

## 2 CFR Part 200 Overview for Grantees

Grants Management & Oversight Division/Office of Strategic Planning and Management

### KEY DEFINITIONS

Definitions were revised and broadened to cover all the requirements and the categories of assistance.

- Cognizant Agency.  
Generally, the cognizant agency is the Federal agency with the largest dollar value of total Federal awards with a governmental unit or nonprofit entity. (See [2 CFR 200.19](#)). The cognizant agency is the lead agency that a non-Federal entity deals with on issues. For example, the lead agency for some HUD recipients for indirect cost rates may be HHS if HHS provides the most funding to the recipient. (See also the explanation under §200.108. Inquiries). The cognizant agency for audit is the Federal agency designated to carry out the responsibilities for audit. (See [2 CFR 200.18](#).)
- Contractor. (New)  
Contractor is used rather than the term “vendor,” which was used in OMB Circular A-133. **(New)** Contractor means an entity that receives a contract. (See [2 CFR 200.23](#)) This definition is revised, as the new definition looks at the nature of the relationship, rather than what the document/agreement is called ([2 CFR 200.22](#).) (See also [2 CFR 200.330](#). Subrecipient and contractor determinations. )
- Federal financial assistance.  
This section essentially incorporates the requirements in the previous OMB circular for the administrative requirements, cost principles, and audit requirements. (See [200.40](#))
- Federal award.  
Federal award, depending on the context, can mean either (a) the Federal financial assistance, or (b) the document that provides the assistance, e.g. the grant, cooperative agreement or cost reimbursement contract. (See [2 CFR 200.38](#))
- Fixed Amount Award. (New)  
In this type of award, the Federal Agency or pass through entity provides a specific level of support without regard to actual costs incurred. Accountability is based primarily on performance and results. (See [2 CFR 200.45](#).)
- Micro-Purchase. (New)  
This is a new category of supplies or services which uses simplified acquisition procedures that can be used by non-Federal entities. The micro-purchase threshold (floor) is set by the Federal Acquisition Regulation. (See [48 CFR 2.101](#)) At the present time, it is generally \$3,000. The threshold is periodically adjusted for inflation. (See [2 CFR 200.67](#))
- Non-Federal entity. (New)  
Non-Federal entity means a state, local government, Indian tribe, institution of higher education (IHE), or nonprofit organization that carries out a Federal award as a recipient

or subrecipient. This is the term that is used in the regulation instead of, for example, grantee. (See [2 CFR 200.69](#))

State no longer includes Indian tribe. (See [2 CFR 200.90](#))

Local governments, which are specifically defined, include public housing authorities. (See [2 CFR 200.64](#))

- Pass- Through Entity.  
Pass-through entity means a non-Federal entity that provides a subaward to a subrecipient to carry out part of a Federal program. This could include a state, which could “pass funding through” to a county or local government, or nonprofit. (See [2 CFR 200.74](#))
- Subrecipient.  
Subrecipient means a non-Federal entity that receives a subaward from a pass-through entity to carry out part of a Federal program. This definition is revised from the circulars. (See [2 CFR 200.93](#))

## **HUD IMPLEMENTATION.**

HUD is required to implement 2 CFR 200 unless different provisions are required by Federal statute, are in a conforming regulation, or are otherwise approved by OMB. (See sections [2 CFR 200.102\(c\)](#). [2 CFR 200.106](#).)

For Federal awards under 2 CFR 200 all administrative requirements, program manuals, handbooks and other non-regulatory materials that are inconsistent with the uniform requirements must be superseded except to the extent they are required by statute or authorized by OMB. (See [2 CFR 200.105](#).) This means that handbooks and other guidance that are inconsistent with 2 CFR 200 would need to be revised for the changes in the rule.

Federal agencies categorize Federal financial assistance as, for example, grants or cooperative agreements, and this information will appear as the actual document. (See [2 CFR 200.101](#))

## **EFFECTIVE DATES.**

The requirements in 2 CFR 200 are phased in for specific requirements in various stages as follows: (See [2 CFR 200.110](#).)

**Grant Agreements:** Many HUD grant agreements are written to be governed by the regulations in effect as of the date the agreement was signed.

