

Moving Public Transportation  
Into the Future

Financial Management for Transit Providers

July 9, 2025

Sponsored by:

Oregon DOT/Public Transportation Division

Presented by:

Richard Garrity  
RLS & Associates, Inc.

www.rlsandassoc.com

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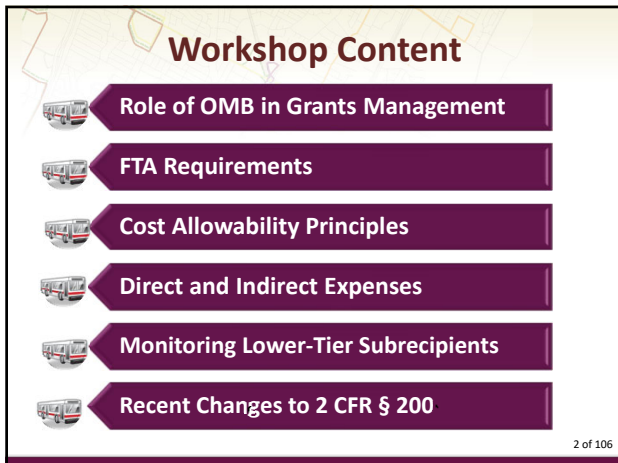
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## Workshop Content

-  Role of OMB in Grants Management
-  FTA Requirements
-  Cost Allowability Principles
-  Direct and Indirect Expenses
-  Monitoring Lower-Tier Subrecipients
-  Recent Changes to 2 CFR § 200

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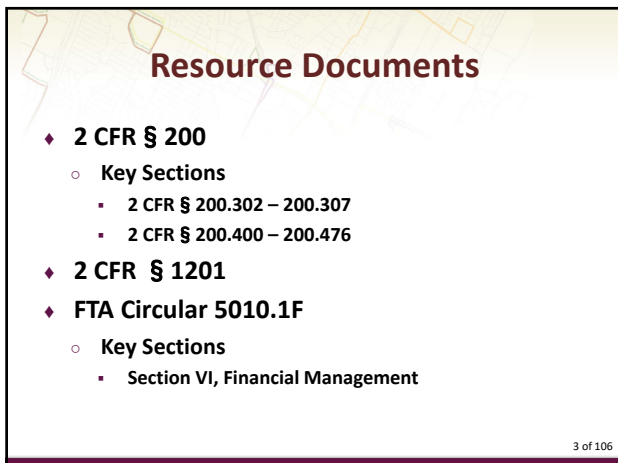
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## Resource Documents

- ◆ 2 CFR § 200
  - Key Sections
    - 2 CFR § 200.302 – 200.307
    - 2 CFR § 200.400 – 200.476
- ◆ 2 CFR § 1201
- ◆ FTA Circular 5010.1F
  - Key Sections
    - Section VI, Financial Management

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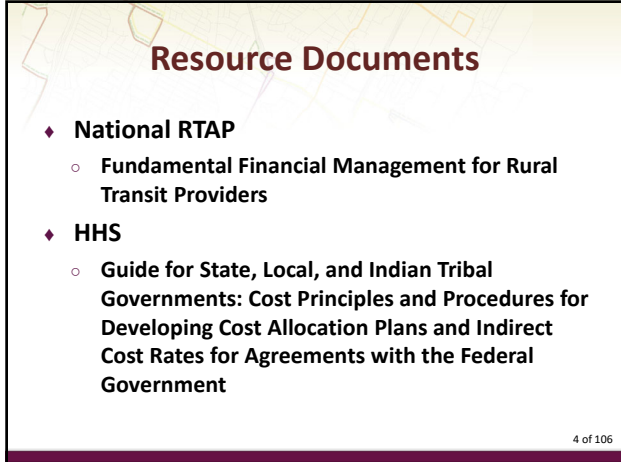
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## Resource Documents

- ◆ **National RTAP**
  - Fundamental Financial Management for Rural Transit Providers
- ◆ **HHS**
  - Guide for State, Local, and Indian Tribal Governments: Cost Principles and Procedures for Developing Cost Allocation Plans and Indirect Cost Rates for Agreements with the Federal Government

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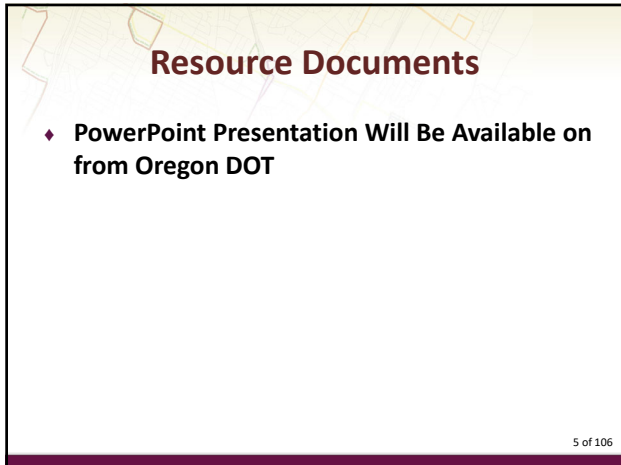
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## Resource Documents

