

INTRODUCTION TO FEDERAL GRANT COMPLIANCE PART 2



LOUISVILLE METERO GOVERNMENT
LUNCH & LEARN SERIES
AUGUST 15, 2023

PART 1

In part one of **Introduction to Federal Grant Compliance**, we provided information on:

- **Regulations**
- **Guidance**
- **Funder manuals**
- **Funder websites**
- **NOFOs (also called Funding Announcements)**
- **Award notices and grant agreements**

Purpose of part 2

PRESENTATION TITLE



To provide an overview of the Uniform Grant Guidance (Title 2 Part 200) and its subsections



To take a deeper dive into the content of Subpart D



The Uniform Grant Guidance is a regulations circular issued by the federal Office of Management and Budget. Where are the full texts of regulations housed?

- A. SAM.gov (System for Award Management)**
- B. Grants.gov**
- C. eCFR.gov**
- D. OMB.gov**

SUBPARTS

- **Subpart A – Acronyms and Definitions (200.0-200.1)**
- **Subpart B – General Provisions (200.100-200.113)**
- **Subpart C – Pre-Federal Award Requirements and Contents of Federal Awards (200.200-200.216)**
- **Subpart D – Post Federal Award Requirements (200.300-200.346)**
- **Subpart E – Cost Principles (200.400-200.476)**
- **Subpart F – Audit Requirements (200.500-200.521)**
- **Appendices I through XII**

APPENDICES

- **Appendix I: Full Text of Notice of Funding Opportunity**
- **Appendix II: Contract Provisions for Non-Federal Entity Contracts Under Federal Awards**
- **Appendix III: Indirect (F&A) Costs for Institutions of Higher Education**
- **Appendix IV: Indirect (F&A) Costs for Nonprofit Organizations**
- **Appendix V: State/Local Governmentwide Central Service Cost Allocation Plans**
- **Appendix VI: Public Assistance Cost Allocation Plans**

APPENDICES

- **Appendix VII: States and Local Government and Indian Tribe Indirect Cost Proposals**
- **Appendix VIII: Nonprofit Organizations Exempted from Subpart E**
- **Appendix IX: Hospital Cost Principles**
- **Appendix X: Data Collection Form (SF-SAC)**
- **Appendix XI: Compliance Supplement**
- **Appendix XII: Award Term and Condition for Recipient Integrity and Performance Matters**



SUBPART A: ACRONYMS AND DEFINITIONS

Why is it important for the 2 CFR 200 to provide a list of acronyms and definitions?

- **Provides a reference for acronyms and terms we might be unfamiliar with, e.g., FFATA or Simplified Acquisition Threshold**
- **Ensures we are all working from the same definitions, e.g., Equipment**
- **Clarifies information found within the Uniform Grant Guidance**



SUBPART B: GENERAL PROVISIONS

This part establishes uniform administrative requirements, cost principles, and audit requirements for Federal awards to non-Federal entities, as described in 200.101. Federal awarding agencies must not impose additional or inconsistent requirements, except as provided in 200.102 and 200.211, or unless specifically required by Federal statute, regulation, or Executive order.



SUBPART B: GENERAL PROVISIONS

- **Includes information on applicability and exceptions**
 - For example, Subpart E Cost Principles do not apply to certain block grant programs
- **States that requirements flow down to subrecipients, unless otherwise noted**
- **Differentiates between “must” and “should” or “may”**
 - **Must** indicates a requirement. Must is not optional.
 - Also “shall,” “must not,” and “cannot”
 - **Should or may** indicates “a best practice or recommended approach rather than a requirement or permits [the use of] discretion.”

SUBPART C: PRE-AWARD REQUIREMENTS AND CONTENTS OF FEDERAL AWARDS

- **Contains purpose statement and 15 provisions that primarily “prescribe instructions and other pre-award matters to be used by Federal awarding agencies in the program planning, announcement, application and award processes.”**
- **But...some of these provisions apply to pass-through entities, too.**
 - **Award instruments**
 - **Fixed amount awards**
 - **Certain prior approvals, such as change in scope of effort**
 - **Adjustment of specific conditions**
 - **Certifications**

SUBPART C: PRE-AWARD REQUIREMENTS AND CONTENTS OF FEDERAL AWARDS

- **Explains the different types of award instruments, including grants, cooperative agreements, and contracts**
- **Provides guidance to federal agencies on performing risk assessments prior to awarding grants**



I manage a federal block grant program, and I'm not sure if the Subpart E Cost Principles apply to my program. How can I find out?

