

# ADMINISTERING YOUR FEDERAL GRANTS:

Practical Application of  
the 2 CFR Part 200  
Subpart E—The Cost  
Principles



Grants Management Policy Division  
U.S. Department of Education

# AGENDA

- ▶ Discuss forging an effective partnership
- ▶ Identify and navigate key resources
- ▶ Highlight key issues concerning the Cost Principles
- ▶ Take your questions throughout

- ▶ Maintain cybersecurity protocols
- ▶ Implement effective internal controls
- ▶ Be mindful of potential hacking issues
- ▶ Test and monitor your internal systems to ensure it is secure

ADMINISTRATIVE ALERT

# ICE BREAKER

An iceberg floating in the ocean. The visible tip is a jagged, snow-capped mountain peak. The submerged portion is a much larger, dark, and textured mass of ice, illustrating the concept of hidden or unacknowledged issues.

What is an item you have thought should be allowable but isn't or you were told was not allowable but you think should be?

# FORGING A SUCCESSFUL PARTNERSHIP

- ▶ ED staff and grantees work together to ensure:
- ▶ Successful project outcomes
- ▶ Compliance with all statutes, regulations, terms and conditions of the grant awards
- ▶ Proper stewardship of taxpayer funds

**Customer Service and Compliance**

**Go Hand in Hand**

# SHARED RESPONSIBILITIES

## U.S. Department of Education

- Know the legs, regs, & application
- Monitor programmatic & financial performance
- Provide technical assistance
- Employ specific conditions, risk mitigation strategies to address problems
- Utilize G5/G6
- Determine annual substantial progress
- Close out grant awards

## Grantees

- Know the legs, regs, & application
- Ensure successful project financial accountability
- Comply with award terms and conditions
- Document project activities and expenditures
- Implement and adhere to strong internal controls
- Submit accurate and timely reports



# TOOLS OF THE TRADE

- ▶ Program statute
- ▶ Program specific regulations
- ▶ 34 Code of Federal Regulations (CFR) Education Department General Administrative Regulations (EDGAR)
- ▶ 2 CFR Grants and Agreements
  - ▶ 2CFR § 200—Uniform Guidance
- ▶ Grant Award Notification (GAN)
- ▶ Approved application/State plan
- ▶ Entity's written, established policies, procedures and internal controls

# GRANT AWARD NOTIFICATION (GAN)

- ▶ GAN —the official document signed by an ED license holder stating the amount and conditions of an award for a discretionary grant or cooperative agreement (see EDGAR § 75.235 and EDGAR § 76.235)
- ▶ May consist of up to 40 pages inclusive of award terms and conditions, attachments, and enclosures which clarify an individual grantee's responsibilities to ED
- ▶ The GAN is accessible via G5/G6
- ▶ GANs are issued for both formula and discretionary awards
  - ▶ Both formula and discretionary grants have their own award terms and conditions
- ▶ Review a copy of your GAN; identify your specific award terms and conditions