- ◆ **PowerPoint Presentation Will Be Available on from Oregon DOT**

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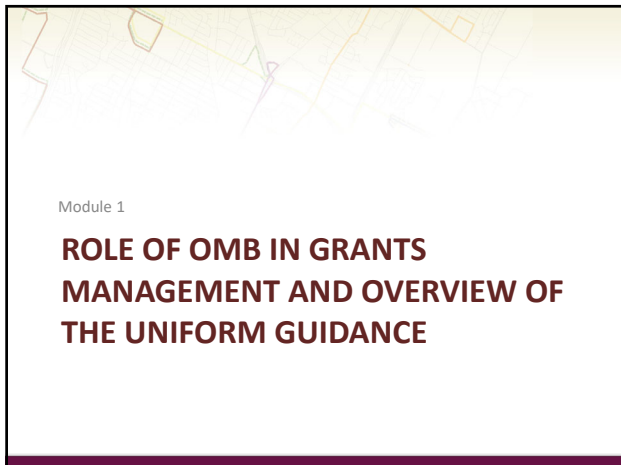
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Module 1

## ROLE OF OMB IN GRANTS MANAGEMENT AND OVERVIEW OF THE UNIFORM GUIDANCE

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OMB Role

Office of Management and Budget (OMB)

Predominant Mission Is to Assist the President in Overseeing the Preparation of the Federal Budget and to Supervise Its Administration in Executive Branch Agencies

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OMB Role

OMB Has Management Role in Federal Grants

Guidance in Three (3) Primary Areas

Cost Principles

Grant Management/Administrative Requirements

Audit

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OMB's Uniform Guidance

Impacts All Executive Branches of the Federal Government

USDOT/FTA Included

Estimated to Impact \$500+ Billion in Federal Grant Awards Annually

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General Provisions

◆ Supremacy (2 CFR § 200.105)

○ For Federal Awards, All Administrative Requirements, Program Manuals, Handbooks, and Other Non-Regulatory Materials That Are Inconsistent With the Requirements of 2 CFR § 200 Must Be Superseded Upon Implementation of This Part by the Federal Agency

▪ Except When They Are Required by Statute or Authorized by OMB

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Module 2

FTA REQUIREMENTS

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Financial Management Systems

◆ Key Requirements

○ Financial Reporting

○ Accounting Records

○ Internal Control

○ Budget Control

○ Allowable Cost

○ Source Documentation

○ Cash Management

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## Financial Management Systems

### ♦ Financial Reporting

- Accurate, Current, and Complete Disclosure of the Financial Results of Federally Assisted Activities Must Be Made In Accordance With Financial Reporting Requirements
- Critical That These Requirements are Implemented Not Only at the Agency Level, But at the Grant Level
  - Your Accounting System Should be Capable of Reporting by Grant

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## Financial Management Systems

### ♦ Accounting Records

- Maintain Records That Adequately Identify the Source and Application of Funds Provided for Federally Assisted Activities
- Records Must be Available to FTA, OIG, ODOT, and/or Their Representatives

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## Financial Management Systems

### ♦ Accounting Records

- These Records Must Contain Information Pertaining to the Award or Subawards
  - Authorizations
  - Obligations
  - Unobligated balances
  - Assets
  - Liabilities
  - Outlays or Expenditures
  - Income

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## Financial Management Systems

### ♦ Internal Control

- Effective Control and Accountability Must be Maintained for All Cash Provided to Support
  - The Award or Subaward
  - Real and Personal Property
  - Other Assets
- Recipients and Subrecipients Must Adequately Safeguard All Such Property and Must Ensure That It Is Used Solely For Authorized Purposes

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## Financial Management Systems

### ♦ Budget Control

- Actual Expenditures or Outlays Must Be Compared With Budgeted Amounts for Each Award or Subaward
- Financial Information Must be Related to Performance or Productivity Data
  - Unit Cost Information Such as Cost/Hour, Cost per Passenger, Etc. Should be Maintained

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## Financial Management Systems

### ♦ Allowable Cost

- OMB Sets the Standards in 2 CFR § 200.420 – 200.475
  - These Standards Can Be Narrowed
    - FTA
    - ODOT
    - Approved Grant Budget
- You Must Have a Written Policy on How Your Agency Makes Cost Allowability Decisions

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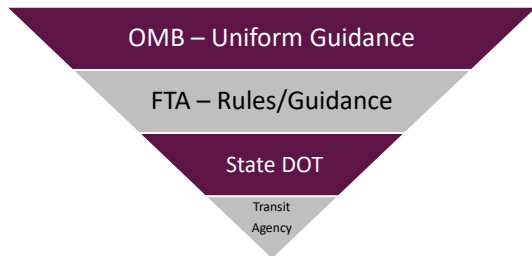
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## Allowability – Basic Standards



