Learning Objectives
Participants will be able to:

- Identify the six subparts of Uniform Guidance
- Define subrecipient monitoring under FHWA Stewardship and Oversight Program
- List the updated and new Administrative, Cost Principles, and Single Audit Requirements
- Identify FHWA Funds Management requirements as they relate to 2 CFR 200
FHWA Funds Management Memo

Issued Jointly By:
- FHWA, Office of the Chief Financial Officer and Office of Infrastructure

Date: October 29, 2014

Link: http://www.fhwa.dot.gov/cfo/projfundsmgt.cfm

Currently being updated for 2 CFR 200 and will include additional Q & As.
2 CFR 200
An Introduction to the Uniform Guidance

So... What is the Uniform Guidance?

- Official Name - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal awards
- OMB Uniform Guidance that combines 8 previous Federal grant regulations into ONE comprehensive guidance.
- Codified at 2 CFR 200

United States Department of Transportation

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2 CFR 200
An Introduction to the Uniform Guidance

Cost Principles
- A-87 State, Local and Tribal Governments
- A-21 Educational Institutions
- A-123 Non-Profit Organizations

Administrative Requirements
- A-110 Institutions of Higher Education, Hospitals, and Non-Profit Organizations
- A-162 Financial Statement and Compliance Audits
- A-133 Federal Awards Financial Management Systems
- A-50 Federal Program Audit Requirements

Audit Requirements
- A-133 Audit of State, Local, and Tribal Governments and Non-Profit Organizations
- A-50 Audit Follow-up

2 CFR 200
Uniform Guidance

United States Department of Transportation

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2 CFR 200
An Introduction to the Uniform Guidance

When Did the Uniform Guidance Become Effective?

FHWA policy and guidance impacted by the Uniform Guidance is currently being developed and updated.

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2 CFR 200
An Introduction to the Uniform Guidance

The Uniform Guidance is divided into six parts:
➢ Subpart A—Acronyms and Definitions
➢ Subpart B—General Provisions
➢ Subpart C—Pre-Federal Award Requirements and Contents of Federal Awards
➢ Subpart D—Post-Federal Award Requirements
➢ Subpart E—Cost Principles
➢ Subpart F—Audit Requirements

It also includes 11 appendices. Of particular note to FHWA is:
➢ Appendix VII—States and Local Government and Indian Tribe Indirect Cost Proposals.

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Stewardship and Oversight
Subrecipient Monitoring

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Legislative Background and FHWA Policy

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Legislative Background

23 USC 106(g)(4) – Oversight Program – State Responsibilities

- States are responsive to all areas relating to financial integrity and project delivery of subrecipients
  - Adequate project delivery systems
  - Sufficient accounting controls for proper management of Federal funds
- Requires FHWA to periodically review State monitoring of subrecipients

State Responsibilities

Ensure Federal-aid funds are expended in accordance with applicable Federal laws and regulations

- State is not relieved of this responsibility when it designates an LPA to administer Federal-aid funds on a project or phase of project
Definitions

- 2 CFR 200.74 – *Pass-through entity* means a non-Federal entity that provides a sub award to a subrecipient to carry out part of a Federal program.
- 2 CFR 200.93 – *Subrecipient* means a non-Federal entity that receives a sub award from a pass-through entity to carry out part of a Federal program. A subrecipient may also be a recipient of Federal awards directly from a Federal agency.

Contractor vs. Subrecipient

- 2 CFR 200.23 – *Contractor* is an entity that receives a contract as defined in §200.22 Contract
- 2 CFR 200.22 – *Contract* means a legal instrument by which a non-Federal entity purchases property or services needed to carry out the project or program under a Federal award.
- 2 CFR 200.38 – *Federal Award* means Federal financial assistance that a non-Federal entity receives directly from a Federal awarding agency or indirectly from a pass-through entity.
- 2 CFR 200.92 – *Subaward* means an award provided by a pass-through entity to a subrecipient for the subrecipient to carry out part of a Federal award received by the pass-through entity. It does not include payments to a contractor or payments to an individual that is a beneficiary of a Federal program.
2 CFR 200.331