Grants/Cooperative Agreements *awarded before December 26, 2014* (the date the 2 CFR 200 rules became effective) and not modified on or after that date, are governed by 24 CFR Part 84- Uniform Administrative Requirements for Grants and Agreements with Institutions for Higher Education, Hospitals, and other Nonprofit organizations or 24 CFR Part 85 – Administrative

Requirements for Grants and Cooperative Agreements to State, Local and Indian Tribal Governments, effective in December 2013.

For example, some grant agreements may contain the following language: “This Agreement will be governed and controlled by the following, in effect as of the date of the Agreement. The Act, the NOFA, and HUD regulations, laws and policies incorporated into the NOFA. In this case, an agreement signed November 1, 2013, would be governed by *the regulations in effect in November, 2013.*”

Where the terms of a HUD award made prior to December 26, 2014, state that the award will be subject to *regulations as may be amended*, the Federal award shall be subject to 2 CFR Part 200. For example, the agreement might say: “This Agreement will be governed and controlled by the following: the Act, the NOFA, and HUD regulations, and policies *incorporated into the NOFA as may be amended.*”

#### **Procurement:**

For the procurement standards in the new rule, non-Federal entities may continue to comply with the procurement standards in previous OMB guidance for one additional fiscal year after 2014.

If a non-Federal entity chooses to use the previous procurement standards for an additional fiscal year before adopting the procurement standards in this part, the non-Federal entity must document this decision in their internal procurement policies.

Example: A non-Federal entity whose fiscal year ends June 30, 2015, can operate under either the “old” or “new” standards for the fiscal year beginning July 1, 2015 and ending June 30, 2016.

Example: That non-Federal entity will be required to comply with the 2 CFR 200 procurement standards for the fiscal year starting July 1, 2016 and ending June 30, 2017.

#### **Audit.**

Audit Requirements will apply to audits of fiscal years beginning on or after December 26, 2014.

Example: A non-Federal entity whose fiscal year ends June 30, 2015, is subject to the “new” audit standards for their fiscal year beginning July 1, 2015 and ending June 30, 2016.

## **POST AWARD REQUIREMENTS AND ADMINISTRATION**

### **Performance Measurement.**

This section provides stronger guidance to Federal agencies to measure performance in a way that will help the Federal awarding agency and other non-Federal entities to improve program outcomes, share lessons learned, and spread the adoption of promising practices. (See [2 CFR 200.301.](#))

- Federal awarding agencies must require recipients to use OMB-approved standard government-wide information collections to provide financial and performance information.

- Recipients must be required to relate financial data to performance accomplishments, and must also provide cost information to demonstrate cost effective practices.

### **Internal Controls.**

This section provides that for Federal awards Non-Federal entities must include certain tasks in their administration of the assistance. It was moved from OMB Circular A-133. (See [2 CFR 200.303.](#))

1. Establish and maintain effective internal controls- no expectation that they document compliance with the internal control documents (GAO green book, compliance supplement, etc.)
2. Comply with Federal statutes, regulations, & terms and conditions
3. Evaluate and monitor compliance
4. Take prompt action on audit findings
5. Safeguard protected personally identifiable information (See [2 CFR 200.82](#))

### **Payments to States and Non Federal Entities.** (New in part)

Payments to States are governed by Treasury-State Cash Management Improvement Act (CMIA) agreements codified at 31 CFR Part 205. Coverage largely replicates existing payment coverage from OMB Circular A-110. (See [2 CFR 200.305.](#))

- As a **new** measure, the rule extends to non-Federal entities previously covered by OMB Circular A-102 the existing flexibility in OMB Circular A-110 to pay additional interest earned on Federal funds **annually**, rather than “promptly” to each Federal awarding agency. (NEW)
- Interest **amounts up to \$500 per year** may be retained by the non-federal entity for administrative expenses. (NEW)

### **Cost Sharing or Matching.**

This section *clarifies* policies on voluntary committed cost sharing.