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## Financial Management Systems

### ♦ Source Documentation

- Accounting Records Must Be Supported By Source Documentation
  - Cancelled Checks
  - Paid Bills
  - Payrolls Record
  - Time And Attendance Records
  - Contracts
  - Subrecipient Documents

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## Financial Management Systems

### ♦ Cash Management

- Primary Focus on This Subject Relates to Advance Drawdowns by Direct Recipients
- For Subrecipients, the Obligation is to Ensure That Cash Receipts are Properly Accounted and Protected from Theft or Loss

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Benefits

- ◆ Fundamental Element in Any Transit System's Financial Management Practices
  - Improve Accounting Efficiency
  - Reduce Delays in the Processing of Claims
  - Reduce Audit Exceptions
  - Eliminate Instances Where the Project Must Pay Back the Federal Government Previously Reimbursed Amounts
  - Reduce Federal and State Scrutiny

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Other Key Requirements

- ◆ Federal Funding Accountability and Transparency Act (FFATA)
  - Requirement Since 2012
    - Executive Compensation Reporting Requirements
  - All Subawards Over \$30,000
    - If Subaward Issued After November 12, 2020 - \$30,000

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Other Key Requirements

- ◆ Ensure that Claims for Indirect Cost Are:
  - Consistent with Approved Indirect Cost Rate
  - Applied to the Appropriate Base
  - If De Minimis Rate is Used
  - Applied to Modified Total Direct Costs

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## Other Key Requirements

- ◆ Ensure that a Single Audit is Conducted if Total Federal Expenditures Exceed \$1,000,000
- ◆ Proper Preparation of Financial Statements
- ◆ Proper Preparation of the Schedule of Expenditure of Federal Awards (SEFA)
- ◆ Appropriate Response to Audit Findings

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## Other Key Requirements

- ◆ Local Match
  - Proper Amount – Must Meet Statutory Requirement
  - Properly Calculated
    - Transit Operations
  - Drawn From Allowable Sources

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## Other Key Requirements

- ◆ There are Some Mandatory Responsibilities of the Subrecipient When They Pass Funds Through Funds to a Lower Tier Entity
  - Mandatory Data Concerning the Grant
  - Oversight
  - Assistance in Audit Finding Resolution

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Module 3

## COST ALLOWABILITY PRINCIPLES

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## Allowability – Basic Standards

- ◆ Allowability Standards (2 CFR § 200.403)
  - Necessary and Reasonable/Allocable
  - Conform to Any Limitations or Exclusions Set Forth in the Federal Cost Principles, Federal Laws, Terms and Conditions of the Federal Award
  - Be Consistent With Policies and Procedures That Apply Uniformly to Both Federal Awards and Other Activities of the Non-Federal Entity

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## Allowability – Basic Standards

- ◆ Allowability Standards (2 CFR § 200.403)
  - Be Accorded Consistent Treatment
  - Be Determined in Accordance With Generally Accepted Accounting Principles (GAAP)
  - Not Be Included As a Cost or Used to Meet Cost Sharing or Matching Requirements of Any Other Federal Award
  - Must be Adequately Documented

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## Allowability – Basic Standards

### ♦ Allowability Standards (2 CFR § 200.403)

#### ○ Necessary and Reasonable

##### ▪ Reasonable

- A Cost, in Its Nature and Amount, Does Not Exceed That Which Would Be Incurred by a Prudent Person Under the Circumstances
- Considerations
  - » Generally Recognized as Ordinary Expense
  - » Sound Business Practice
  - » Consistent with Market Prices
  - » Use of Standard Procurement Practices

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## Allowability – Basic Standards

### ♦ Allowability Standards (2 CFR § 200.403)

#### ○ Necessary and Reasonable

##### ▪ Necessary

- The Cost Claimed for a Good or Item Is Directly Related to the Administration, Operation, or Maintenance of a Public Transportation Program
- The Cost Claimed Is Consistent With an Expense Category in a Standardized Transportation Chart of Accounts and Corresponding Account Definitions
- The Type of Cost Is Incurred by Other Grantees

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## Allowability – Basic Standards

### ♦ Allowability Standards (2 CFR § 200.403)

#### ○ Allocable

- A Cost Is Allocable to a Particular Cost Objective If the Goods or Services Involved Are Chargeable or Assignable to That Cost Objective According to the Relative Benefits Received
- All Activities Which Benefit From the Governmental Unit's Indirect Costs, Including Unallowable Activities and Services Donated to the Governmental Unit by Third Parties, Will Receive an Appropriate Allocation of Indirect Costs

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## Allowability – Basic Standards