Requirements for Pass-through Entities

Must ensure every subaward is clearly identified and includes the following Federal award identification:

1. Subrecipient Name
2. Subrecipient’s unique ID (DUNS)
3. Federal Award ID Number (FAIN)
4. Federal Award Date
5. Period of Performance Start and End Date
6. Amount of Federal Funds obligated
7. Amount of Federal funds obligated to subrecipient
8. Total amount of the Federal award
9. Total Approved Cost Sharing or Matching where applicable
10. Project description responsive to FFATA
11. Name of Federal Awarding Agency, Pass-through entity and Contact Information
12. CFDA Number and Name
13. Identification of where the award is R&D
14. Indirect Cost rate for the Federal Award

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Requirements for Pass-through Entities

The Subaward must also include:

- Requirement that pass-through entity and auditors have access to subrecipient records and financial statements
- Terms and conditions for closeout of sub award

Risk Assessment

Evaluate each subrecipient's risk of noncompliance

- Prior experience with the same or similar sub awards
- Results of previous audits and review of Single Audit
- New personnel or new or substantially changed systems
- The extent and results of Federal awarding agency monitoring
Requirements for Pass-through Entities

Subrecipient Monitoring

- Monitor the activities of the subrecipient
- Ensure sub award is used for authorized purposes
  - Must review financial and performance reports
  - Must follow-up on deficiencies identified in audits, on-site reviews, and other means
  - Must issue a management decision on audit findings pertaining to the Federal award
  - May provide training and technical assistance
  - May perform on-site reviews

Requirements for Pass-through Entities

Subrecipient Monitoring...cont.

- Verify every subrecipient is audited in accordance with Subpart F – Audit Requirements
- Consider whether the results of audits or reviews indicate conditions that necessitate adjustments to pass-through entity’s own records
- Consider taking enforcement action against noncompliant subrecipients in accordance with 2 CFR 200.338
Questions?
Thank you

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Updated and New Administrative, Cost Principles, and Single Audit Requirements

Uniform Guidance
Codified at 2 CFR 200

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2 CFR 200 Uniform Guidance and FHWA Policy Overview
2 CFR 200: Subpart C
Pre-Federal Award Requirements

Federal Award Information
1. Recipient Name
2. DUNS number
3. FAIN Number
4. Federal Award Date
5. Period of Performance Start and End Date
6. Amount of Federal Funds obligated
7. Total amount of Federal Amount Obligated
8. Total amount of the Federal award
9. Budget Approved by the Federal Awarding Agency
10. Total Approved Cost Sharing or Matching where applicable
11. Federal Award Project Description
12. Name of Federal Awarding Agency and Contact Information
13. CFDA Number and Name
14. Identification of where the award is R&D
15. Indirect Cost rate for the Federal Award

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2 CFR 200: Subpart D
Post Federal Award Requirements

Period of Performance

Imposes a period when project cost can be incurred and still be eligible for reimbursement.

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FHWA Funds Management Policy
Project Agreement Start Dates

Period of Performance – Agreement Start Date

➢ The date when FHWA authorizes the project to incur costs for the authorized phase and scope of work.
  ▪ There will be a separate authorization date for each phase of work (e.g. PE, ROW, CON, etc.)

➢ Phase of work should not be authorized until applicable Federal requirements are met (e.g. NEPA, ROW) and work is ready to proceed in a reasonable period of time

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FHWA Funds Management Policy
Project Agreement End Dates

Period of Performance – Agreement End Date

➢ End date is the date before costs must be incurred to be reimbursed with Federal funds
  ▪ For a construction project, these costs would include direct costs that are to be billed for construction engineering activities

➢ Selection of a reasonable end date may include some time consideration for finalizing billing documentation and ensuring all Federal requirements are met

➢ The end date should **NOT** include future project work or phases that may be added to the project agreement at a later date and is not currently authorized

➢ As work is added to a project agreement, the end date may be modified.