- Stipulates that voluntary committed cost sharing is not expected under Federal research proposals and cannot be used as a factor during the merit review of the proposal. Cost sharing may only be considered *when required by regulation and transparent in the notice of funding opportunity*. (See [2 CFR 200.306\(a\)](#)) Only mandatory cost sharing or cost sharing included on the project budget must be included in the organized research base for computing the indirect cost rate or reflected in the allocation of indirect costs.
- For all Federal awards, any shared costs or matching funds and all contributions, including cash and third party in-kind contributions, must be accepted as part of the non-Federal entity's cost sharing or matching when such contributions meet all of the following criteria: (1) Are verifiable from the non-Federal entity's records; (2) are not included as contributions for any other Federal award; (3) Are necessary and reasonable for accomplishment of project or program objectives; (4) Are allowable under Subpart E—Cost Principles (5) Are not paid by the Federal Government under another Federal award, except where the Federal statute authorizing a program specifically provides that

Federal funds made available for such program can be applied to matching or cost sharing requirements of other Federal programs; (6) Are provided for in the approved budget when required by the Federal awarding agency; and (7) Conform to other provisions of this part, as applicable.

- OMB Memorandum 01-06, Clarification of OMB A-21 Treatment of Voluntary Uncommitted Cost Sharing and Tuition Remission costs continues to apply. See: [http://www.whitehouse.gov/omb/memoranda\\_m01-06](http://www.whitehouse.gov/omb/memoranda_m01-06)
- Valuation of cost sharing remains largely unchanged from OMB Circular A-110.

### **Period of Performance**

- Non-federal entities may charge to Federal awards only allowable costs incurred during the period of performance and any costs incurred before the Federal awarding agency or pass-through entity made the Federal award that were authorized by the Federal awarding agency or pass through entity. (See [2 CFR 200.309](#).)
- Federal awarding agencies *may* authorize no-cost extensions of the period of performance (See also 200.308, Revision of budget and program plans.)

### **Coverage in Property Standards.** (New in part).

- Property standards are largely derived from existing coverage. (Sections 200.310-200.316)
- The property standards are consistent with existing coverage. Equipment is new. [2 CFR 200.313](#).
  - States must use, manage, and dispose of equipment acquired under a Federal award in accordance with state laws and procedures. (Not new)
  - Other non-Federal entities must follow the requirements specified. (NEW)

### **Supplies.**

The definition of supplies in existing guidance includes all tangible personal property that fall below the threshold for equipment. (See [2 CFR 200.314](#)) Since, as technology improves, *computing devices* (inclusive of accessories) increasingly fall below this threshold, (currently \$3,500) the guidance makes explicit that when they do, they shall be treated consistently with all other items below this level. (NEW) See Definition of “Supplies” (See [2 CFR 200.94](#))

### **Intangible Property.**

The Content of 200.315 is largely from OMB Circular A-110; however, the section has been reorganized for readability and clarity. (See [2 CFR 200.315](#).)

## **PROCUREMENT STANDARDS**

### **States.**

States must use their own policies and procedures. (See [2 CFR 200.317](#))

**Non-Federal entities.** (New)

All other non-Federal entities, *including subrecipients* of a state, must have and follow written procurement procedures that reflect the procurement standards in part 200. This section does not require the non-Federal entity to maintain a contract administration system; it's a matter of an entity's judgment as to how the non-Federal entity is going to maintain oversight of contracts and contractors. (See [2 CFR 200.318](#))

**Standards of Conduct.** (New in part.)

The non-Federal entity must maintain written standards of conduct. (See [2 CFR 200.318](#)). The section contains **a new requirement that extends the conflict to *organizational conflicts*** (parent, affiliate, or subsidiary, not a state, local government or Indian tribe). (See [2 CFR 200.318\(c\) \(2\).](#))

**Procurement of unnecessary or duplicative items.**

This section was sought by the research institutions. It does not require a non-Federal entity to reexamine every item acquired for “unnecessary or duplicative items.” (See [2 CFR 200.318\(d\).](#))

**Interentity agreements.** (New in part.)

To foster greater economy and efficiency and to promote cost-effective use of shared services, the non-Federal entity is encouraged to enter into state and local intergovernmental agreements or *inter-entity agreements* where appropriate for procurement or use of common or shared goods and services. This is designed to encourage shared services and goods, e.g., strategic sourcing. (See [2 CFR 200.318\(e\).](#)) (NEW)