- Review Subpart A**
- Review Subpart B**
- Review Subpart C**



My grant agreement requires me to submit an inventory of all assets purchased with grant funds. I'm not sure what an asset is. How can I find out?

- Review Subpart A**
- Review Subpart B**
- Review Subpart C**



My organization was notified we're receiving a \$150,000 award, but the award notice shows this is a cooperative agreement, not a grant. How do I find out what a cooperative agreement is and how it's different from a grant?

- Review Subparts A and B**
- Review Subparts B and C**
- Review Subparts A and C**



Subpart D: Post Federal Award Requirements

The **Meat and Potatoes** of
the Uniform Grant Guidance



SUBPART D CONTENT

Subpart D contains the requirements below:

Requirement Categories	
Financial Programmatic/Performance Systems	Property
	Procurement
	Subrecipient Management and Monitoring



FINANCIAL, PROGRAMMATIC/ PERFORMANCE AND SYSTEMS REQUIREMENTS

FINANCIAL AND SYSTEMS REQUIREMENTS:

200.302 FINANCIAL MANAGEMENT

Recipient and subrecipient's financial management systems must provide for the following:

- "Identification, in its accounts, of all Federal awards received and expended and the Federal programs under which they were received." This includes:
 - Assistance Listing name and number (formerly CFDA)
 - Federal award identification number (FAIN)
 - Year of federal award
 - Names of federal agency and pass-through entity, if applicable

FINANCIAL AND SYSTEMS REQUIREMENTS: 200.302 FINANCIAL MANAGEMENT

- Financial system must be sufficient to complete required reports and provide “accurate, current and complete disclosure of each Federal award or program in accordance with the reporting requirements”
- No commingling of funds allowed
 - Funds specifically budgeted and/or received for one project may not be used to support another
 - This does not mean you must put the grant funds in a separate bank account

FINANCIAL AND SYSTEMS REQUIREMENTS: 200.302 FINANCIAL MANAGEMENT

- All grant funds must be tracked separately.

Income	Expense
40000 - Donations	60000 – Payroll Expense
41000 - CDBG Grant FY23	61000 – CDBG FY 23 Grant Payroll
42000 – CDBG Grant FY24	62000 – CDBG FY24 Grant Payroll
43000 – ARP Grant	63000 – ARP Grant Payroll

FINANCIAL REQUIREMENTS: 200.305 FEDERAL PAYMENT

- **Most federal grant funds can be paid either on a reimbursement or advance basis**
- **Requirements for advanced funds**
 - **Advances must be for immediate cash needs only**
 - **The timing and amount of advance payments must be as close as is administratively feasible to the recipient's disbursement of funds**
 - **This spending deadline used to be 3 business days prior to the 2 CFR 200**
 - **Some federal agencies provide a deadline for spending**
 - **Must be deposited in an interest-bearing account, if required by funding agency**
 - **Interest over \$500 must be remitted to the federal government**
 - **Recipient/subrecipient must have written processes related to advance payments**
- **If these requirements cannot be met, recipient must be paid on a reimbursement basis**

FINANCIAL REQUIREMENTS: 200.306 COST SHARE OR MATCHING ⁺ ○

- **Matching funds are the other funds that support a project or program**
- **Match funds:**
 - **Must be verifiable from your financial records**
 - **Must not be included as contributions for any other federal award**
 - **Are necessary and reasonable for accomplishment of project or program**
 - **Are allowable under the Cost Principles**
 - **Are not funds from other federal grants, except when this is allowed by statute**
 - **Are included in the approved budget**
- **This section also covers volunteer hours and donations as match and other in-kind match.**

FINANCIAL REQUIREMENTS: 200.307

PROGRAM INCOME

Program income means gross income earned by the non-Federal entity that is directly generated by a supported activity or earned as a result of the Federal award during the period of performance.

