

UGG/EDGAR: Basic Grants Management

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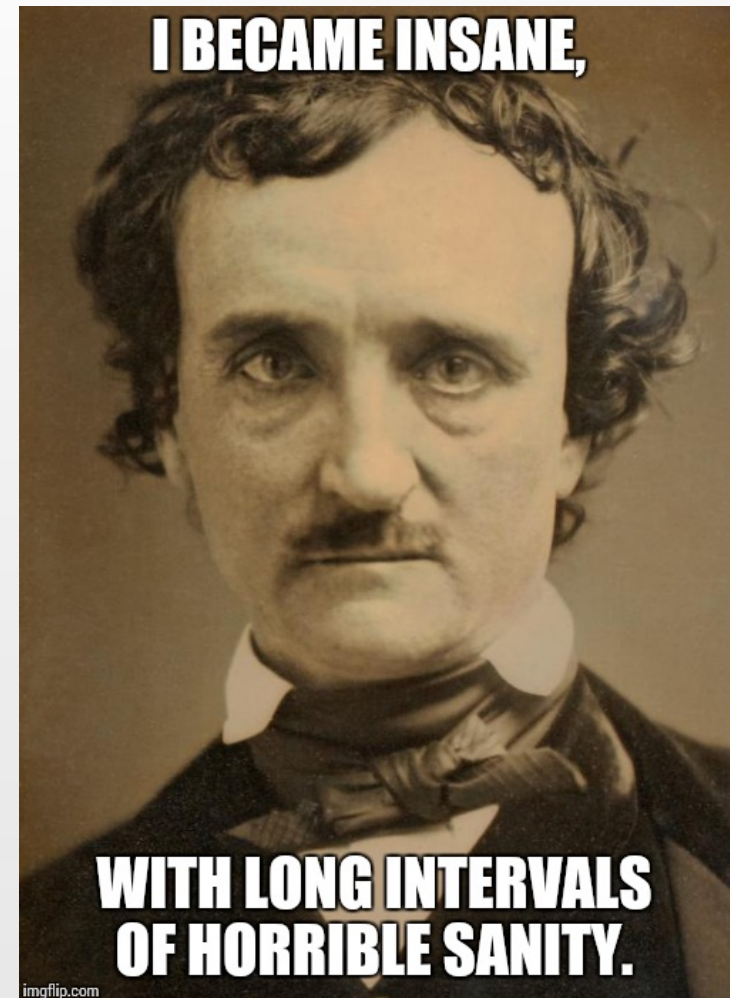
September 2022



What Is EDGAR?

Education Department General
Administrative Regulations

<https://www2.ed.gov/policy/fund/reg/edgarReg/edgar.html>





EDGAR and the UGG

- The Education Department General Administrative Regulations (EDGAR) includes various grants management rules applicable to all federal awards issued by the U.S. Department of Education (ED).
- The Uniform Grant Guidance (UGG) are federal grants management rules that apply to all awards issued by all federal awarding agencies.
 - Created and amended by the Office of Management and Budget (OMB)
- EDGAR incorporated the UGG back in 2014
 - Parts 74 and 80 of EDGAR were replaced with 2 CFR Part 200



Key Sections of EDGAR

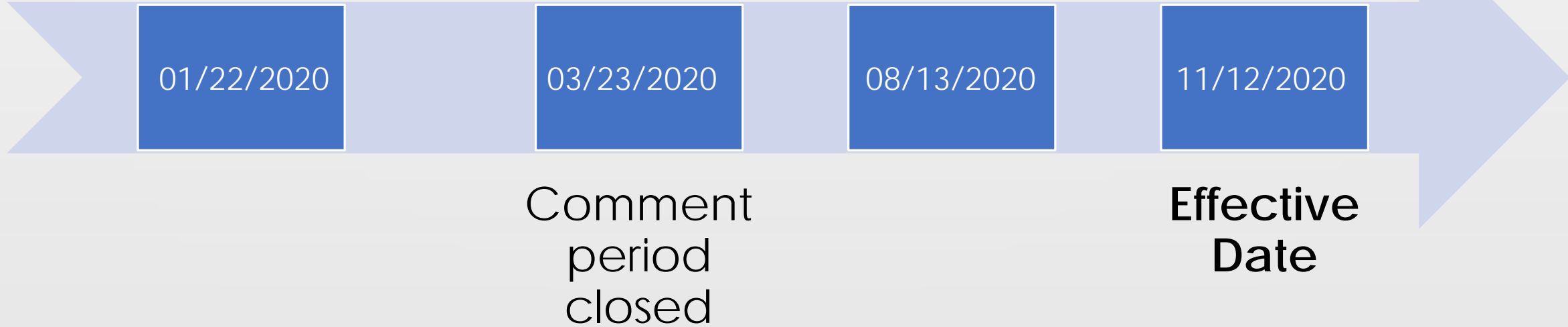
- Excerpts from the General Education Provisions Act (GEPA)
- Title 34
 - Part 75 – Direct Grant Programs
 - Part 76 – State-Administered Programs
 - Part 77 – Definitions
 - Part 81 – Enforcement Regulations
- Title 2
 - Part 200 – Cost/Administrative/Audit Rules
 - Part 3485 – Non-procurement Debarment and Suspension
 - Incorporates 2 CFR Part 180, OMB’s Guidelines on Debarment and Suspension