- ◆ **Allowability Standards (2 CFR § 200.403)**
  - **Conform to Limitations**
    - **2 CFR § 200.420 through 200.475**
      - **Selected Items of Cost**
        - » This List Defines What Can, and What Cannot, Be Charged to Federal Grant Awards
    - **Federal Transit Act**
    - **FTA Program Circulars**
    - **State DOT Limitations**

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## Composition of Costs

- ◆ **Costs Must be Net of Applicable Credits**
  - **The Total Amount Eligible for Reimbursement Under a Federal Award:**

*Allowable Amount = (Direct Cost + Allocable Portion of Indirect Costs) – Applicable Credits*

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## Allowability Details

- ◆ **Allowability Standards (2 CFR § 200.403)**
  - **Consistent With Policies and Procedures That Apply Uniformly to Both Federal Awards and Other Activities of the Non-Federal Entity**
    - **Consistent Grants Management**
    - **Policies Used for FTA Grants Must be Consistent with the Entity's Policies for All Other Federal Grant Awards**

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## Allowability Details

- ♦ **Allowability Standards (2 CFR § 200.403)**
  - **Consistent Treatment**
    - The Budgeting, Recording and Reporting of All Costs of a Particular Nature Must Be Done In the Same Manner Regardless of the Source of Funding (*i.e.*, Federal or Non-Federal) Associated With a Project or Activity

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## Allowability Details

- ♦ **Allowability Standards (2 CFR § 200.403)**
  - **Determined in Accordance With Generally Accepted Accounting Principles (GAAP)**
    - These Are Standards and Guidelines Promulgated by the Financial Accounting Standards Board and the Governmental Accounting Standard Board, Depending Upon the Type of Organization Involved
    - These Principles Direct How and When They Should Recognize Costs on Accounting Records and Financial Statements

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## Allowability Details

- ♦ **Allowability Standards (2 CFR § 200.403)**
  - **Cannot Be Included As a Cost or Used to Meet Cost Sharing or Matching Requirements of Any Other Federal Award**
    - Any Cost Allocable To a Particular Contract, Award, or Other Cost Objective Under These Principles May Not Be Shifted to Other (Federal/State) Contracts to Overcome Funding Deficiencies, or to Avoid Restrictions Imposed By Law, or By the Terms of the Contract
    - No "Double Dipping"

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## Allowability Details

### ◆ Exceptions

- Some Exceptions to this Standard Under Federal Transit Law
  - Permits Revenues Earned from a Purchase of Service Contract with a Human Service Agency, Even if Derived from Another Federal Program, May be Used as Match to Several FTA Grant Programs
  - Some Other Federal Programs (Most Notably Community Development Block Grants) That Have Specific Statutory Authority
- Note: USDOT Funds Cannot be Used to Match Other USDOT Grants

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## Documentation of Costs

### ◆ Allowability Standards (2 CFR § 200.403)

- Less Emphasis on Documentation Requirements
- More Reliance on Non-Federal Entity Systems and Performance
- However, ALL Costs Must be Adequately Documented
  - Failure to Maintain Documentation Should Result in the Cost Being Disallowed

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## Documentation Requirements

### ◆ Documentation For Most Expenses Incurred Consists of Contemporaneous Vendor Receipts and Corresponding Evidence That the Vendor Has Been Paid

- Receipts
- Contracts
- Leases
- Vendor Invoices

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## Documentation Requirements

- ◆ **Some Changes to Personnel Documentation**
  - Salaries and Wages Must Be Supported By a System of Internal Control Which Provides Reasonable Assurance That The Charges Are Accurate, Allowable, and Properly Allocated
  - Be Incorporated Into the Official Records of the Non-Federal Entity

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## Documentation Requirements

- ◆ **Two Circumstances to Consider**
  - **Individual Who Works On:**
    - More Than One Federal Award
    - A Federal Award and Non-Federal Award
    - An Indirect Cost Activity and a Direct Cost Activity
    - Two or More Indirect Activities Which Are Allocated Using Different Allocation Bases
    - An Unallowable Activity and a Direct or Indirect Cost Activity
  - When Any of the Above Scenarios Apply, Special Documentation Must be Maintained

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## Documentation Requirements

- ◆ **Personnel Documentation**
  - Reasonably Reflect the Total Activity for Which the Employee Is Compensated by the Non-Federal Entity, Not Exceeding 100% of Compensated Activities
  - In Other Words, the Individual Must Keep Documentation That Reflects:
    - What the Individual Did All 8 Hours of the Day
    - All 40 Hours of the Week
    - Records Must Correspond to Pay Periods

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## Documentation Requirements

- ◆ Applies Regardless of Whether the Individual is Salaried or Paid by the Hour
- ◆ Billing Time Based on Estimates or a Time Study Sample is NOT Permitted
  - Budget Estimates (*i.e.*, Estimates Determined Before the Services are Performed) Alone Do Not Qualify as Support for Charges to Federal Awards, But May Be Used For Interim Accounting Purposes (Grant Application Budgets)