Examples of program income:

- Repayments of loans issued with grant funds
- Loan interest
- Fees earned from services performed for the grant
- Registration and entrance fees (workshops, trainings, events, tuition)
- Income from sales of materials produced by the grant program
- Rental income

FINANCIAL REQUIREMENTS: 200.307

PROGRAM INCOME

Three methods of using program income

- 1. Deduction: Program Income is deducted from the total allowable costs to determine the net allowable costs**
- 2. Addition: Program income may be added to the federal award. Must have prior approval**
- 3. Cost Sharing or Matching: Grantee may use program income to meet the matching requirements of the federal award but only with prior approval from the funding agency.**

FINANCIAL REQUIREMENTS: 200.307

PROGRAM INCOME

Examples: Grantee's program budget is \$100,000, and anticipated program income is \$25,000.

- **Deduction: Grantee can request only \$75,000 in federal funds.**
- **Addition: Grantee can expand program to allow for a total budget of \$125,000, as long as the \$25,000 in program income is spent on eligible, necessary, and reasonable costs.**



FINANCIAL REQUIREMENTS: 200.328

FINANCIAL REPORTING

- **§200.328**
- **Provides general requirements for financial reporting**
- **Must follow funding agency requirements for frequency, deadlines, and reporting system**



The prohibition on commingling of funds means that federal grant funds cannot be deposited into recipients'/subrecipients' normal bank account.

A. True

B. False



Advanced federal grant funds cannot be deposited into recipients'/subrecipients' normal bank account.

A. True

B. False

C. I need more information



My grant program budget is \$1,000,000. We have anticipated program income of \$200,000. What amount of grant funds should I request from a federal funding agency that uses the Deduction Method?

- A. \$1,000,000**
- B. \$800,000**
- C. \$1,200,000**



Where can you find the specific financial reporting requirements for your grant?

A. 2 CFR 200.328

B. Notice of Funding Opportunity (NOFO)

C. Award Letter/Grant Agreement

FINANCIAL AND PROGRAMMATIC REQUIREMENTS:

200.308 REVISION OF BUDGET AND PROGRAM PLANS

- Provides general information about budget revisions and changes in program plans. Recipients must request prior approval for:
 - Budget deviations
 - Changes in program scope or objective
 - Changes in key personnel
 - Reduction in program progress or disengagement of more than three months
 - Costs that require prior approval (see Subpart E Cost Principles)
 - Any subawards and contracts that were not approved through the grant application process
 - Changes in cost-sharing or match
 - Certain other changes

PROGRAMMATIC/PERFORMANCE REQUIREMENTS: 200.301 PERFORMANCE MEASUREMENT

- **The federal awarding agency must measure the recipient's performance to show achievement of program goals and objectives**
- **The federal awarding agency should provide recipients with clear performance goals, indicators, targets, and baseline data**

PLEASE NOTE THAT FEDERAL AGENCIES WERE MANDATED THROUGH THE MOST RECENT UPDATE OF THE 2 CFR 200 TO ENSURE GRANTEEES PERFORM. FEDERAL AGENCIES CAN NOW GRANTS IF PERFORMANCE IS POOR.

PROGRAMMATIC/PERFORMANCE AND SYSTEM REQUIREMENTS: 200.329 PERFORMANCE MEASUREMENT

- Recipients must report program performance according to the terms and conditions of the grant agreement.
- The federal awarding agency will monitor performance and may make site visits (i.e., monitoring or auditing visits)
- Each recipient and subrecipient is responsible for oversight of the federal award program and must monitor each program, function, and activity.



Internal controls:

- A. Are those temperature knobs inside my refrigerator and freezer**
- B. Include preventive and detective processes**
- C. Are steps and processes to ensure compliance**
- D. Both B and C**



SYSTEM REQUIREMENTS: 200.303 INTERNAL CONTROLS

- Recipients and subrecipients must build internal controls into all federal grant programs.
- Recipients and subrecipients must include these internal controls in all policies and procedures.
- To develop internal controls, recipients and subrecipients should use “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework” issued by the Committee of Sponsoring Organizations of the Treadway Commission



SYSTEM REQUIREMENTS: 200.303 INTERNAL CONTROLS

- **Recipients and subrecipients must:**
 - **Comply with the Constitution, federal laws, regulations, and the terms and conditions of the federal awards**
 - **Evaluate and monitor their compliance with the above**
 - **Take prompt action when instances of noncompliance are identified**
 - **Take reasonable measures to safeguard protected personally identifiable information and other sensitive information**