OMB Revises the UGG

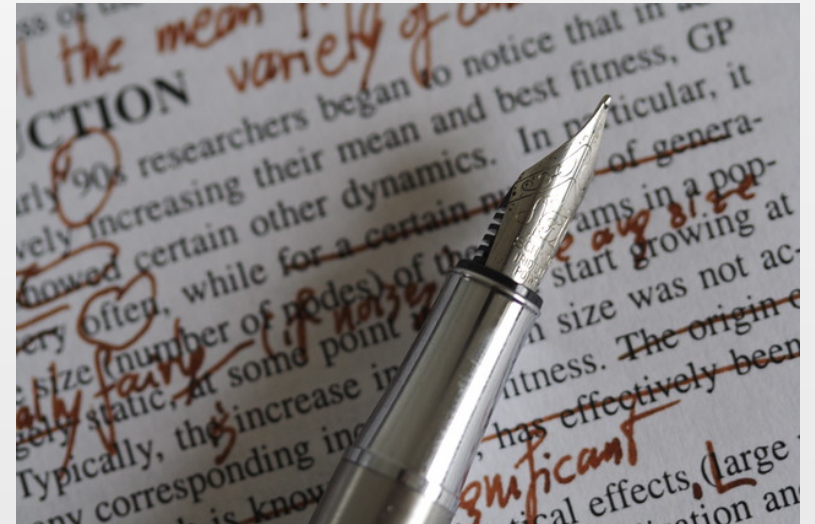
Proposed
changes to 2 CFR
Part 200 Published

Final
revisions
published



OMB Revises the UGG – August 2020

- Proposed changes to 2 CFR Part 200
Published January 22, 2020
- Comments closed March 23, 2020
- Final Revisions published August 13, 2020
- **OMB FAQs published May 2021**
- https://www.cfo.gov/assets/files/2CRF-FrequentlyAskedQuestions_2021050321.pdf



OMB Revisions to the UGG – Effective Dates

- Effective as of **November 12, 2020**
 - Except for 200.216 and 200.340, effective August 13, 2020
- **200.216** (pg. 129): Prohibition on certain telecommunications and video surveillance services or equipment
 - Prohibits grantees from entering into contracts with certain covered entities
- 200.340: Termination (pg 150)
 - Allows awards to be terminated “**if an award no longer effectuates the program goals or agency priorities**”
 - Previously: “For cause”

Uniform Grant Guidance

2 CFR Part 200



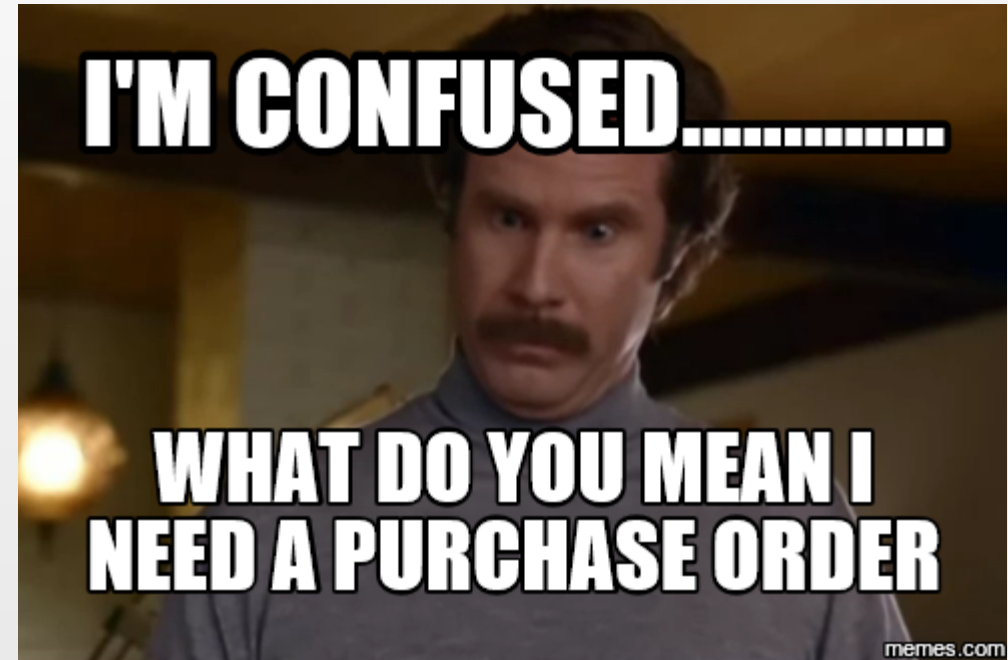
2 CFR Part 200

- Subpart A – Definitions – **Section Numbers Removed!**
- Subpart B – General Provisions
- Subpart C – Pre- Federal Award Requirements
- Subpart D – Post Federal Award Requirements
- Subpart E – Cost Principles
- Subpart F – Audit Requirements