The non-Federal entity is encouraged to use Federal excess and surplus property in lieu of purchasing new equipment and property when this is feasible and when it reduces project costs. (See [2 CFR 200.318\(f\).](#))

**Methods of Procurement to be Followed.**

There are 5 (five) options. (See [2 CFR 200.320](#)) This section is generally based on Circular A-102 One of the options- *micro-purchases*- is NEW

Micro-purchases are used for acquisition of supplies or services if the aggregate amount does not exceed the “micro-purchase threshold” (currently \$3,000). (See [2 CFR 200.67.](#))Is set by the Federal Acquisition Regulation at 48 CFR Subpart 2.1 Definitions. Micro-purchases may be awarded without soliciting competitive quotations if the non-Federal entity considers the price to be reasonable. The micro-purchase threshold is adjusted for inflation on a periodic basis.

The four other procurement methods, which remain largely unchanged, are:

1. Small purchase procedures contracts not exceeding the Simplified Acquisition Threshold (currently \$150,000)
2. Sealed bids (formal advertising)
3. Competitive proposals
4. Noncompetitive proposals- clarified to specify that it can be used only under certain conditions, e.g. when only *one or more* of the following factors apply. The documentation of this process is important. The factors to be considered include:

- a) The item is available only from a single source;
- b) The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation;
- c) The Federal awarding agency (or pass-through entity) expressly authorizes this method in response to a written request from the non-Federal entity;
- d) After solicitation of a number of sources, competition is determined inadequate.

**Non-Federal entity review by Federal awarding agency or pass-through entity.**

Upon request of the Federal awarding agency (or pass-through entity), the non-Federal entity must make available: (See [2 CFR 200.324](#).)

- **Technical Specifications.** The technical specifications on proposed procurements where the Federal awarding agency (or pass-through entity) believes the review is needed to ensure that the item or service specified is the one being proposed for acquisition.
- **Procurement Documents.** Upon request of the Federal awarding agency (or pass-through entity), the non-Federal entity must make the procurement documents (e.g., requests for proposals, invitations for bids, or independent cost estimates) available for pre-procurement review when:
  1. The non-Federal entity’s procurement procedures or operations fail to comply with the procurement standards in Part 200; or
  2. The procurement is expected to exceed the Simplified Acquisition Threshold (currently \$150,000); and
  3. The procurement is to be awarded without competition or only one bid/offer is received in response to a solicitation; or
  4. The procurement specifies a “brand name” product; or
  5. The proposed contract is to be awarded to other than the apparent low bidder under a sealed bid procurement; or
  6. A proposed contract modification changes the scope of a contract or increases the contract amount by more than the Simplified Acquisition Threshold.

**Pre-procurement review exemption.**

The non-Federal entity is exempt:

- If the Federal awarding agency (or pass-through entity) determines that its procurement systems comply with the standards of Part 200, or
- The non-Federal entity self certifies its procurement system (but the self-certification does not limit the Federal awarding agency’s right to survey the system).

**Contract provisions.**

Refers to Appendix II for provisions that **must** be included in contracts of non-Federal entities. (See [2 CFR 200.326](#).)

The Appendix provides a description of each requirement. It generally gives the legal basis (regulations or statutes) of the provision) so that the non-Federal entity can determine whether the provision is applicable to a contract.

**PERFORMANCE AND FINANCIAL MANAGEMENT REPORTING**

**Financial Reporting.** (New in part.)



- Existing coverage from A-102 and A-110 on the Report of Federal Cash Transactions and the Financial Status Report has been deleted and replaced with the requirement that Federal awarding agencies only use the OMB-approved government-wide data elements for collection of financial information -- currently the Federal Financial Report. **(New)** (See [2 CFR 200.327.](#))
- Submission frequency requirements generally remain unchanged- No less frequently than annually, nor more frequently than quarterly. New language was added, however, which permits the Federal awarding agency to require more frequent reporting where necessary for the effective monitoring of the Federal award or where monitoring could significantly affect program outcomes. **(NEW)**