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## Allowability Details

- ◆ Personnel
  - Substitute Processes or Systems For Allocating Salaries and Wages To Federal Awards May Be Used In Place of, or In Addition To, the Requirements Noted in the Previous Slide
  - However, These Alternative System Must
    - Be Approved By The Cognizant Agency For Indirect Cost
    - Such Systems May Include
      - Random Moment Sampling
      - "Rolling" Time Studies
      - Case Counts

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Module 4

## DIRECT AND INDIRECT COSTS

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## Principle

- ◆ There Is No Universal Rule For Classifying Certain Costs as Either Direct or Indirect (F&A) Under Every Accounting System
- ◆ Each Item of Cost Incurred For the Same Purpose Be Treated Consistently In Like Circumstances Either as a Direct or An Indirect (F&A) Cost In Order To Avoid Possible Double-Charging of Federal Awards

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## Direct Costs

- ◆ Those Expenses Incurred by the Transit Agency That Are Directly Related and Strictly Benefit Only the Public Transportation Program

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## Direct Costs

- ◆ Generic Examples:
  - Compensation of Employees for the Time Devoted and Identified Specifically to the Performance of the Grant
  - Cost of Materials Acquired, Consumed, or Expended Specifically for the Purpose of Providing Public Transit Service
  - Equipment and Other Approved Capital Expenditures Travel Expenses Incurred Specifically to Carry Out the Award

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Direct Costs

- ◆ Transit Examples:
  - Operator's Salaries & Wages
  - Dispatcher's Salaries & Wages
  - Contract Vehicle Maintenance
  - Fuel & Lubricants Consumed
  - Tires and Tubes Consumed
  - Purchased Transportation

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Direct Costs

- ◆ Classification of Direct Salaries May Present Challenges
  - Must Be Based on Actual, After-the-Fact Determinations
    - Specific Activity Performed/Benefitting Unit of Government
      - Transit – Direct Cost
      - Multiple Units (Transit and Others) – Indirect Cost
- ◆ Budget Estimates Should Not Be Used

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Direct Costs

- ◆ Difficult Classification of Direct Costs
  - Minor Items Normally Considered Direct Costs May be Treated as Indirect Costs
    - Accounting Treatment is Consistent Among All Federal Grant Programs

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## Indirect Costs (F&A)

- ♦ Indirect Costs Are Those That Have Been Incurred For Common or Joint Purposes
- ♦ These Costs Benefit More Than One Cost Objective and Cannot Be Readily Identified With a Particular Final Cost Objective Without Effort Disproportionate To the Results Achieved

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## Indirect Costs (F&A)

- ♦ New Concepts
  - Indirect Costs are Now Referred to as (F&A) Costs
    - F = Facilities
    - A = Administration
  - Separate Designation
    - Cognizant Agency for Audit
    - Cognizant Agency for Indirect Costs
    - May Not Be the Same Agency

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## Indirect Costs (F&A)

- ♦ Facilities and Administration
  - Indirect Costs Must Be Pooled in These Two Categories for Institutions of Higher Education (IHEs) and Major Nonprofits
  - Not Required for State and Local Governments, Indian Tribal Organizations
    - May Use Own Indirect Cost Pools

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## Indirect Costs (F&A)

- ♦ A Cost May Not Be Allocated To a Federal Award As An Indirect Cost If Any Other Cost Incurred For the Same Purpose, In Like Circumstances, Has Been Assigned To a Federal Award As A Direct Cost

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## Indirect Costs (F&A)

- ♦ Facilities and Administration
  - Range of Circumstances at the Local Level Means that Federal Agencies Cannot Provide Prescriptive Guidance on What Costs Constitute Direct vs. Indirect

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## Indirect Costs (F&A)

- ♦ Facilities and Administration
  - Examples
    - Certain Central Service Costs
    - General Administration of the Organization
    - Accounting and Personnel Services Performed Within the Organization the Delivers Public Transit Services
    - Costs of Operating and Maintaining Shared Facilities

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## Unallowable Costs

- ♦ Accounting Systems Must Account For Unallowable Costs in Same Manner as Direct and Indirect Costs and Be Classified Accordingly
- ♦ Generally, Unallowable Labor Costs Must Allocated a Pro-Rata Share of Indirect Costs (F&A)

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## Allowability of Indirect Costs

- ♦ Allowable, to the Extent the Charges Conform to an Approved Indirect Cost Rate
- ♦ Indirect Costs Are Normally Charged to Federal Awards By the Use of An Indirect Cost Rate

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## Indirect Costs

- ♦ How Can We Tell if We Need An Indirect Cost Allocation Plan? If a Transit System Incurs Costs That Are:
  - Accumulated in the Accounts of Another Department or Division of the Organization....Likely that an Indirect Cost Plan is Required

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## Allowability of Indirect Costs