Procurement

2 CFR 200.317 – 200.327





Procurement Standards 200.318 (pg 140)

- All non-federal entities must have documented procurement procedures which reflect applicable Federal, State, and local laws and regulations.
 - Open and Full Competition (Maximum Extent Possible)
 - Specific Thresholds for Purchasing
 - Prohibited In-State and Local Preferences
 - Contract Administration System
 - Conflict of Interest Rules
 - Mandatory Disclosures

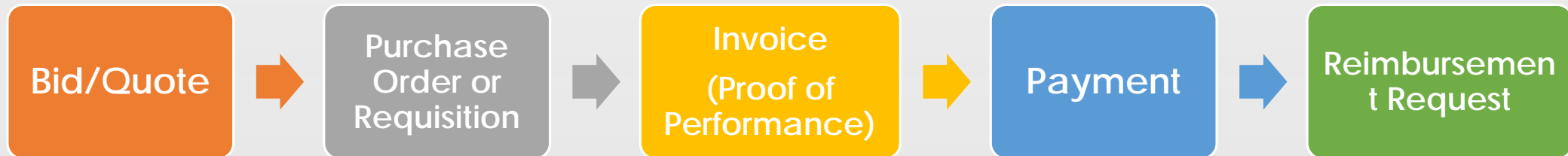
Contract Administration 200.318(b) (pg 140)

- Non-federal entities must maintain oversight to ensure that contractors perform in accordance with the terms, conditions, and specifications of the contract

Contract Administration (200.318; pg 140)

- ✓ Includes procedures that ensure contracts are fully performed before payment.

Process





Conflict of Interest 200.318(c)(1) (pg 140)

- Must maintain written standard of conduct, including conflict of interest policy.
- A conflict of interest arises when any of the following has a financial or other interest in the firm selected for award:
 - Employee, officer or agent
 - Any member of that person's immediate family
 - That person's partner
 - An organization which employs, or is about to employ, any of the above or has a financial interest in the firm selected for award
- Organizational Conflict (applies to non-gov entities)

Conflict of Interest 200.318(c)(1) (cont.) (pg 140)

- Must neither solicit nor accept gratuities, favors, or anything of monetary value from contractors / subcontractors.
- However, may set standards for situations in which the financial interest is not substantial, or the gift is an unsolicited item of nominal value.
- Standards of conduct must include disciplinary actions applies for violations.





Conflict of Interest 200.112 (pg 123) Mandatory Disclosures 200.113 (pg 123)

- All non-federal entities must establish conflict of interest policies and disclose in writing any potential conflict to federal awarding agency in accordance with applicable Federal awarding agency policy.
- Must disclose to federal or pass-through agency “all violation of federal criminal law involving fraud, bribery or gratuity violations potentially affecting the federal award.”

Competition 200.319 (pg 141)

(a) All procurement transactions **for the acquisition of property or services required under a Federal award** must be conducted in a manner providing full and open competition consistent with the standards of this section and §200.320.

...

(f) Noncompetitive procurement can only be awarded in accordance with 200.320(c).

Methods of Procurement 200.320 (pg 142)

- Grantee must have and use documented procurement procedures for the following **methods**:
 - a) **Informal procurement methods**
 - Micro-purchase
 - Small purchase procedures
 - b) **Formal procurement methods**
 - Competitive sealed bids
 - Competitive proposals
 - c) Noncompetitive proposals

Formal v. Informal



Informal Procurement 200.320(a) (pg 142)

- Use when value does not exceed \$250,000 (simplified acquisition threshold), or a lower threshold established by a non-federal entity
- Procurement of property or services required under federal award
- Purpose: to expedite completion and minimize administrative burden and cost



Informal Procurement, 200.320(a)(1) Micro-purchases (pg 142)

- Distribution. “To the maximum extent practicable, the non-federal entity should distribute ... among qualified suppliers.”
- Awards. May be awarded without price or rate quotes if non-federal entity “considers the price to be reasonable based on research, experience, purchase history or other information and documents its files accordingly.”



Informal Procurement, 200.320(a)(1) Micro-purchases (cont.) (pg 142)

- Thresholds. Determined and documented by grantee, based on internal controls, risk, and procedures. Authorized by state, local laws. May be higher than threshold in FAR (\$10,000).
 - Nonfederal entity may self-certify threshold up to \$50,000, if:
 - Low-risk auditee for most recent audit (200.520)
 - Annual internal institutional risk assessment to identify, mitigate and manage financial risks; or
 - For public institutions, a higher threshold consistent with state law
 - Over \$50,000, must have approval of cognizant agency indirect costs



Informal Procurement, 200.320(a)(2) Small Purchases (pg 142)

- Used when for purchases greater than micro-purchase threshold, but less than simplified acquisition threshold (\$250,000).
- Price or rate quotations from “adequate number of qualified sources” **as determined appropriate by non-federal entity**
- Thresholds. Established based on internal controls, risk and procedures, and documented. Cannot exceed the threshold in FAR (\$250,000) but may be lowered.