## **MONITORING & REPORTING PROGRAM PERFORMANCE**

- Specifies that performance reports are subject to the Paperwork Reduction Act requirements (See [2 CFR 200.328.](#))
- Federal awarding agencies should utilize OMB-approved standard government-wide information collections (see also 200.206)
- Submission frequency requirements remain largely unchanged
- No less frequently than annually, nor more frequently than quarterly.
- New language added, however, which permits more the Federal awarding agency to require more frequent reporting where necessary for the effective monitoring of the Federal award or could significantly affect program outcomes. **(NEW)**

### **Reporting on Real Property.** (See [2 CFR 200.329](#))

The language in this section is based on the supplementary information provided in the purpose section of the Final Notice of the Real Property Status Report (RPSR) form SF-429, available at 75 FR 56540, published September 16, 2010.

## **SUBRECIPIENT MONITORING AND MANGAGMENT**

### **Subrecipient and Contractor Determination.** (See [2 CFR 200.330.](#))

- Explains the roles of subrecipients and contractors so that the non-Federal entity can determine the relationship and the applicable requirements.
- A non-Federal entity provides a subaward to a subrecipient for the purpose of carrying out a portion of a Federal award and creates a Federal assistance relationship between the non-Federal entity and the subrecipient.
- A non-Federal entity provides a contract to a contractor for the purpose of obtaining goods and services for the non-Federal entity's own use and creates a procurement relationship between the non-Federal entity and the contractor.
- What the document is called- an agreement or a contract -does not matter; the relationship is the basis for determining which requirements are applicable.

### **Requirements for pass-through entities.** (See [2 CFR 200.331.](#))

- The pass-through entity must:
  1. Put specific information in the subaward, including indirect cost rate



2. Do a risk assessment to determine appropriate subrecipient monitoring AND must monitor subrecipients
  3. Consider if specific subaward conditions are needed
  4. Verify subrecipients have audits in accordance with Subpart F-Audit Requirements
  5. Make any necessary adjustment to the pass-through entity's records based on reviews and audits of subrecipients
  6. Consider actions to address subrecipient noncompliance
- When monitoring subrecipients, the pass-through entity must (200.331(d)):
    1. Review reports required by the pass-through entity
    2. Follow-up to ensure subrecipient takes appropriate action on all deficiencies pertaining to the subaward from the pass-through entity identified through audits, on-site reviews, and other means
    3. Issue a management decision for audit findings pertaining to subawards made by the pass-through entity
    4. Not new requirement – taken from A-133; on-site reviews are not required.
    5. The following tools may be useful, depending upon the risk assessment. No listed tool is required nor is the list of tools all inclusive. Determination on which tools to use is a matter of judgment for the pass-through entity based upon its assessment of risk. (200.331(e))
      - Providing subrecipient training and technical assistance
      - Performing on-site reviews
      - Arranging for agreed-upon-procedures engagements under 200.425, Audit services [in Cost Principles]

**Fixed Amount Subawards. (NEW) (See [2 CFR 200.332.](#))**

- Permits a non-Federal entity to make subawards based on fixed amounts (in accordance with 200.201) not exceeding the Simplified Acquisition Threshold (currently \$150,000)
- The prior written approval of the Federal awarding agency is required.
- The following information must be identified to the subrecipient at the time of an award and put in the subaward (and when changes are made to the subaward) (See also [2 CFR 200.331\(a\)](#)):
  - Federal award identification, e.g., unique entity identifier.
  - Indirect cost rate for the Federal award (including if the de minimis rate is charged per 200.414 Indirect (F&A) costs) Requirements imposed by the pass-through entity.
  - Requirement to provide access to records for audit.
- The pass-through entity **must** evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for the purpose of determining appropriate subrecipient monitoring. This is similar to the risk assessment that the Federal Agency undertakes. The assessment may include consideration of factors such as (200.331(b)):
  - Prior experience with same or similar subawards
  - Results of previous audits
  - Whether new or substantially changed personnel or systems
  - Extent and results of Federal awarding agency monitoring