### ♦ Will All Transit Agencies Incur Indirect Costs?

#### ○ No

- Independent Transit Districts
- Other Units That Do Not Rely on Central Services

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## Indirect Costs

### ♦ An Indirect Cost Rate Is a Device For Determining In a Reasonable Manner the Proportion of Indirect Costs Each Program Should Bear

### ♦ Usually Expressed as a Ratio of Indirect Costs To a Direct Cost Base

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## Submission

### ♦ Submission Should be Made to the Cognizant Agency for Indirect Costs

#### ○ This is the Entity Responsible for the Following in Indirect Cost Rate Proposals:

- Review
- Negotiation
- Approval

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## Cognizant Agency for Indirect Costs

- ♦ Public Entities That Receive More Than \$35,000,000 Must Submit Its Indirect Cost Rate Proposal to the Cognizant Agency for Indirect Costs
- ♦ Other Public Entities Develop Indirect Cost Rate Proposals, Use the Rates, and Maintain All Proposal Documentation On File
  - Submit Upon Request

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## Cognizant Agency for Indirect Costs

- ♦ **KEY** Element For Pass-Through Entity and Subrecipients
  - Where a Non-Federal Entity Only Receives Funds As a Subrecipient, the Pass-through Entity Will Be Responsible For Negotiating and/or Monitoring the Subrecipient's Indirect Costs
    - Oregon DOT = Pass-Through Entity
    - Transit Agency = Subrecipient

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## Implementation

- ♦ Upon Approval, the Rate is Typically Applied for a One-Year Period Coinciding to the Entity's Fiscal Year
- ♦ 2 CFR § 200 Provides Authority That Enables Indirect Cost Rates to Be Applied for Longer Than One Year

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## Implementation

- ♦ Any Non-Federal Entity That Has a Federally Negotiated Indirect Cost Rate May Apply For a One-Time Extension of a Current Negotiated Indirect Cost Rates For a Period of Up To Four Years

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## ICRP Preparation

- ♦ Technical Guidance
  - The Best Guidance, and the Document Most Recommended, Remains a Publication Produced by the U.S. Department of Health and Human Services Almost Two Decades Ago
  - Still Available for Download at:

<https://www.govinfo.gov/content/pkg/GOVPUB-HE-PURL-LPS29388/pdf/GOVPUB-HE-PURL-LPS29388.pdf>

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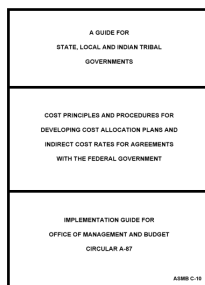
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## ICRP Preparation



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## ICRs and Pass-Through Relationships

- ◆ **Negotiated Rates with Pass-Through State Agency**
  - If the Lower Tier Subrecipient Already Has a Negotiated Rate with the Federal Government, the Pass-Through Agency Must Accept That Rate

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## ICRs and Pass-Through Relationships

- ◆ **Pass-Through Arrangements from Multiple State Agencies**
  - Each State Agency May Negotiate Independent Rates with the Lower Tier Subrecipient
  - **Example**
    - An NFE Has a Rate with the State Department of Human Services and this Entity Receives a Section 5311 Grant
      - State May Either
        - » Accept DHS Rate
        - » Negotiate Own Rate

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## Using the *de minimis* Rate

- ◆ **No ICRP Required**
- ◆ **The Entity (Either Public or Nonprofit) May Utilize the *de minimis* Rate, With One Condition**
  - The Non-Federal Entity Must Not Previously Had a Negotiated Indirect Cost Rate with the Federal Government

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## Using the *de minimis* Rate

- ◆ Previous or Expired Rates With the Federal Government
  - If, at any Time the NFE Had a Prior Rate with the Federal Government, the NFE is Prohibited from Using the *de minimis* Rate
  - Amendments to 2 CFR § 200 Now Permit Use of the *de minimis* Rate Without Regard to Past ICRs

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## Using the *de minimis* Rate

- ◆ Using the *de minimis* Rate as a Transitional Rate
  - This Practice is Permitted
  - An NFE May Use the *de minimis* Rate, If Otherwise Qualified, Until Such Time as a Negotiated Rate is Developed, Submitted, and Approved

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## Using the *de minimis* Rate

- ◆ Modified Total Direct Costs
  - MTDC Excludes:
    - Equipment
    - Capital Expenditures
    - Charges for Patient Care
    - Rental Costs
    - Tuition Remission, Scholarships and Fellowships
    - Participant Support Costs
    - Portion of Subawards in Excess of \$50,000

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## Using the *de minimis* Rate

### ♦ Modified Total Direct Costs

#### ○ Subawards

- The First \$50,000 Allowable in MTDC is for the "Life of the Award"
  - Thus, A Transit System Awarding a Three-Year Contract to a Management Company for \$900,000 Would Only Be Allowed to Take A Single Allowance of \$50,000 in its Calculation of MTDC
  - Some Consideration May be Permitted if Renegotiated Within the Period of Performance of the Grant Award