Formal Procurement, 200.320(b) (pg 143)

- Used for purchases that exceed small purchase threshold (\$250,000, or lower, if set by the non-federal entity)
 - Require documented procedures
 - Require public advertising
- Two options:
 - (1) Sealed bids
 - (2) Proposals



Noncompetitive Proposals; 200.320(c) (pg 143)

- Appropriate only when:
 - **Micro-purchases**
 - The item is only available from a single source;
 - There is a **public emergency** for the requirement that will not permit delay resulting from **publicizing** a competitive solicitation;
 - The Federal awarding agency or pass-through expressly authorizes noncompetitive procurement in response to a written request from non-Federal entity; or
 - After soliciting a number of sources, competition is determined inadequate.



Cost Price Analysis – 200.324 (pg 144)

- Required for every procurement action over \$250,000
 - “[A]s a starting point, the non-Federal entity must make independent estimates before receiving bids or proposals.”
- Profit must be negotiated as a separate element of the price
 - Complexity of the work; risk borne by contractor; contractor’s investment; amount of subcontracting; quality of record; industry rates
- “Cost plus a percentage of cost and percentage of construction cost methods of contracting must not be used.”

Domestic Preferences for Procurements 200.322 (pg 144)



- “To the greatest extent practicable” must provide a preference for the purchase of goods and materials produced in the U.S.

What does produced in the United States mean?

- Iron/Steel—initial melting stage through application of coatings
- Manufactured products– items and materials composed in whole or in part of non-ferrous metals (aluminum, plastics, polymer products)
- Must include this section in all subawards, contracts and purchase orders



Suspension and Debarment, 200.214 (pg 129); 2 CFR 180.300

- For contracts over \$25,000 (“covered transaction” 3485.220) you must verify that the person with whom you intend to do business is not excluded or disqualified.
- This MUST be done by either:
 - a. Checking SAM; or
 - b. Collecting a certification from that person; or
 - c. Adding a clause or condition to the covered transaction with that person.

Selected Items of Cost

56 Selected Items of Cost

- ❖ Allowable
 - E.g., collection of improper payments (200.428; pg 162)); training and education costs (200.473; pg 183)
- ❖ Allowable with special conditions
 - E.g., only as an indirect charge (leave payout, 200.431 (pg 165); advisory councils, 200.422 (pg 161); only with necessary documentation (compensation – personal services, 200.430; pg 162))
- ❖ Allowable with prior approval
 - E.g., equipment and capital expenditures (200.438; pg 171)); entertainment (200.439; pg 171)); participant support costs (200.456; pg 178)
- ❖ Unallowable
 - E.g., alcohol (200.423); bad debts (200.426; pg 162))



Selected Items of Cost Examples

Alcohol 200.423 (pg 161)

- Not allowable

Entertainment 200.438 (pg 171)

- Not allowable UNLESS Prior Written Approval of Federal Awarding Agency.
- Field Trips & Holiday Parties are common examples
- Field trips may be allowed where:
 - They have a clear programmatic purpose
 - And are authorized by the federal awarding agency

Advertising/Public Relations 200.421 (pg 161)

- **Allowable for programmatic purposes including:**
 - Recruitment
 - Procurement of goods
 - Disposal of materials
 - Program outreach
 - Public relations (in limited circumstances)

Conferences 200.432 (pg 168)

- **Generally Allowable**

- To be a conference, must disseminate technical information beyond the non-federal entity
- Allowable conference costs include rental of facilities, costs of meals and refreshments, transportation, unless restricted by the federal award
- Costs related to identifying, but not providing, locally available dependent-care resources
- Conference hosts must exercise discretion in ensuring costs are appropriate, necessary and managed in a manner that minimizes costs to federal award

Travel 200.475 (new citation)(pg 183)

- ❖ Travel costs may be charged on actual, per diem, or mileage basis
- ❖ Travel charges must be consistent with entity's written travel reimbursement policies
- ❖ Allows costs for "above and beyond regular dependent care"
- ❖ Grantee must retain documentation that participation of individual is necessary for the project

Telecommunication costs and video surveillance costs 200.471 (pg 182)

- Telecommunication and video surveillance services or equipment are allowable, *except*:
 - “Covered” telecommunications and surveillance under 200.216
 - Applies to new contracts, services, equipment, and any renewals or extensions



Time and Effort





Personnel Documentation 200.430(i)(1) (pg 164)

Time and effort records must accurately reflect the work performed and:

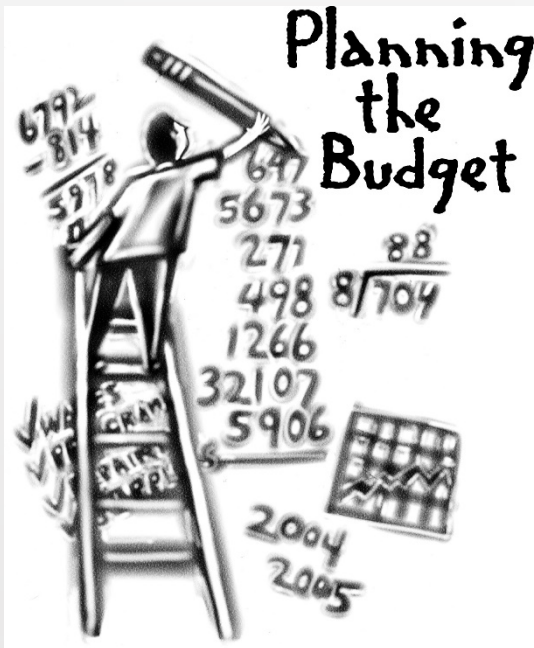
1. Be supported by a system of internal controls which provides reasonable assurance charges are accurate, allowable and properly allocated;
2. Be incorporated into official records;
3. Reasonably reflect total activity for which employee is compensated;
 - Not to exceed 100%
4. Encompass all activities (federal and non-federal);
5. Comply with established accounting policies and practices; and
6. Support distribution among specific activities or cost objectives.

Requires Time By Cost Objective

- What is a cost objective? 200.1 (pg 111)
 - Activities
 - Mandated set-asides
 - Mandatory minimums
 - Anything that requires separate cost accounting
- Examples 200.430(i)(1)(vii) (pg 164):
 - More than one Federal award, a Federal award and a non-Federal award, an indirect and direct cost activity, etc.
 - 10% administrative set-aside, 1% mandatory minimum, etc.



Use of Budget Estimates - 200.430(i)(1)(viii) (pg 164)




- Budget estimates alone do not qualify as support for charges to Federal awards.
- May be used for interim accounting purposes if:
 - Produces reasonable approximations
 - Significant changes to the corresponding work activity are identified in a timely manner
 - Internal controls in place to review after-the-fact interim charges based on budget estimates

Reconciliation - 200.430(i)(1)(viii)(C) (pg 164)


- All necessary adjustment must be made such that the final amount charged to the Federal award is accurate, allowable, and properly allocated.





Why? 2 CFR 200.403(a)(pg 154); 2 CFR 200.430(i)
(pg 164)

- Any employee funded by federal grants must maintain documentation showing that their time is allocable to a federal program.
- That documentation must be based on records that **accurately reflect the work performed.**
 - Everything else feeds back into this standard



Allocable Costs

2 CFR 200.405(d) (pg 155)

If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost should be allocated to the projects based on proportional benefit.

If proportions cannot be determined, the costs may be allocated or transferred to benefited projects on any reasonable documented basis.

Compliance 2 CFR 200.430(i)(2) (pg 165)

- For records which meet the standards, the non-federal entity will not be required to provide additional support or documentation for the work performed.
 - DOL regulations for Fair Labor Standards Act must still be met (i.e. charges must be supported by records indicating the total number of hours worked each day).

Noncompliance 2 CFR 200.430(i)(8)(pg 165)

- ED may require **personnel activity reports (PARs)**, including prescribed certifications or equivalent documentation that support the records as required in this section (200.430(i)).



Financial Management

2 CFR 200.302(b)

Pg 130-131

Financial Management 200.302 (pg 130-131)

(a) States – follow their own rules!

(b) Everyone else – seven standards.

1. Identification in accounts
2. Financial reporting
3. Accounting records (**financial** obligations)
4. Internal controls, internal controls, internal controls
5. Budget control
6. Written procedures for cash management
7. Written procedures for determining allowability

Federal Payment 200.305(b) (pg 131-133)


Written procedures must describe whether non-federal entity uses:

1) Advance Payments

- Limited to minimum amounts needed to meet immediate cash needs
- Subject to cash management requirements

2) Reimbursement

- Pass through must make payment within 30 calendar days after receipt of the billing
- Initial payments made with state/local funds



Cash Management 200.305 (a) and (b) (pg 131-133)

- For non-federal entities, payments must minimize time elapsing between draw down and disbursement (not obligation)
- Cash advances must be maintained in insured accounts
 - Accounts must be interest bearing unless:
 - Aggregate federal awards under \$120,000
 - Account not expected to earn in excess of \$500 per year
 - Bank require minimum balance so high, that such account not feasible
- Interest earned must be remitted annually to HHS Payment Management System (updates to this process)
 - Interest amounts up to \$500 may be retained by non-federal entity for administrative purposes.

Financial Management

- Cost share/ matching – 2 CFR 200.306 (pg 133)
 - Unrecovered indirect costs require prior approval
 - For donated/in kind contributions, must document assigned value
- Program income – 2 CFR 200.307 (pg 135)
 - Deduction vs Addition method
 - Defined 200.1

Timely Spending





The Requirements

- Definitions: 2 CFR 200.1 (pg 109-118)
- Obligations: 34 CFR 76.707 (pg 83); 76.708 (pg 84)
- Modifications to Period of Performance: 2 CFR 200.309 (pg 137)
- Pre-award Costs: 2 CFR 200.458 (pg 178)
- Carryover (Tydings): GEPA Sec. 421(b); 34 CFR 76.709(pg 84); 76.710(p 84)
 - Program restrictions, ESSA Sec. 1126(c) (limits TI-A carryover to 15%); Perkins V, Sec. 133(b) (requires states to redistribute unobligated balances at the end of academic year; no carryover at local level)
 - Tydings does not apply at local level if funding distributed by competition
 - 21st CCLC; Adult Ed
- Liquidation: 2 CFR 200.344(b) (pg 152)

When Obligations Are Made

34 CFR 76.707 (pg 83)

Type of Obligation	When Obligation Occurs
Acquisition of Property	Date of binding written commitment
Personal Services by Employee	When services are performed
Personal Services by Contractor	Date of binding written commitment
Travel	When travel is taken
Approved Pre- Agreement Cost	On the first day of the grant or subgrant performance period.


