

Standards for Financial and Program Management



2 CFR Part 200: 300-309

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2 CFR Part 200, Subpart D: 200.300 – 200.309

What We Will Be Covering Today:

- Performance
 - Reporting
 - Period
- Infrastructure, Records, and Internal Control
- Bonding, Payment, and Cash Management
- Cost Share and Program Income
- Program Revision

Statutory and National Policy Requirements 200.300

- The awarding agency must communicate all of the relevant public policy requirements including those in general appropriation provision and incorporate them directly or by reference in the terms and conditions.
- The awardee is responsible for complying with all requirements of the award.

Performance Measurement 200.301

In reporting performance, organizations are expected to:

- Use standard OMB-approved forms
- ★ – As appropriate relate financial data to performance accomplishments
- Provide cost information to demonstrate cost effective practices

Federal awarding agencies, in the award, are to provide

- Clear performance goals, indicators, and milestones expectations

Financial Management 200.302 (a)

Financial Management

States must expend and account for Federal awards in accordance with state laws and procedures for the state's own funds.

Financial management systems must permit:

- Preparation of reports required by awards
- Tracing of funds to a level of expenditure adequate to establish the funds were used in compliance with the award
- Accurate, current, and complete disclosure of financial results for each award

Identification, in its accounts, of all Federal awards (including):

- Federal program,
- Award number,
-  – CFDA Title and number,
- Award year,
- Name of federal agency, and
- Name of pass through entity, if applicable.

Financial Management 200.302 (b)

Records must identify the source and application of funds.

Records must contain:

- Authorized amount,
- Obligations,
- Unobligated balance,
- Assets,
- Expenditures,
- Income, and
- Interest.

Records must provide for a comparison of expenditures with budgeted amounts.

Financial Records 200.302 (b)

Financial Management

- Provide for effective control and accountability, ensuring assets are safeguarded and provide assurance that they are used solely for the authorized purpose.
- Written procedures for the organization's plan to comply with §200.305 Payment.
- Written procedures for determining the accessibility of costs.
- If a Federal awarding agency requires reporting on an accrual basis from a recipient that maintains its records on other than an accrual basis, the recipient must not be required to establish an accrual accounting system. This recipient may develop accrual data for its reports on the basis of an analysis of the documentation on hand. The same applies to sub-recipients.

Internal Controls 200.303



New internal control expectations; should be in compliance with the guidance in the:

- “*Standards for Internal Control in the Federal Government*” (aka the Green Book) issued by the Comptroller General of the United States and
- “*Internal Control Integrated Framework*”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Standards for Internal Control in the Federal Government

The fundamental concept of the GAO's approach to internal controls is a framework that is:

- A continuous built-in component of operations
- Effected by people
- Provides reasonable assurance, not absolute assurance

The Greenbook's framework contains Five Standards for Internal Control:

- Control Environment
- Risk Assessment
- Control Activities
- Information and Communications
- Monitoring

GAO's Standards for Internal Control in the Federal Government

- Management and employees should establish and maintain an environment throughout the organization that sets a positive and supportive attitude toward internal control and conscientious management.
- Internal control should provide for an assessment of the risks the agency faces from both external and internal sources.
- Help ensure that management's directives are carried out. The control activities should be effective and efficient in accomplishing the agency's control objectives.
- Information should be recorded and communicated to management and others within the entity who need it and in a form and within a time frame that enables them to carry out their internal control and other responsibilities.
- Should assess the quality of performance over time and ensure that the findings of audits and other reviews are promptly resolved.

COSO's Internal Control Integrated Framework

COSO's Integrated Framework focuses on:

1. Establishing a common definition serving the needs of different parties.
2. Providing a standard against which business and other entities--large or small, in the public or private sector, for profit or not--can assess their control systems and determine how to improve them.

Internal controls are processes designed by the organization's board of directors, management and other personnel to provide reasonable assurance in the achievement of the following objectives:

1. Effectiveness and efficiency of operations.
2. Reliability of financial reporting.
3. Compliance with applicable laws and regulations.