➢ Final costs must be billed and all obligations liquidated within 90 days of the agreement end date unless an extension is requested by the State DOT and approved by the FHWA
  ▪ An extension is not a change in the end date, but an extension to the 90 day final cost submittal

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FHWA Funds Management Policy
Properly Authorizing Federally Funded Projects

Properly authorizing a project is the first step in sound funds management and includes the following:

- Clearly defined scope of work for the applicable phase
- An accurate estimated performance period is identified for the phase of work currently being authorized
- Contains the obligation amount necessary for the work authorized (except for an AC Authorization) and that amount is supported by a documented and current total project cost estimate;
- Authorized before work is started and/or prior to construction advertisement
- Federal share is established when the agreement is executed to fund a project or phase of a project
- All applicable Federal and State laws and regulations have been met prior to authorization (e.g. STIP inclusion, NEPA, ROW, etc.)
- Complies in form with the provisions of 23 CFR 630.206 for initial authorizations or 23 CFR 630.210 for modifications, and the FMIS Manual;
- Is signed by an authorized representative of the recipient and a minimum of two FHWA individuals with that delegated authority.

FHWA Funds Management Policy
Properly Authorizing Federally Funded Projects

If State DOT elects to include all phases of work within one FMIS project agreement (i.e. use one Federal-aid project number), then:

- Each phase should be authorized and funds obligated only when that phase is ready to proceed
  - Authorizing multiple phases at the same time should not occur as this prematurely obligates funds for work not yet ready to proceed
- A performance period should be identified for the phase of work currently being authorized (i.e. start date equals FMIS PE authorization date and end date is when PE phase will be completed)
- When the next sequential phase of a project is ready to proceed, the project agreement may be modified to include additional costs, the authorization date for the next phase, and updated to include the new end date for the next phase of work
FHWA Funds Management Policy
Properly Authorizing Federally Funded Projects

➢ Deobligating funds from a recorded obligation solely to free them up, replace them with other funds, or use AC (commonly referred to as “reverse AC”) is not allowed unless authorized by statute (i.e. ER and HPP).

➢ Examples of unallowable practices include:
  ▪ Deobligating Federal funds solely for the purpose of meeting FHWA’s performance goal for inactive obligations, but with anticipated remaining costs (which is considered under-recording of an obligation), or
  ▪ Deobligating Federal funds from projects with no expenditures, but leaving an insignificant obligation of Federal funds (e.g. $1, $100, etc.). This does not reflect the current cost estimate to complete the phase of work.

➢ When the project does not reflect the total cost under these conditions, costs incurred are unallowable for reimbursement because funds to cover such costs are not properly authorized.

2 CFR 200: Subpart D
Post Federal Award Requirements

Closeout

➢ Non-Federal entities:
  ▪ Submit all reports (90 days from PoP end date)
  ▪ Liquidate all obligations
  ▪ Refund any balances
  ▪ Account for property

FHWA may exercise unilateral authority to close projects in FMIS if recipient fails to comply with project closeout requirements. (23 CFR 630.106(a)(6))
**2 CFR 200: Subpart D**  
Post Federal Award Requirements  
**Closeout**

- **Federal Awarding Agency:**
  - Administrative actions and required work has been completed
  - Make prompt payments for allowable reimbursable costs
  - Close out action must be completed within 1 year after receipt and acceptance of all required reports

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**FHWA Funds Management Policy**  
**Project Closeout**

- A project is considered complete when the work is accepted, the contractor is released from responsibility on the project, and all activities associated with the award are completed
- Project closeout occurs when the State DOT submits a request to FHWA to close a project in FMIS
  - All required work and deliverables have been completed
  - All applicable administrative actions (e.g. reporting, final billings, etc.) are completed
- Effective project management requires coordination of activities among all units and functions
  - Ensures a Federal project does not languish as open and inactive due to barriers preventing project closure

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FHWA Funds Management Policy
Project Closeout

➢ Project closeout procedures should be initiated soon after the project has been completed, work is accepted, and final payment has been made
  ▪ Unexpended Federal funds should be deobligated to reflect final costs
  ▪ Obligations should not be kept on a project unless there is a sufficient reason
  ▪ Adjustments to obligations can be made as necessary if eligible and allowable costs or credits to the project are identified