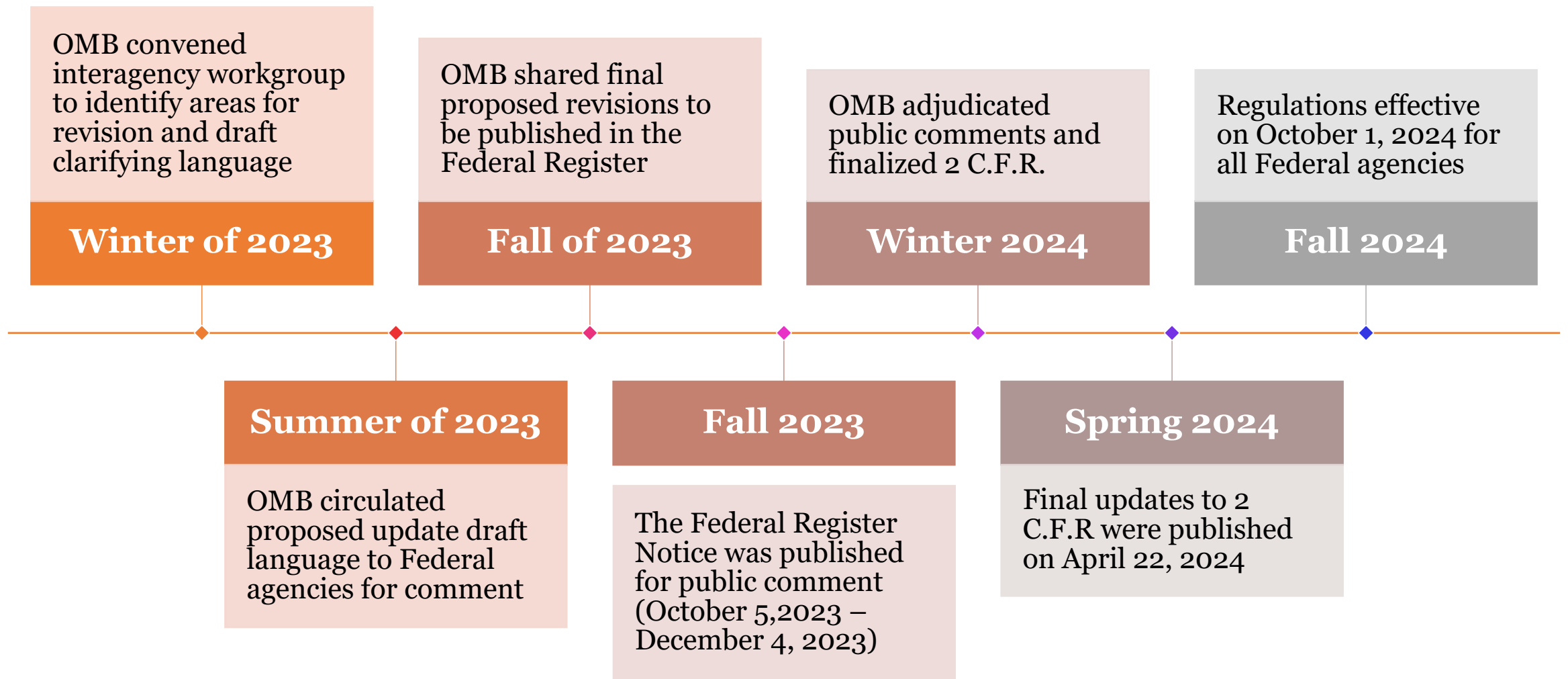


# 2 CFR OVERVIEW

- ▶ Title 2 of the Code of Federal Regulations (CFR), Federal Financial Assistance is broken down into two parts
- ▶ Office of Management and Budget (OMB) guidance to Federal agencies on government-wide policies and procedures for the award and administration of grants and agreements
- ▶ Includes Federal agency regulations
  - ▶ ED's adoption of 2 CFR and its exceptions found in 2 CFR 3474
- ▶ Review [www.ecfr.gov](http://www.ecfr.gov) for a full listing of the Title 2's Table of Contents

# PURPOSE OF 2 CFR PART 200

- ▶ Promote more efficient, effective and transparent Federal grant management
- ▶ The “Uniform Guidance” consolidated 8 previous government requirements published in the CFR for receiving and administering federal awards
- ▶ Ultimate goal: Maximizing the value of grant funding by developing a **risk-based, data-driven framework that balances compliance requirements with demonstrating successful results for the American taxpayer**



# Implementation Timeline—Updates Take Effect by October 1, 2024

- ▶ All ED grant awards with a performance period start date of October 1, 2024 will implement the provisions of the Uniform Guidance effective October 1, 2024.