When Subgrantees may begin to Obligate funds 34 CFR 76.708 (pg 84)

- Formula programs: Later of...
 - Date the state may begin to obligate; or
 - Submission of substantially approved application
- Discretionary programs:
 - Once the subgrant is made



Budget Period (pg 109), Renewal (pg 117)

- New definitions! May have more than one budget period within period of performance; renewal starts a new period of performance. 2 CFR 200.1
 - Budget Period: period during which the recipient is authorized to expend the funds awarded, including carryover
 - Renewal: an award made subsequent to an expiring federal award, which begins a distinct period of performance



Revisions to 2 CFR 200.309: Modifications to Period of Performance (pg 137)

- If a Federal awarding agency or pass-through entity approves an extension, or if a recipient extends under §200.308(e)(2), the Period of Performance will be amended to end at the completion of the extension. If a termination occurs, the Period of Performance will be amended to end upon the effective date of termination. If a renewal award is issued, a distinct Period of Performance will begin.



Closeout Liquidation



Closeout 2 CFR 200.344 (formerly 200.343) (pg 152)

- Subrecipients must prepare closeout reports and final accounting within 90 days after period; pass-through entities have **120 days**
- Unless federal or pass-through gives extension, all financial obligations must be liquidated no later than **120 days** after period ends
 - Effectively limit subrecipient liquidation to 90 days? YES!



If the funds are obligated within the period of availability, how long can I continue to receive services or finish the project after the period ends?

Documentation & Internal Controls



Internal Controls 200.303 (pg 131)

MUST:

- Comply with requirements (**U.S. Constitution**)
- Evaluate and monitor compliance
- Take prompt action to correct noncompliance
- Safeguard personally identifiable information (PII)
- Compliance Supplement, Internal Controls: “Control activities are the policies and procedures that help ensure the management’s directives are carried out.”
 - Clearly written and clearly communicated



Written Procedures: Must or Should?

- | | |
|---|---|
| <ul style="list-style-type: none">■ Cash Management Procedures - 200.302(b)(6) & 200.305 (pg 131)■ Allowability Procedures - 200.302(b)(7) (pg 131)■ Managing Equipment – 200.313(d) (pg 138)■ Conflicts of Interest Policy - 200.318(c) (pg 140)■ Procurement Procedures - 200.320 (pg 140)■ Travel Policy - 200.475(b) (new citation) (pg 183) | <ul style="list-style-type: none">■ Time and Effort Procedures - “essential” ED, Cost Allocation Guide (agency specific) (pg 265)■ Subrecipient Monitoring Procedures – required by Compliance Supplement■ Grant Application Procedures■ Record Retention Procedures■ Audit Resolution Procedures■ Program-specific Procedures |
|---|---|

Allowability Documentation

- ❖ Retention Requirements For Records – **2 CFR 200.334** (new citation!)
 - Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a **period of three years** from the date of submission of the final expenditure report.
 - Watch Statute of Limitations! (Example, USDE = 5 years under the General Education Provisions Act)

How to Maintain Documentation?

- ❖ When original records are electronic and cannot be altered, there is no need to create and retain paper copies. (UGG Section **200.336** (**new citation**); pg 149)

- ❖ When original records are paper, electronic versions may be substituted through the use of duplication or other forms of electronic media provided they:
 - Are subject to periodic quality control reviews;
 - Provide reasonable safeguards against alteration; and
 - Remain readable.

The UGG'ly Truth About Allowability





Basic Factors of Allowability 200.403 (pg 154)

To be allowable, a cost *must*:

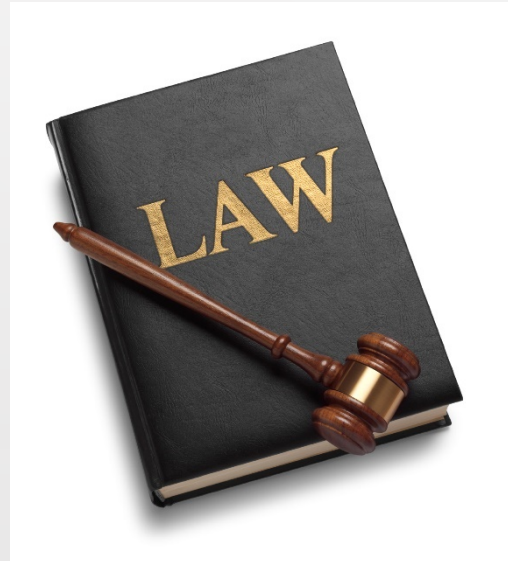
- Be **necessary, reasonable** and **allocable**
- Comply with the cost principles and federal award
- Be consistent with policies and procedures applying uniformly to federal and non-federal activities and costs
- Be consistently treated as either direct or indirect costs
- Be determined in accordance with GAAP
- Not be included or used to meet cost sharing / match requirements
- Be adequately **documented**
- **Be incurred during approved budget period (NEW)**

Necessary 200.404 (pg 155)

Cost is “generally recognized as ordinary and necessary for the operation of the non-federal entity or the proper and efficient performance of the federal award.”