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## Using the *de minimis* Rate

### ♦ Modified Total Direct Costs

- The Cognizant Agency for Indirect Costs May Exclude Other Items from MTDC Avoid a Serious Inequity in the Distribution of Indirect Costs

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## Using the *de minimis* Rate

### ♦ Best Practice

- Detail Total Allowable Costs, Exclusions, and MTCD in a Subsidiary Worksheet to Provide Documentation of Correct Calculation of MTDC

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## Using the *de minimis* Rate

- ♦ Allowable Indirect Costs
  - Modified Total Direct Costs X 10%
  - This Amount is Added to Total Allowable Costs to Compute the Total Allowable Amount During the Billing Period

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## Best Practices

- ♦ Ensure that the Recipient and Any Subrecipient Update ICRPs Annually
- ♦ Ensure Rates are Applied to the Correct Base
- ♦ Provide Guidance on the Use of the *de minimis* Rate

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Module 5

## MONITORING LOWER TIER SUBRECIPIENTS

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## Responsibilities of Pass-Through Entities

- ◆ When a Non-Federal Entity Passes Funds Through to a Lower Tier Entity to Carry Out All or Part of the Project, the Entity Has Some Obligations Over the Lower Tier Organization

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## Responsibilities of Pass-Through Entities

- ◆ General Oversight Obligations
  - Ensure That Every Subaward is Clearly Identified To The Subrecipient as a Subaward and Includes Required Information That Informs the Subrecipient That The Award Is Federally Funded
  - Required Federal Award Identification Data Include:
    - Subrecipient name (Which Must Match Registered Name as the UEI)
    - Federal Award Identification Number (FAIN)
    - Federal Award Date

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## Responsibilities of Pass-Through Entities

- ◆ General Oversight Obligations
  - Amount of Federal Funds Obligated By This Action
  - Total Amount of Federal Funds Obligated to the Subrecipient
  - Total Amount Of The Federal Award
  - Federal Award Project Description, as Required, to be Responsive to the Federal Funding Accountability And Transparency Act (FFATA)
  - Name of Federal Awarding Agency, Pass-through Entity, and Contact Information

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## Responsibilities of Pass-Through Entities

- ◆ General Oversight Obligations
  - Assistance Listing Number (ALN), formerly the Catalog of Federal Domestic Assistance (CFDA), Number and Name;
    - The Pass-Through Entity Must Identify the Dollar Amount Made Available Under Each Federal Award and the CFDA Number at Time of Disbursement
  - Indirect Cost Rate for the Federal Award (Including if the *de minimis* Rate Is Charged)

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## Responsibilities of Pass-Through Entities

- ◆ General Oversight Obligations
  - Delineate All Requirements Imposed by the Pass-through Entity on the Subrecipient So That the Federal Award is Used in Accordance With Federal Statutes, Regulations and the Terms and Conditions of the Federal Award
  - Define Any Additional Requirements That the Pass-Through Entity Imposes on the Subrecipient

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## Responsibilities of Pass-Through Entities

- ◆ General Oversight Obligations
  - Establish Whether the Subrecipient Has an Approved Federally Recognized Indirect Cost Rate
  - A Requirement That the Subrecipient Permit the Pass-Through Entity and Auditors to Have Access to the Subrecipient's Records and Financial Statements as Necessary
  - Appropriate Terms and Conditions Concerning Close of the Subaward

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## Responsibilities of Pass-Through Entities

- ◆ **On-Going Obligations**
  - Monitor the Activities of the Subrecipient as Necessary to Ensure That the Subaward is Used for Authorized Purposes, In Compliance With Federal Statutes, Regulations, and the Terms and Conditions of the Subaward
  - Review Periodic Financial and Programmatic Reports

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## Responsibilities of Pass-Through Entities

- ◆ **On-Going Obligations**
  - Follow-Up and Ensure That the Lower Tier Subrecipient Takes Timely and Appropriate Action on All Deficiencies Pertaining to the Federal Award Provided to the Subrecipient From the Pass-through Entity Detected Through Audits, On-Site Reviews
  - Issue Management Decisions for Audit Findings Pertaining to the Federal Award Provided to the Lower Tier Subrecipient From the Pass-through Entity

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## Responsibilities of Pass-Through Entities

- ◆ **Optional Obligations**
  - Provide Lower-tier Subrecipients With Training and Technical Assistance on Program-Related Matters
  - Perform On-Site Reviews of the Lower-Tier Subrecipient's Program Operations
  - Arrange For Agreed-Upon Procedures

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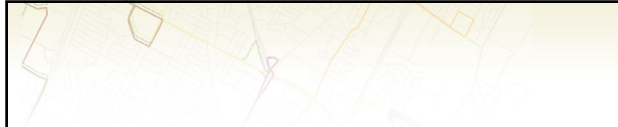
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Module 6