## 2 CFR IMPLEMENTATION KEY DATES

- ▶ Visit [ED's Uniform Guidance page](https://www2.ed.gov/policy/fund/guid/uniform-guidance/index.html) at ed.gov: <https://www2.ed.gov/policy/fund/guid/uniform-guidance/index.html>
- ▶ Includes the most recent set of FAQs
- ▶ A recorded briefing highlighting the key changes throughout 2 CFR Part 200
- ▶ More information to be added

## 2 CFR KEY RESOURCES

# 2 CFR PART 200 TABLE OF CONTENTS

## THE UNIFORM GUIDANCE

- ▶ Subpart A – Acronyms and Definitions
- ▶ Subpart B – General Provisions
- ▶ Subpart C – Pre-Award Requirements
- ▶ Subpart D – Post-Award Requirements
- ▶ Subpart E – Cost Principles\*
- ▶ Subpart F – Audit Requirements
- ▶ Appendices III-V and VII – Indirect Cost/Cost Allocation Plans
- ▶ Appendix XI – Compliance Supplement

# 2 CFR SUBPART E

## Cost Principles

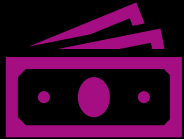


# SUBPART E TABLE OF CONTENTS

- ▶ **General Provisions (§§ 200.400 - 200.401)**
- ▶ **Basic Considerations (§§ 200.402 - 200.411)**
- ▶ § 200.402 Composition of costs.
- ▶ § 200.403 Factors affecting allowability of costs.
- ▶ § 200.404 Reasonable costs.
- ▶ § 200.405 Allocable costs.
- ▶ § 200.406 Applicable credits.
- ▶ § 200.407 Prior written approval (prior approval).
- ▶ § 200.408 Limitation on allowance of costs.
- ▶ § 200.409 Special considerations.
- ▶ § 200.410 Collection of unallowable costs.
- ▶ § 200.411 Adjustment of previously negotiated indirect (F&A) cost rates containing unallowable costs.

# SUBPART E TABLE OF CONTENTS

- ▶ **Direct and Indirect (F&A) Costs (§§ 200.412 - 200.415)**
  - ▶ § 200.412 Classification of costs.
  - ▶ § 200.413 Direct costs.
  - ▶ § 200.414 Indirect (F&A) costs.
  - ▶ § 200.415 Required certifications.
- ▶ **Special Considerations for States, Local Governments and Indian Tribes (§§ 200.416 - 200.417)**
  - ▶ § 200.416 Cost allocation plans and indirect cost proposals.
  - ▶ § 200.417 Interagency service.
- ▶ **Special Considerations for Institutions of Higher Education (§§ 200.418 - 200.419)**
  - ▶ § 200.418 Costs incurred by states and local governments.
  - ▶ § 200.419 Cost accounting standards and disclosure statement.
- ▶ **General Provisions for Selected Items of Cost (§§ 200.420 - 200.476)**



**Direct Costs** are charged directly to the Federal award



**Indirect Costs** are charged to the Federal award based on an established rate or percentage and allow the non-Federal award to cover the costs of doing business not readily identifiable to one specific award (e.g., utilities)

# DIRECT AND INDIRECT

# KEY BUDGETARY QUESTIONS

Are the items or expenditures in my budget...

- ▶ Allowable
- ▶ Allocable
- ▶ Reasonable

# ALLOWABILITY OF COSTS

A cost is allowable if it is:

- Necessary and reasonable for performance of the federal award
- Consistent with policies and procedures
- Accorded consistent treatment (either indirect/direct)

Conforms to limitations or exclusions set forth in the principles or federal award

Be determined in accordance with GAAP except for State, Local, and Indian

Not be included as a cost or used to meet cost sharing or matching requirements

Be adequately documented

- Uniform Guidance 2 §C.F.R. 200.403 "Factors affecting Allowability of Costs"

# QUESTIONS TO ASK

- ▶ Does the cost comply with 2 CFR Part 200 Subpart E, program laws and regulations?
- ▶ Do sound business practices support the expenditure?
- ▶ Is the expense necessary to complete the plan of work?
- ▶ Is the cost adequately documented?
- ▶ Is it consistent with organizational policies?

# A COST IS ALLOCABLE IF...

A cost is allocable if it is assignable or chargeable to one or more cost objectives based on cost benefit or other equitable relationship.

