasonable assurance charges are accurate, allowable and properly allocated;
2. Be incorporated into official records;
3. Reasonably reflect total activity for which employee is compensated;
   - Not to exceed 100%
4. Encompass all activities (federal and non-federal);
5. Comply with established accounting polices and practices; and
6. Support distribution among specific activities or cost objectives.
By focusing more on internal controls, the rule “mitigates the risk that a non-Federal entity... will focus on prescribed procedures... which alone may be ineffective in assuring full accountability.”

- Uncovering weaknesses in internal controls or instances of fraud is goal. Not audit findings.
Program, function, activity, award, organizational subdivision, contract, or work unit for which cost data are desired and for which provision is made to accumulate and measure the cost of processes, products, jobs, capital projects, etc.
Does it still apply?

- It is possible to work on a single cost objective even if an employee works on more than one Federal award or on a Federal award and a non-Federal award.

- The key to determining whether it is a single cost objective is whether the employee’s salary and wages can be supported in full from each of the Federal awards on which the employee is working or from the Federal award alone if the employee’s salary is also paid with non-Federal funds.

Budget estimates alone do not qualify as support for charges to Federal awards. May be used for interim accounting purposes if:

- Produces reasonable approximations
- Significant changes to the corresponding work activity are identified in a timely manner
- Internal controls in place to review after-the-fact interim charges based on budget estimates
NEW: Because practices vary as to the activity constituting a full workload, records may reflect categories of activities expressed as a percentage distribution of total activities.
NEW: For records which meet the standards, the non-federal entity will not be required to provide additional support or documentation for the work performed.

DOL regulations for Fair Labor Standards Act must still be met (i.e. charges must be supported by records indicating the total number of hours worked each day).
• For a non-Federal entity where the records do not meet these standards:
  • Federal agency may require personnel activity reports (PARs), including prescribed certifications or equivalent documentation that support the records as required in this section.
  • PARs are not defined!!
NEW: All necessary adjustment must be made such that the final amount charged to the Federal award is accurate, allowable, and properly allocated.
A contractor and a subgrantee have the same legal responsibilities when working on a Federal program.

a. True
b. False
• No change from the current requirement.
• Entities must clearly determine what is a subgrant and what is a contract.
All nonfederal entities must have documented procurement procedures which reflect applicable Federal, State, and local laws and regulations.
Nonfederal entities must maintain oversight to ensure that contractors perform in accordance with the terms, conditions, and specifications of the contract.
Must maintain written standard of conduct, including conflict of interest policy.

A conflict of interest arises when any of the following has a financial or other interest in the firm selected for award:

- Employee, officer or agent
- Any member of that person’s immediate family
- That person’s partner
- An organization which employs, or is about to employ, any of the above or has a financial interest in the firm selected for award
Must neither solicit nor accept gratuities, favors, or anything of monetary value from contractors/subcontractors.

However, may set standards for situations in which the financial interest is not substantial or the gift is an unsolicited item of nominal value.

Standards of conduct must include disciplinary actions for violations.
NEW: If the non-federal entity has a parent, affiliate, or subsidiary organization that is not a state or local government the entity must also maintain written standards of conduct covering organization conflicts of interest
- Must award contracts only to responsible contractors possessing the ability to perform successfully:
  - Contractor integrity
  - Compliance with public policy
  - Record of past performance
  - Financial and technical resources
• All procurement transactions must be conducted with full and open competition.
  - Must have protest procedures to handle disputes

• To eliminate unfair advantage, contractors that develop or draft specifications, requirements, statement of work, and invitations for bids or RFPs must be excluded from competing for such procurements.
Situations that restrict competition:
1. Unreasonable requirements on firms to qualify to do business
2. Requiring unnecessary experience or excessive bonding
3. Noncompetitive pricing practices
4. Noncompetitive awards to consultants on retainer
5. Organizational conflicts of interest (see 200.318(c)(2))
6. Specifying a brand name instead of allowing “an equal”
7. Any arbitrary action in the procurement process
Must prohibit the use of statutorily or administratively imposed state or local geographical preferences in the evaluation of bids or proposal, except where applicable Federal statutes expressly mandate or encourage geographic preference.

- Does not preempt state licensing laws.