➢ Record retention for financial purposes is 3 years and begins when the final voucher is submitted and signed in FMIS
  ▪ If a project languishes during the closeout process, there is a possibility of loss of documentary evidence of costs incurred
  ▪ If documentation is not available to support a cost, those costs are improper and must be repaid

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2 CFR 200: Subpart D
Post Federal Award Requirements

Record Retention

➢ Retention Requirements for Records
  ▪ Financial records
  ▪ Supporting documentation, and
  ▪ All other pertinent documents
  ▪ 3 years after final invoice

➢ Some Exceptions
  ▪ Litigation, claim, or audit until resolved
  ▪ Notification in writing to extend the retention period
  ▪ Real property and equipment retention period is 3 years after final disposition
  ▪ IC rate and cost allocation plans
    ▪ Negotiated rates: 3 years from the submission date
    ▪ Non-negotiated rates: 3 years from the end of FY in which the rate was used

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2 CFR 200: Appendix VII
Indirect Costs

• Indirect Cost Proposals

• Types of IC Rates:
  ➢ Provisional Rate
  ➢ Final Rate
  ➢ Predetermined Rate
  ➢ Fixed Rate
  ➢ De minimis Rate

• Narrative Cost Allocation Methodology

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2 CFR 200: Appendix VII
Indirect Cost Proposals

Type of Indirect Cost Rates:

➢ De minimis Indirect Cost Rate

  ▪ Receive $35 million or less in Federal Awards
  ▪ Never have received a negotiated rate
  ▪ 10% of MTDC
  ▪ May be used indefinitely
  ▪ Must be used for all Federal awards until negotiated rate is in place

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2 CFR 200 Uniform Guidance and FHWA Policy Overview
2 CFR 200: Subpart F
Audit Requirements

- Non-Federal entity that expends $750,000 or more during its FY in Federal awards must have a single or program-specific audit conducted in that year.
- Applies to fiscal years beginning on or after December 26, 2014.

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2 CFR 200: Subpart F
Audit Requirements

Auditor Selection:
- Follow 2 CFR 200.317 Procurement Standards
- Objective is to obtain high quality audits
  - Must request audit organization’s peer review report
  - Responsiveness to the request for proposal
  - Relevant experience
  - Availability of Staff
  - Qualifications and technical skills
  - Price

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2 CFR 200 Uniform Guidance and FHWA Policy Overview
2 CFR 200: Subpart F
Audit Requirements

Financial Statements
- Financial position & cash flow statements
- Schedule of Expenditures of Federal awards
  - List of Federal awards by Federal agency
  - Federal awards received as a sub-recipient
  - Total Federal awards expended for each Federal program
  - Total amount provided to sub-recipients
  - Loan or Loan guarantee programs (outstanding balances)
  - Notes describing the accounting polices used in preparing schedule & whether auditee elected to use the 10% de minimis cost rate

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Resources and Contacts

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Internet Resources

- 2 CFR 200 URL
  - http://www.ecfr.gov/cgi-bin/text-index.tpl=/ecfrbrowse/Title2/2 CFR 200_main_02.tpl

- Council on Financial Assistance Reform (COFAR)
  - https://cfo.gov/cofar/

- FHWA Policy and Guidance Center (Q&A’s and Guidance)
  - http://www.fhwa.dot.gov/fgc/

Internet Resources

- Association of Governmental Accountants - Risk Assessment Tool

- 2 CFR 1201 Department of Transportation Exceptions
  - http://www.ecfr.gov/cgi-bin/retrieveECFR?gp=1&ty=HTML&h=L&r=PART&n=pt2.1.1201#se2.1.1201_11

- Federal Audit Clearinghouse (FAC)
  - http://harvester.census.gov/
Contact Information:

- Follow-up Questions or Assistance:
  - FHWA Resource Center
    Email  RC-TST-Finance@dot.gov
  - Bob Eatmon, RC Financial Program Specialist
    Email:  robert.eatmon@dot.gov
    Phone:  720-879-1219

Final Questions?
Thank you

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