PROPERTY REQUIREMENTS





PROPERTY REQUIREMENTS: 200.311 REAL PROPERTY

- **Real Property: Land, including land improvements, structures, and related items, but excludes moveable machinery and equipment**
- **Real property will be used for the originally authorized purpose as long as needed for that purpose, during which time the recipient/subrecipient must not dispose of or encumber its title or other interests.**
- **When real property is no longer needed for the originally authorized purpose, the recipient/subrecipient must obtain disposition instructions from the federal awarding agency or pass-through entity**



PROPERTY REQUIREMENTS: 200.311 REAL PROPERTY

Disposition options:

- 1. Retain title after compensating the federal awarding agency for their share of the fair market value (FMV) of the property**
- 2. Sell the property and compensate the federal awarding agency for their share**
- 3. Transfer title to the federal awarding agency or to a third party designated or approved by the federal awarding agency**



PROPERTY REQUIREMENTS: 200.313 EQUIPMENT

- **Equipment means tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the recipient's/subrecipient's capitalization level or \$5,000**
- **Recipients/subrecipients must maintain property records that include a description of the property, serial or other ID number, source of funding including the FAIN (federal award identification number), title holder, acquisition date, cost of property, federal cost of property, location of property, use and condition of property, and any ultimate disposition data (date/sale price)**



PROPERTY REQUIREMENTS: 200.313 EQUIPMENT

- **Recipients/subrecipients must take a physical inventory of the equipment and reconcile it with the property records at least once every two years**
- **Recipients/subrecipients must develop a control system to ensure adequate safeguards to prevent loss, damage, or theft of the property.**
 - **Any loss, damage, or theft must be investigated.**
- **Recipients/subrecipients must develop adequate maintenance procedures to keep the property in good condition**
- **If recipient/subrecipient is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return**



PROPERTY REQUIREMENTS: 200.313 EQUIPMENT

Disposition of Equipment

- **When equipment is no longer needed for the original project or program, it may be used for other activities currently or previously supported by a federal awarding agency. If no such program is in place, the recipient/subrecipient must request disposition instructions from the federal awarding agency or pass-through entity.**
- **Items of equipment with a current per unit FMV of \$5,000 or less may be retained, sold, or otherwise disposed of with no further responsibility to the federal awarding agency.**



PROPERTY REQUIREMENTS: 200.313 EQUIPMENT

Disposition of Equipment

- **Unless otherwise instructed, recipients/subrecipients may sell or retain equipment with a current value more than \$5,000 but must:**
 - **Remit to the federal government the federal percentage of FMV cost for all retained equipment, or**
 - **Remit to the federal government the federal percentage of revenue earned by selling the equipment**
- **Recipient/subrecipient may also transfer title to the federal government or eligible third party**



PROPERTY REQUIREMENTS: 200.314 SUPPLIES

- Any tangible property under \$5,000 per unit price is considered a supply
- If at the end of the grant, the recipient/subrecipient has unused supplies totaling \$5,000 or higher in the aggregate, the entity must retain the supplies for use on other activities OR sell them.
 - In either case, the recipient/subrecipient must compensate the federal government for their share of the supplies.
- Recipient/subrecipient may retain unused supplies totaling less than \$5,000 in aggregate at the end of the grant.



Disposition instructions for equipment depend on whether the item is valued at more or less than \$5,000. Value is determined:

- A. At the time of purchase**
- B. At the time of disposition**
- C. By the amount listed in my grant budget**



During your inventory of grant-funded equipment, you discover a piece of equipment is missing. You are in compliance with the equipment requirements as long as you update the property records to indicate the equipment is missing.

- A. True**
- B. False**



I bought 100 computers for students to use for my afterschool program. Each computer cost \$1,000. Only 90 students participated in the program, so I had 10 unused computers when the program ended. What do I do with the computers now?

- A. Sell them. We need the money for other programs.**
- B. Keep or sell them, as long as I remit the current fair market value of the computers to the federal government**
- C. Keep them**

**TO BE CONTINUED IN
PART 3**