- Exception: architectural and engineering services (if provides appropriate number of qualified firms).
Written procedures for procurement must ensure all solicitations:

- Incorporate a clear and accurate description of the technical requirements for materials, product or service to be procured; and
- “Brand name or equivalent” may be used as needed, but the specific features of the named brand which must be met by the offers must be clearly stated.
- Identify all requirements which the offerors must fulfill and all other factors to be used in evaluating bids or proposals.
• **Method of procurement:**
  • **NEW:** Micro-purchase
  • Small purchase procedures
  • Competitive sealed bids
  • Competitive proposals
  • Noncompetitive proposals
NEW: Acquisition of supplies and services under $3,000 or less.
  - $2,000 for construction subject to the Davis-Bacon Act

May be awarded without soliciting competitive quotations if nonfederal entity considers the cost reasonable.

To the extent practicable must distribute micro-purchases equitably among qualified suppliers.
- Good or service that costs $150,000 or less
  - *(NEW: Simplified Acquisition Threshold was raised under 200.88)*
    - Organization may set lower threshold
- Must obtain price or rate quotes from an adequate number of qualified sources
- “Relatively simply and informal”
- Over $150,000
  - Organization may set lower threshold

- Bids are publically solicited.

- Appropriate when:
  - A complete, adequate and realistic specification or description of good or service is available;
  - Two or more responsible bidders are willing and able to compete effectively for the business
  - Selection of vendor can be made principally based on price and it’s a firm fixed price contract.
- Over $150,000
  - Organization may set lower threshold

- Award contract to responsible vendor whose proposal is most advantageous to the program, considering price and other factors.

- Generally used when sealed bid is not appropriate.
Districts may sole source procurement from a vendor as long as that vendor was included in an approved local application.

a. True

b. False
• Appropriate **only** when:
  ▪ The item is only available from a single source;
  ▪ There is a public emergency that will not permit delay;
  ▪ **NEW:** The Federal awarding agency or pass-through expressly authorizes noncompetitive proposals in response to a written request from non-Federal entity; or
  ▪ After soliciting a number of sources, competition is determined inadequate.
- **NEW:** Must perform a cost or price analysis in connection with every procurement action over $150,000, including contract modifications

- Independent estimate before receiving bids or proposals.
  - Cost analysis generally means evaluating the separate cost elements that make up the total price (including profit)
  - Price analysis generally means evaluating the total price
Cannot contract with vendor who has been suspended or debarred

- Excluded Parties List System in the System for Award Management (SAM)
- 2 CFR Part 180 (OMB Debarment Suspension Rules) and 2 CFR 3485 (USDE Rules)
- For contracts over $25,000 you must verify that the person with whom you intend to do business is not excluded or disqualified.

- This MUST be done by either:
  a. Checking SAM; or
  b. Collecting a certification from that person; or
  c. Adding a clause or condition to the covered transaction with that person.
- Equipment: tangible, nonexpendible, personal property having a useful life of more than one year and an acquisition cost of $5,000 or more per unit.

- Grantee may also use its own definition of equipment as long as the definition would at least include all equipment defined above.
All tangible personal property other than equipment

- **NEW:** Computing devices are supplies is less than $5,000

- **NEW:** Computing devices 200.20 (pg 97)
  - Machines used to acquire, store, analyze, process, public data and other information electronically
  - Includes accessories for printing, transmitting and receiving or storing electronic information
Regardless of cost, grantee must maintain effective control and “safeguard all assets and assure that they are used solely for authorized purposes.”
NEW: Conditional Title vests with the non-Federal entity.

NEW: Cannot encumber the property without approval of Federal agency or Pass-through agency. But

NEW: When acquiring replacement equipment, may use the equipment to be replaced as a trade-in or sell the property and use the proceeds to offset the cost of the replacement property.
An LEA may make equipment purchased with Title I grant funds available to other federally supported programs even if such use will interfere with the work of the Title I program.

1. True
2. False
Equipment must be used by the Non-Federal entity in the program or project for which it was acquired as long as needed, whether or not the project or program continues to be supported by the Federal award.

When no longer needed, may be used in other activities with the following priority:

1. Projects supported by Federal awarding agency
2. Project funded by other Federal agencies

When used it may be shared (according to the above priorities) provided such use will not interfere with work on the original projects/programs.