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COS and Green Book Access

Green Book

- <http://www.gao.gov/greenbook/overview>

COSO Integrated Framework

- <http://www.coso.org/ic.htm>

COSO Executive Summary

- http://www.coso.org/documents/990025P_Executive_Summary_final_may20_e.pdf

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Bonds 200.304

The Federal awarding agency may include a provision on bonding, insurance, or both in the following circumstances:

- If the Federal government guarantees or insures the repayment of money borrowed by the recipient, the agency, at its discretion, may require adequate bonding and insurance, if the bonding and insurance requirements of the organization are not deemed adequate to protect the interest of the Federal government.
- The Federal agency may require fidelity bond coverage when the organization lacks sufficient coverage to protect the Federal interest.
- Where bonds are required the bonds must be obtained from companies holding certificates of authority as acceptable sureties, as prescribed in 31 CFR Part 223, “Surety Companies Doing Business with the United States.”

Payment 200.305

- Payment must minimize the time elapsing between the transfer of funds.
- Organizations must be paid in advance, providing they can demonstrate the willingness to maintain written procedures that minimize the elapsing time.
- Advance payments are limited to the minimum amounts needed and time to be in accordance with actual, immediate cash needed to carry out the project. Timing must be as close as is administratively feasible to actual disbursement.
- When Electronic transfers are not used organizations are authorized to submit requests for advance payment/reimbursement at least monthly.
- Program income, rebates, refunds, interest earned, and audit recoveries must be used before requesting additional payments.

Cash Management Improvement Act (CMIA)

- The Cash Management Improvement Act of 1990 (CMIA) is the overriding public law for cash management. It was enacted by Public Law 101-453, 31 U.S.C. 3335 and 6503. The implementing regulations are in Title 31 of the Code of Federal Regulations (CFR), Part 205, <http://www.fms.treas.gov/fedreg/31cfr205final.pdf>.
- Recipients must monitor their cash drawdowns and their sub-recipients to assure substantial compliance to the standards of timing and amount of advances.
- Additionally, when considered necessary and feasible by the Federal agency, recipients may be required to report the amount of cash advances in excess of **three days'** needs in their hands and of their sub-recipients and to provide short narrative explanations of actions taken by the recipient to reduce the excess balances.

Payment 200.305 (b)7

- Separate depository accounts are **not** required for funds, **providing** the organization can account for the receipt, obligation, and expenditure of funds.
- Funds should be maintained in insured accounts; accounts must be interest bearing unless the organization:
 - Receives <\$120,000 in federal awards
 - The best reasonably available interest-bearing account would not be expected to earn interest >\$500
 - The bank would require an average or minimum balance so high that it would not be feasible within the expected Federal and non-Federal cash resources.
 - A foreign government or banking system prohibits interest bearing accounts.
- ★ Interest earned on Federal advance payment must be remitted annually to DHHS Payment Management System. Interest amounts up to **\$500** per year can be retained for administrative expenses.

Cost Share or Matching 200.306(a)

Cost Share and Proposals

For research proposals, voluntary committed cost sharing is  not expected. ***It cannot be used as a factor during the merit review*** of applications or proposal, but may be considered if it is in accordance with the agency regulations and specified in a notice of funding opportunity.

Cost Share or Matching 200.306 (b)

- Verifiable
- Not included as a contribution for any other Federal award
- Necessary and reasonable
- Allowable
- Not paid by the Federal government under another Federal award, except where provided by Federal statute
- When required, provided for in the approved budget
- Unrecovered indirect costs must have prior approval
- Values are in accordance with other provisions of 2 CFR 200's guidance on cost sharing and contributions or donations.

Cost Share or Matching 200.306(d)

- Fair market value
- Depreciated value or value of the remaining life (unless otherwise approved by the awarding agency).
- If the purpose of the federal award is to assist in the acquisition of equipment, buildings or land, the full non-depreciated value of the donation or contribution may be used.
- Volunteer services must be consistent with the rate for similar work in the area's labor market, plus associated fringe benefits.
- Third party employee services (employee's regular rate, plus applicable fringe, and indirect at the organization's approved federally negotiated rate).
- For 3rd party in-kind contributions, the value must be documented and to the extent feasible supported by the same methods used internally by the organization.