- Uniform Guidance 2 § C.F.R. 200.405 “Allocable costs”



Does the portion of the cost to the grant equal the benefit received?

Should this be reclassified as an indirect cost?

QUESTIONS TO ASK

# COST IS REASONABLE IF...

Uniform  
Guidance 2  
§ C.F.R.  
200.404  
“Reasonable  
costs”

- A cost is reasonable if in its nature and amount, it does not exceed that which would be incurred by a prudent person in the conduct of competitive business.

What would a prudent person do in comparable circumstances?

What context affects this expenditure?

QUESTIONS TO ASK

# CASE STUDY TIME

- ▶ We will now complete the Handout and practice determining what items generally are allowable or unallowable.
- ▶ Last names with the first letter beginning with A-L complete questions 1-10
- ▶ Last names with the first letter beginning with M-Z complete questions 11-20
- ▶ Duration: 15 minutes

# Monetary Road Map



- Clear, concise, and detailed
- Consistent with institutional policy
- Meets federal requirements
- Aligned with GPRA
- Revised within scope of project
- Achieve project goals

# BUDGETING KEY CONCEPTS

- ▶ Understand the value of a dollar in terms of your grant project
- ▶ Strategically consider building in rising costs of travel, supplies, resources
- ▶ Treat matching dollars the same as federal dollars
- ▶ Have a plan for every dollar
- ▶ If you don't have a plan, you don't need that dollar

- ▶ 2 CFR 200.317-327 Procurement Standards
- ▶ Indian tribes to follow their own procurement policies and procedures as States do
- ▶ Geographic preference removed
- ▶ Scoring mechanism rewarding bidders committing to specific numbers and types of U.S. jobs, as well as certain compensation and benefits

## PROCUREMENT CONCEPTS



# § 200.303 INTERNAL CONTROLS

- ▶ A process effected by an entity's oversight body, management, and other personnel that provides reasonable assurance that the objectives of an entity will be achieved
- ▶ These objectives and related risks can be broadly classified into one or more of the following three categories:
  - ▶ Operations - Effectiveness and efficiency of operations
  - ▶ Reporting - Reliability of reporting for internal and external use
  - ▶ Compliance - Compliance with applicable laws and regulation
    - ▶ See GAO's Green Book

# AREAS OF CONCERN

- ▶ Project goals and performance measure indicators not met
  - ▶ Excessive or infrequent drawdowns
  - ▶ Poor recordkeeping and fiscal accountability
- 
- A target with three concentric red and white rings and a red bullseye. Three yellow arrows with red fletching are shown hitting the target. One arrow is in the bullseye, one is in the inner ring, and one is in the outer ring. The target is set against a light gray background with a subtle pattern of small dots.

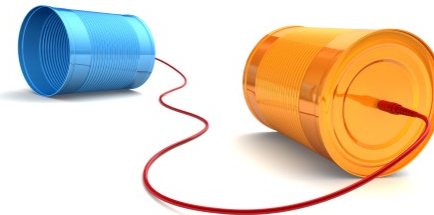
# INDICATORS OF SUCCESS

- ▶ Annual substantial progress met
- ▶ Performance measures
- ▶ Good recordkeeping and fiscal accountability
- ▶ Timeliness



# Points to Consider

- ▶ Document project activities and expenditures
- ▶ Establish and implement an internal control system that complies with laws and requirements AND provides that reasonable assurance
- ▶ Check grant terms, conditions and grant award attachments for possible exceptions
  - Read the “Fine Print”
  - Correctly cite the regulations
- ▶ When in doubt, call your ED Program Officer



# ED's Computer Based Training Courses

- Internal Controls
- Indirect Costs
- Formula Grants Training
- Discretionary Grants Training
- Cash Management
- Protection of Human Subjects in Research
- Subrecipient Monitoring
- Allowable Costs
- Procurement





THANK YOU FOR  
ATTENDING.

BEST WISHES  
ADMINISTERING  
YOUR ED GRANTS.