Exception – Private Schools 76.661 (page 61)
Procedures for managing equipment must meet the following requirements:

1. Property records
   - Description, serial number or other ID, source of funding, title, acquisition date and cost, percent of federal participation, location, use and condition, and ultimate disposition date including sale price

2. Physical inventory at least every two years

3. Control system to prevent loss, damage, theft
   - All incident must be investigated

4. Adequate maintenance procedures

5. If authorized or required to sell property, proper sales procedures to ensure highest possible return.
If equipment is missing upon inventory review, the grantee or subgrantee must:

a. Simply remove the equipment off the inventory list.

b. Buy a new piece of equipment quickly.

c. Interview every staff member until one confesses to the theft.

d. Investigate.
When property is no longer needed in any current or previously Federally-funded supported activity, must follow disposition rules:

- **NEW:** Nonfederal entity must request disposition instructions from the federal awarding agency if required by the terms of the grant.
- Otherwise, may be retained, sold or otherwise disposed as follows:
  - Over $5,000 – pay federal share
    - If equipment is sold: Federal awarding agency may permit non-Federal entity to deduct and retain $500 or 10% of the proceeds for selling and handling instructions.
  - Under $5,000 – no accountability (still must formally dispose)
If there is a residual inventory of unused supplies exceeding $5,000 in total aggregate value upon termination or completion of the project or program and the supplies are not needed for any other federal award, must compensate the federal government for its share.
Federal agency or pass-through agency may impose additional Federal award conditions:

- Require reimbursement;
- Withholding authority to proceed until evidence of acceptable performance;
- Additional detailed reporting
- Additional project monitoring;
- Require grantee to obtain technical or management assistance; or
- Establish additional prior approvals.
NEW: All pass-through entities MUST:

a. Ensure subawards are clearly identified with specific data

b. Evaluate subrecipient’s risk of noncompliance
   - Prior experience with same or similar subawards;
   - Results of previous audits;
   - Whether new personnel or new or substantially changed systems; and
   - Extent and results of Federal monitoring.
c. Consider imposing specific conditions

d. Monitor as necessary to ensure subaward is used for authorized purposes, which must include:
   - Reviewing financial and programmatic reports;
   - Ensure timely and appropriate action to correct all deficiencies; and
   - Issue management decision for audit findings as required under 200.521.

e. Depending on assessment of risk, the following monitoring tools may be useful to ensure proper accountability and compliance with program requirements and achievement of performance goals:
   - Training + technical assistance on program-related matters;
   - On-site reviews; and
   - Arranging for “agreed-upon-procedures” engagements (described in 200.425).
f. Verify subrecipients have audits as required in Subpart F

g. Consider whether results require adjustments to the pass-through entity’s own records

h. Consider taking enforcement actions 200.338.
NEW: If noncompliance can not be remedied with Specific Conditions, the entity may take one or more of the following actions:

- Temporarily withhold cash payment pending correction
- Disallow all of part of the cost
- Wholly or partly suspend or terminate the Federal award (see 200.339 Termination)
- Initiate suspension or debarment proceedings under 2 CFR Part 180
- Withhold further Federal awards for the project or program
- Take other remedies that may be legally available.
NEW: Threshold increased to $750,000

The federal agency, OIG, or GAO may arrange for audits in addition to single audit
NEW: The federal awarding agency must use cooperative audit resolution to improve federal program outcomes.

Cooperative Audit Resolution: means the use of audit follow-up techniques which promote prompt corrective action by improving communication, fostering collaboration, promoting trust and developing an understanding between the Federal agency and non-Federal entity 200.25.
The auditor must report (for major programs):
- Significant deficiencies and material weaknesses in internal controls
- Significant instances of abuse
- Material noncompliance
- Known questioned costs > $25,000

Auditor will not normally find questioned costs for a program that is not audited as a “major program”
- **NEW:** But if auditor becomes aware of questioned costs > $25,000 for non-major program, must report
1. Same, Same, but Different
2. Focus on Performance, but Compliance is still Important
3. Internal Controls to Prevent Fraud, Waste and Abuse
4. Risk Assessment
5. New Flexibility
6. Policies and Procedures
7. Audit Resolution and Corrective Action
8. Procurement – Micro Purchases
9. Cost Principles and Selected Items of Cost
10. Indirect Costs