**Retention requirements for records.** (See [2 CFR 200.333](#))

- Retains the record retention period of three years from the date of submission of the final expenditure report
- For Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report
- Supplements to the listing of exceptions from standard record retention:
  - When the non-Federal entity is notified in writing by the Federal awarding agency, cognizant agency for audit, cognizant agency for indirect costs, or pass-through entity; and
  - Records for program income transactions after the period of performance

**Methods for collection, transmission and storage of information.** (NEW)

In lieu of addressing the issue throughout the rule, a new section was added to clearly articulate the treatment of electronic records. (See [2 CFR 200.335](#))

- Federal awarding agencies and the non-Federal entities should, whenever practicable, collect, transmit, and store Federal award-related information in open and machine readable formats.
- Federal awarding agencies or pass-through entities must always provide or accept paper versions of Federal award-related information to and from the non-Federal entity upon request.
- When original records are electronic and cannot be altered, there is no need to create and retain paper copies.
- When original records are paper, electronic versions may be substituted through the use of duplication or other forms of electronic media provided that they are subject to periodic quality control reviews, provide reasonable safeguards against alteration, and remain readable.

**REMEDIES FOR NONCOMPLIANCE**

Remedies for Noncompliance are covered in Sections 200.338-200.342

- The sections are generally substantively the same as superseded circulars, with some modifications.
- The sections cover actions that may be taken by the pass-through entity, not just by the Federal awarding agency.

**Remedies for noncompliance.**

- Permits the Federal awarding agency (or pass-through entity) to try to remedy noncompliance through additional conditions on the Federal award (or subaward). **This is new.** The Federal agency can impose these requirements at any time, not just at the initiation of the award. (See [2 CFR 200.338](#))
- Expressly references suspension and debarment proceedings and cross-references the government-wide regulation at 2 CFR Part 180

### **Termination, comprehensively addresses termination.**

- The Federal award may be terminated by the Federal awarding agency (or pass-through entity) in whole or in part (See [2 CFR 200.339](#)):
  1. For failure of the non-Federal entity to comply with the terms and conditions of the Federal award
  2. For cause
  3. With the consent of the non-Federal entity (the two parties must agree upon the termination conditions, including the effective date and, in the case of partial termination, the portion to be terminated)
- The Federal award may be terminated by the non-Federal entity by sending to the Federal awarding agency (or pass-through entity) written notification setting forth the reasons for termination, the effective date, and, in the case of partial termination, the portion to be terminated.
- When the Federal award is terminated, the Federal awarding agency (or pass-through entity) and the non-Federal entity remain responsible for closeout, post-closeout adjustments and continuing responsibilities.

### **Closeout. (NEW)**

This section should be clearer because the timeframes are based on “period of performance” which must be stated in the Federal award. (See [2 CFR 200.343](#))

- Post-closeout adjustments and continuing responsibilities. The adjustment to the Federal award amount based on an audit or other review after closeout must be made within the record retention period. (See [2 CFR 200.344](#).)
- Collection of amounts due. The collection may happen after the record retention period. (See [2 CFR 200.345](#))

## **COST PRINCIPLES**

### **Classification of Costs**

This section is a new explanatory introductory section which does not make major changes. (See [2 CFR 200.412](#).) It explains that there is no universal rule for classifying certain costs as either direct or indirect (F&A) under every accounting system. A cost may be direct with respect to some specific service or function, but indirect with respect to the Federal award or other final cost objective. Therefore, it is essential that 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. Guidelines for determining direct and indirect (F&A) costs charged to Federal awards are provided in subpart E.

### **Cost accounting standards and disclosure statement. (NEW)**

This section applies to Institutions of Higher Education (IHEs) that receive aggregate Federal awards totaling more than \$50 million in its most recent fiscal year. (See [2 CFR 200.419](#).) It requires those entities to comply with the Cost Accounting Standards Boards standards and file disclosures with the cognizant agency. It also provides mechanisms for those cognizant agencies to adjust costs, credit overpayments, and assure compliance.

### **Collections of Improper Payments**

The costs incurred by a non-Federal entity to recover improper payments are allowable as either direct or indirect costs, as appropriate. (See [2 CFR 200.428](#).)