- ❖ Is the cost included in your plan / grant application?
- ❖ Is it aligned with the goals of the program / grant?
- ❖ Does your agency have the capacity to use what you are purchasing?
- ❖ Is the staff knowledgeable regarding the program?

21st CCLC Allowability Under ESSA



What is the Purpose?

- Sec. 4201: To establish or expand *community learning centers* that provide students with:
 - Academic enrichment opportunities along with activities designed to complement the students' regular academic program (helping to meet challenging State academic standard).
 - Must also offer families of eligible students literacy and related educational development

Local Activities

Sec. 4205

- Academic enrichment learning programs, mentoring programs, remedial education activities, and tutoring services, that are aligned with—
 - The challenging State academic standards and any local academic standards; and
 - Local curricula that are designed to improve student academic achievement.

Local Activities

Sec. 4205

- Well-rounded education activities, including such activities that enable students to be eligible for credit recovery or attainment;
- Literacy education programs, including financial literacy programs and environmental literacy programs;
- Programs that support a healthy and active lifestyle, including nutritional education and regular, structured physical activity programs.



Well Rounded Education Sec. 8101 (52)

- Well-rounded education
 - English, reading or language arts, writing
 - **science, technology, engineering, mathematics,**
 - **computer science,**
 - foreign languages,
 - civics and government,
 - economics,
 - arts, music
 - history, geography,
 - **career and technical education,**
 - health, physical education, and
 - others as designated by State/LEA

Local Activities

Sec. 4205

- Services for individuals with disabilities;
- Programs that provide after-school activities for students who are English learners that emphasize language skills and academic achievement;
- Cultural programs;
- Telecommunications and technology education programs;
- Expanded library service hours;
- Parenting skills programs that promote parental involvement and family literacy;

Local Activities

Sec. 4205

- Programs that provide assistance to students who have been truant, suspended, or expelled to allow the students to improve their academic achievement;
- Drug and violence prevention programs and counseling programs;
- Programs that build STEM skills, including computer science, and that foster innovation in learning by supporting nontraditional STEM education teaching methods;



Local Activities Sec. 4205

- Programs that partner with in-demand fields of the local workforce or build career competencies and career readiness and ensure that local workforce and career readiness skills are aligned with the Carl D. Perkins Career and Technical Education Act of 2006 (20 U.S.C. 2301 et seq.) and the Workforce Innovation and Opportunity Act (29 U.S.C. 3101 et seq.).

21st CCLC Fiscal Rules: Supplement Not Supplant

- 21st CCLC funds can be used to supplement, but in no case supplant, Federal, State, local funds or other non-federal funds.



Presumption Rebutted!



- If entity can demonstrate it would not have provided services if the federal funds were not available
- NO non-federal resources available this year!



Equitable Services

- 21st CCLC participants receiving funds must provide equitable services to private schools (§ 8501)
- The education agency must provide “timely and meaningful” consultation
- Timely
 - *Before* LEA makes any decisions
- Meaningful
 - Genuine opportunity for parties to express their views
 - Views seriously considered

Consultation (cont.)



- Consultation must include:
 - ❖ How private school's students' needs will be identified
 - ❖ What services will be offered
 - ❖ How, where, and by whom the services will be provided
 - ❖ How the services will be assessed and how the results of the assessment will be used to improve services
 - ❖ The size and scope of services
 - ❖ How and when the agency will make decisions about the delivery of services


Equitable Services

- Guidance (F-16):
 - A public school or other public or private organization must provide equitable services to private school students, and their families.
 - Grantees must consult with private school officials during the design and development of the 21st CCLC program on issues such as how the children's needs will be identified and what services will be offered.
 - Services and benefits provided to private school students must be secular, neutral, and non-ideological.

Reasonable 200.404

Consideration must be given to:

- Whether cost is a type generally recognized as ordinary and necessary for the operation of the non-Federal entity or the proper and efficient performance of the Federal award;
 - Arms length bargaining (hint: procurement processes);
 - Federal, state and local laws; and
 - Terms of the grant award.
- Market Prices for comparable goods or services in the geographical area
- Whether the individuals acted with prudence under the circumstances
- No significant deviation from established prices.



Allocable 200.405 (pg 155)

- ❖ A cost is allocable to a Federal award or cost objective if the goods or services involved are chargeable or assignable in accordance with relative benefits received.
 - Incurred specifically for the award;
 - Benefits both award and other work and can be distributed in proportions that may be approximated using reasonable methods; and
 - Necessary to the overall operation of the entity and assignable to the award in accordance with this Part.