**2 CFR § 200 CHANGES**  
**NOVEMBER 12, 2020**  
**OCTOBER 1, 2024**

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**November 2020 Key Changes**

- ◆ Reformatted Definitions, Removing Section Numbers
- ◆ Use of “CFDA” Replaced with “Assistance Listing Program Title”
- ◆ “Improper Payment” and “Questioned Cost” Definitions Revised to Clarify that Questioned Costs are Not Improper Until Confirmed
- ◆ Power of Federal Awarding Agencies to Terminate Grants Strengthened

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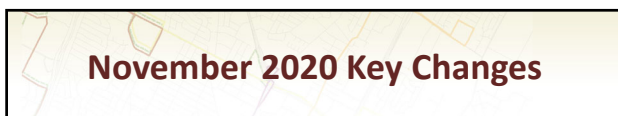
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**November 2020 Key Changes**

- ◆ Micro-Purchase Threshold Increased to \$10,000 for Some Nonprofits and Research Organizations
  - Note: Other Action Raised Both the Micro-Purchase and Small Acquisition Threshold for All Non-Federal Agencies
- ◆ Clarified that Pass-Through Entities Only Responsible for Resolving Audit Findings Related to the Award
  - Not All Subrecipient Audit Findings

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## November 2020 Key Changes

- ♦ **Changed Conditions on the Allowability of the Use of the De Minimis Indirect Cost Rate**
  - Any Non-Federal Entity Now Permitted to Use this Rate
    - Previously, Only Those NFEs that Had Never Had a Negotiated ICR With the Federal Government Could Use the De Minimis Rate
- ♦ **Stipulated that NFEs Using the De Minimis Rate Was Not Required to Prove 10% Indirect Costs**

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## November 2020 Key Changes

- ♦ **Banned Acquisition or Contract Extension of Any Existing Contract From Certain Telecommunications Vendors**
  - Huawei
  - ZTE Corporation
  - Any Subsidiary or Affiliates

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## October 2024 Key Changes

- ♦ **Terminology**
  - Substitution of “Recipient” and “Subrecipient” for Previously Used “Non-Federal Entity”
- ♦ **Single Audit Threshold**
  - \$1,000,000 for Fiscal Years That Begin On or After October 1, 2024
  - Some Changes to “Major” Programs Identification

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## October 2024 Key Changes

### ♦ Cybersecurity

- 200.303(e) Added a Requirement That a Recipient/Subrecipient Take Reasonable Cybersecurity and Other Measures to Safeguard Information Including Protected Personally Identifiable Information (PII) and Other Types of Information

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## October 2024 Key Changes

### ♦ Equipment

- The Capitalization Threshold Increased to \$10,000 From \$5,000 for Federally-Funded Equipment
- This Amount of Proceeds That May be Retained After End-of-Useful Life Also Increased to \$10,000
- However, This Uniform Guidance Standard Will Not Apply to Transit Disposition
  - Transit Legislation Supersedes OMB Guidance
  - See FTA's Bipartisan Infrastructure Law Disposition Requirements Frequently Asked Questions (FAQs)

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## October 2024 Key Changes

### ♦ Real Property Reports

- The Uniform Guidance Has Had a Real Property Reporting Requirement
- FTA Has Now Taken Advantage of a Permissive Provision that Permits Less Frequent Reporting
  - FTA Now Require Recipients to Report on All FTA-Funded Real Property Acquired with Federal Funds Every Three Years
    - In Concert With a Triennial Review or State Management Review

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### October 2024 Key Changes

- ◆ **Tribal Status**
  - Tribal Entities Now Treated in the Same Manner as States
    - Will Allow Tribes to Follow Their Own Procurement Policies and Procedures as Opposed to Those in Section 200.318 – 200.327
- ◆ **Prior Written Approval**
  - Removed Nine Instances of Selected Items of Cost That Previously Required Prior Written Approval of the Awarding Agency

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### October 2024 Key Changes

- ◆ **Indirect Costs**
  - Clarifies That Pass-Through Agencies Must Accept Federally Approved Indirect Costs Rates
  - Increase the De Minimis Rate “Up to 15%”
    - Recipients and Subrecipients May Use a Rate Less Than 15%
  - Changes the Threshold On Modified Total Direct Cost Allowance for Subawards
    - To \$50,000 From \$25,000

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### October 2024 Key Changes

- ◆ **Required Certification by Subrecipients**
  - Added Requirements for Subrecipients to Certify to the Pass-Through Entity Whenever Applying for Funds, Requesting Payment, and Submitting Reports

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# Presenter

**Rich Garrity, Senior Associate**  
**RLS & Associates, Inc.**

**Corporate:**  
**3131 S. Dixie Highway, Suite 545**  
**Dayton, OH 45439**  
**(937) 299-5007**

**Rich:**  
**(910) 328-5770**  
**rgarrity@rlsandassoc.com**

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