### **Commencement and convocation costs. (NEW)**

For IHEs, costs incurred for commencements and convocations are unallowable, except as provided in limited circumstances detailed in Appendix III to Part 200—Indirect (F&A) Costs Identification and Assignment as student activity costs. (See [2 CFR 200.429](#))

### **Intellectual property. (NEW)**

This section enumerates the allowable costs related to securing and owning patents and copyrights and discusses when royalties are allowed. (See [2 CFR 200.448](#).)

### **Taxes (including Value Added Tax). (NEW)**

This section provides guidance detailing when taxes are allowable expenses, including a Value Added Tax (VAT) tax. (See [2 CFR 200.470](#).)

## **AUDITS**

### **Threshold for Audits**

An audit is required if a Non-Federal entity expends \$750,000 or more during the non-Federal entity's fiscal year. The non-Federal entity must **have a single or program-specific audit**. This threshold IS **new** (formerly \$500,000). (See [2 CFR 200.501](#))

- A non-Federal entity that expends \$750,000 or more during the non-Federal entity's fiscal year in Federal awards must have a single audit conducted in accordance with §200.514 Scope of audit except when it elects to have a program-specific audit conducted.
- Program-specific audit election. When an auditee expends Federal awards under only one Federal program (excluding R&D) and the Federal program's statutes, regulations, or the terms and conditions of the Federal award do not require a financial statement audit of the auditee, the auditee may elect to have a program-specific audit conducted. (See [2 CFR 200.507](#))
- A non-Federal entity that expends less than \$750,000 during the non-Federal entity's fiscal year in Federal awards is generally exempt from Federal audit requirements for that year, but records must be available for review or audit by appropriate officials of the Federal agency, pass-through entity, and Government Accountability Office (GAO).

### **Questions.**

Inquiries concerning 2 CFR 200 may be directed to the Office of Federal Financial Management Office of Management and Budget, in Washington, DC. (§200.108) Non-Federal entities' inquiries should be addressed to the Federal awarding agency, cognizant agency for indirect costs, cognizant or oversight agency for audit, or pass-through entity as appropriate.

- Office of Federal Financial Management:  
[https://www.whitehouse.gov/omb/financial\\_fin\\_grants\\_expanded/#admin](https://www.whitehouse.gov/omb/financial_fin_grants_expanded/#admin)
- HUD is the Federal awarding agency if HUD provides the financial assistance.

- The cognizant agency for indirect costs could be HUD, or it could be another Federal agency. (See [2 CFR 200.19](#).) Cognizant agency for indirect costs means the Federal agency responsible for reviewing, negotiating, and approving cost allocation plans or indirect cost proposals developed under this part on behalf of all Federal agencies. For assignments of cognizant agencies see the following:
  - For Institutions of Higher Education (IHEs): Appendix III to Part 200 —Indirect (F&A) Costs Identification and Assignment, and Rate Determination for Institutions of Higher Education (IHEs), paragraph C.11. [Appendix III](#)
  - For nonprofit organizations: Appendix IV to Part 200—Indirect (F&A) Costs Identification and Assignment, and Rate Determination for Nonprofit Organizations, paragraph C.12. [Appendix IV](#)
  - For state and local governments: Appendix V to Part 200—State/Local Government-wide Central Service Cost Allocation Plans, paragraph F.1. [Appendix V](#)
  - For Indian tribes: Appendix VII to Part 200—States and Local Government and Indian Tribe Indirect Cost Proposal, paragraph D.1. [Appendix VII](#)
  
- The cognizant agency for indirect cost is not necessarily the same as the cognizant agency for audit. (§200.18). The cognizant agency for audit means the Federal agency designated to carry out the audit responsibilities for the government. A non-Federal entity expending more than \$50 million a year in Federal awards must have a cognizant agency for audit. The designated cognizant agency for audit must be the Federal awarding agency that provides the predominant amount of direct funding to a non-Federal entity unless OMB designates a specific cognizant agency for audit. A list of cognizant agencies for audit may be found at the Federal Audit Clearinghouse (FAC) Web site: <https://harvester.census.gov/facweb/default.aspx/>