- ❖ Can only charge in proportion to the value received by the program
 - Example: Agency purchases a computer to use 50% on the Federal grant program and 50% on a state program – can only charge half the cost to the grant.

Applicable Credits 200.406 (pg 155)

- ❖ Those receipts or reduction-of-expenditure type transaction that offset or reduce expense items – must be credited to the Federal award as either cost reduction or cash refund, as appropriate.
- ❖ Examples: purchase discounts, rebates or allowances, recoveries or indemnities on losses, insurance refunds or rebates, adjustments of overpayments

Direct vs. Indirect 200.413(c) (pg 157)

- Salaries of administrative and clerical staff should be treated as “indirect” unless all of following are met:
 - Such services are integral to the activity
 - Individuals can be specifically identified with the activity
 - Such costs are explicitly included in the budget
 - Costs not also recovered as indirect

Program Income

2 CFR §§ 200.1 & 200.307



Program Income - Definition

- 2 CFR § 200.1:

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 except as provided in §200.307 paragraph (f). (*emphasis added*)

Program Income Examples

- 200.1: Not an exhaustive list
 - Fees for services performed,
 - Fees for the use or rental of real or personal property acquired under federal awards,
 - 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



What does ED say?

- June 2018 21st CCLC PowerPoint:
 - A simple definition of sub-recipient program income is -- revenue generated as a direct result of the federal award and that is in addition to the federal funds provided by the State through its competitive subgrant application process.
 - Likewise, program income for a State program is revenue generated by the State as a direct result of the federal award and that is in addition to the federal funds provided by ED.
 - <https://www2.ed.gov/programs/21stcclc/21stcclc-program-income-parent-fee-presentation.pdf>

What is NOT Program Income?

- 200.1:
 - Rebates, credits, discounts, and interest earned on any of them (would be considered an applicable credit under 200.406).
 - Interest earned on advances of federal funds (see 200.305 on cash management).
- 200.307(c): Taxes, special assessments, levies, fines, and other such revenues raised by a non-federal entity.
- 200.307(d): Proceeds from the sale of real property, equipment, or supplies

PI After Period of Performance

- 200.307(f):
 - Unless specified in the award or program regs, there are no federal requirements governing the disposition of income earned after the end of the period of performance.
 - Federal awarding agency may negotiate agreements with recipients regarding appropriate uses of income earned after the period of performance as part of the grant closeout process.



The Cost of Doing Business

- 200.307(b): If authorized by regulations or the award, costs incidental to the generation of program income may be deducted from gross income to determine program income, provided these costs have not been charged to the federal award.
 - Prior approval

Program Income Under the UGG

- 2 CFR § 200.307(a): Non-federal entities are encouraged to earn income to defray program costs where appropriate.
- But grantees and subrecipients must be careful not to violate other rules & cost principles while generating program income



Program Income Considerations

- Participant Fees (if allowable): Cannot exclude those participants unable/incapable of paying nominal fee (21st CCLC).
- Renting Out Federally-Purchased Equipment: Cannot charge a fee that is less than private companies charge for equivalent services unless specifically authorized. (2 CFR § 200.313(c)(3))



Generating Program Income

- Underlying Activity Must be Allowable (200.403):
 - Necessary, Reasonable, Allocable
 - Conform with Federal, State, and Local Rules
 - Consistently Treated
 - Determined in Accordance with GAAP
 - NOT used to meet Cost Sharing or Match*
 - Net Applicable Credits under 200.406
 - Adequately Documented
- Prior Approval (200.407)



Program Income Use: Deduction

- Deduction (default, except for IHEs and nonprofit research institutions):
 - Must be deducted from total allowable costs to determine the net allowable costs.
 - Must be used for current costs unless the federal awarding agency authorizes otherwise.
 - Must be used to reduce the federal award and non-federal entity contributions rather than to increase the funds committed to the project.

Deduction Example

- Non-federal entity has \$100,000 available for obligation.
- Entity earns \$10,000 in program income
 - Must expend \$10,000 before requesting reimbursement
 - Now has \$90,000 available for obligation

Use: Addition

- With **prior approval** of the federal awarding agency:
 - May be added to the federal award by the federal agency and the non-federal entity.
 - Must be used for the purposes and under the conditions of the federal award.
- Default for IHEs and nonprofit research institutions

Addition Example

- Non-federal entity has \$100,000 available for obligation.
- Entity earns \$10,000 in program income
 - Must still expend \$10,000 before requesting reimbursement
 - Still has \$100,000 available for obligation
- Dependent on prior approval

PI Use: Cost Sharing or Matching

- With prior approval of the federal awarding agency:
 - May be used to meet the cost sharing or matching requirement of the federal award.
 - The amount of the federal award remains the same.

Auditing Program Income

- OMB Compliance Supplement (Section 3-J)
 - Identification – Review rules and inquire of management and review accounting
 - Determination/Assessment – Test for proper determination and calculation
 - Record – Verify all PI was properly recorded
 - Use – Test to see if income was used properly





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