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Program Income 200.307

- **Program income** is the 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.
- Program income includes but is not limited to income from fees for services performed, the use or rental of real or personal property acquired under Federal awards, the sale of commodities or items fabricated under a Federal award, **license fees and royalties on patents and copyrights**, and principal and interest on loans made with Federal award funds (§200.77).
- Interest earned on advances of Federal funds is not program income. Except as otherwise provided in Federal statutes, regulations, or the terms and conditions of the Federal award, program income does not include rebates, credits, discounts, and interest earned on any of them.

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Program Income 200.307

- Organizations are encouraged to earn income to defray program costs.
- Costs of generating program income, if authorized by Federal regulations or the award, and costs incidental to generation of the program income may be deducted from gross income, provided these costs have not been charged to the award.
- Income after the performance period; there are no requirements to report program income earned after the end of the period of performance for the award. **The federal awarding agency may negotiate agreement with recipients regarding the use of income after the period of performance as part of the grant closeout process.**



Program Income 200.307

Treatment of Program Income

- **Addition** – default for Institutions of Higher Education and nonprofit research institutions
- **Deductive** – default for other types of entities
- **Cost sharing or matching** – may also be used for Cost Sharing or matching commitments

Revision of budget and program plans 200.308(c)

Non-Construction Awards – Need Approval for:

- Change in scope or objective of the project
- Change in a key person specified in the application or award
- Disengagement from the project for 3 months or 25% reduction in effort by the approved project director or principal investigator
- ★ The inclusion of cost that require prior approval
- Transfer of participant support cost
- Subawarding or contracting work under a federal award
- Changes in the approved cost-sharing or matching

Agencies are authorized, at their option, to waive all of the above prior approval requirements with the exception of a change in scope or objective.

Expanded Authorities 200.308 (d)

Agencies are authorized to allow recipients to:

- Incur costs 90 calendar days prior to award (at awardees own risk)
- Initiate a one-time extension up to 12 months (must notify the awarding agency 10 days before the end of the period of performance)
- Carry forward unobligated balances to subsequent periods of performances.

For awards that support research, unless the agency provides otherwise, awardees are automatically granted the authority to carryout these actions.

Awarding Agency Restriction Authorities 200.308 (e-f)

- Agencies may at their option restrict the transfer of funds among direct cost categories or programs, functions and activities if the award exceeds the Simplified Acquisition Threshold **AND** the cumulative amount of such transfers exceeds or is expected to exceed 10% of the total approved budget.
- Agencies cannot permit a transfer that would cause federal funds to be used for purposes other than those consistent with the appropriation.
- For non-construction programs, no other changes should required prior approval.

Prior Approval Requests 200.308 (h-i)

- Budget Revisions require, “the recipient must use,” the same format for budget information that was used in the application, **unless** the agency indicates a letter of request suffices.
- The Federal awarding agency must review the request and notify the recipient whether the budget revisions have been approved within 30 days, or inform the recipient in writing of the date when a decision can be expected.

Costs That Require Prior Approval

- Changes in the amount of approved cost-sharing or matching (200.308).
- Subawards (200.308).
- Fixed price subawards (200.332).
- Clerical and administrative costs (200.413)
- Cost increases for fluctuations in exchange rates (200.440).
- Costs of membership in any civic or community organization (200.454).
- Participant support (200.456)
- Costs of selling and marketing (200.467).
- Travel costs for dependents are unallowable, except for travel of duration of six months or more (200.474).
- Charges of a faculty member's salary in excess of the proportionate share of the IBS (200.430).
- Faculty incidental activity pay (200.430).
- All equipment purchases (general or specialized) (200.439)
- Costs of entertainment, including amusement, diversion, and social activities and any associated costs (200.438).
- Fund raising costs for the purposes of meeting the Federal program objectives (200.442).
- Travel costs of government officials are allowable (200.474)

Period of Performance and Costs 200.309

Allowable costs may be charged to Federal awards during period of performance and any costs incurred before the award that have been authorized by the awarding agency may also be charged (pre-award costs).

