



Playing by the Rules

A Handbook for CDBG Subrecipients on Administrative Systems

March 2005



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CDBG Projects

**Community Services, Housing, and
Community Development Department**

**Community Development Block Grant
(CDBG) Program**

Playing by the Rules

A Handbook for CDBG Subrecipients on Administrative Systems



U.S. Department of Housing and Urban Development
Office of Community Planning and Development
Community Development Block Grant Program

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COMMUNITY SERVICES, HOUSING, AND COMMUNITY DEVELOPMENT DEPARTMENT
Kathleen Torella, Director

Congratulations on being selected as a subrecipient to receive Community Development Block Grant (CDBG) funds from the U.S. Department of Housing and Urban Development (HUD). The Spokane County CDBG funds from HUD, as an entitlement, are based on a national formula allocation. Through subrecipients, the County funds eligible activities that address public services, infrastructure, affordable housing, public facility, economic development, and other needs of low-income persons throughout Spokane County. Subrecipients may be cities, special purpose districts, not-for-profits, and other organizations.

This packet was developed to ensure that the activities described in Spokane County's Consolidated Plan, Annual Action Plan(s), and amendments are carried out in a timely manner, within the approved budget and scope of work and in compliance with county and federal requirements.

The basis for the relationship between Spokane County and the subrecipient is a written agreement signed, prior to the start of the CDBG funded activity, by the Chair of the Board of County Commissioners (BOCC) and an authorized representative for the subrecipient organization. The agreement contains a scope of work, a period of performance, an amount of consideration, references to applicable federal requirements, and a project timeline. Included in Exhibit "A" in each subrecipient agreement is the grant application from the subrecipient. The subrecipient will plan, administer, and implement the project as described in the updated grant application.

The handbook, *Playing by the Rules*, describes the regulations that apply to internal management, financial systems of subrecipients, and their responsibilities to document and report their CDBG-funded activities. This handbook was designed to help you understand the requirements that apply to the use of federal funds for the delivery of CDBG programs and activities.

You will receive an email that will include your invoice, as well as a signature authorization letter template. The signature authorize letter will need to be completed and sent in prior to your first billing. All other pertinent documents for CDBG will be available for download on our website at <http://www.spokanecounty.org/4134/CDBG-Subrecipient-Management-Document>.

Each subrecipient will be assigned a staff member from the Community Services, Housing, and Community Development Department (CSHCD), who serves as the organization's principal contact within the department. This staff member will monitor the progress of the project throughout the period. This will be done by monitoring the required reports, approving requests for funds, and ensuring that the other required submittals, such as labor compliance paperwork, professional services agreements, etc., are in the file. If you are selected for Program Monitoring, based on our Risk Assessment, you will be given a 30-day advanced notice. A monitoring check list will be emailed to you prior to our visit.

Thank you for your participation in the CDBG Program. Without you, the program could not exist. Please use the handbook and the assistance of staff to properly implement and ensure a successful project.

Sincerely,

Kathleen Torella
Director



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PROLOGUE: A MESSAGE TO CDBG SUBRECIPIENTS

As Community Development Block Grant (CDBG) subrecipients, you are an indispensable part of the CDBG Entitlement program. You provide grantees and the U.S. Department of Housing and Urban Development (HUD) with assurance that the diverse communities, groups, and individuals whom the CDBG program is intended to serve are in fact reached by the program. Your participation provides:

- Access to, and knowledge of, the specific neighborhoods and beneficiaries served by the program.
- Technical and managerial capabilities that might not otherwise be available to grantees.
- A mechanism for assuring citizen participation by involving the intended beneficiaries in the design and delivery of those services.

Without your continued involvement and support, the CDBG program could not address the broad range of needs in our communities. Whether you are a governmental agency, a non-profit organization, or a for-profit entity, HUD and the more than 1,000 CDBG Entitlement grantees count on you to make sure that needed services are delivered in a cost-effective way. This is not an easy task. Despite numerous accomplishments in program delivery, many of you have encountered administrative problems in achieving your mission; hence, the motive for this handbook.

Common Subrecipient Problems

The majority of difficulties experienced by subrecipients lay in the area of financial management, administrative systems, documentation, and record keeping. Many of these problems are attributed to:

- Limited experience in dealing with Federally-funded programs.
- Lack of adequate staffing or financial resources available on a consistent basis.
- Limited understanding about how to meet the complex administrative requirements that must be satisfied in using Federal funds for CDBG activities.
- Limited oversight, communication, or management support from grantees.

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Subrecipient Responsibilities

You and your grantees share joint responsibility for carrying out permitted activities in conformance with applicable Federal requirements. Grantees and subrecipients are partners. Both partners must accept the fact that there is no such thing as a “free lunch.” In return for Federal funding, grantees and subrecipients agree to comply with the laws and regulations governing the use of those funds. A central principle is that most of the Federal requirements imposed on the grantee are passed along to you, the subrecipient. As more experienced subrecipients can attest, the more you know about the rules, the more efficient you can be in designing and conducting your activities. Playing by the rules does not detract from your performance; it enhances it (and enables you to continue receiving funds).

Regulatory compliance and performance go hand-in-hand. Performance measurement is an effective management technique that enables grantees to analyze the benefits of their investments. It is a mechanism that tracks the progression of projects and evaluates their overall program effectiveness. The CDBG program requires that each grantee submit a performance and evaluation report concerning the use of CDBG funds, together with an assessment of the relationship of the use of funds to the objectives identified in the grantee’s Consolidated Plan. Subrecipients should also establish goals and measure their performance in a manner consistent with the grantee’s performance measurement system.

In using Federal funds, the cardinal rule is: **documentation**. The achievement of program goals and the completion of activities must be supported by adequate documentation of the facts. If your activities, personnel, procedures, expenditures, and results are not documented properly, from the Federal Government’s perspective, you have not done your job, *regardless of your accomplishments*. Appropriate records are the lifeblood of all successful CDBG agencies.

Finally, successful CDBG programs depend upon the commitment of grantees and subrecipients to **effective management practices**. These include: (1) supporting cooperative, problem-solving relationships among HUD, grantees, and subrecipients; (2) working toward continuous improvement in regulatory compliance and timely program performance; (3) maintaining open and frequent communications among all participants; and (4) focusing on preventing problems first, rather than curing them later. Such a commitment to effective management will assure that the “minimum requirements” specified in the handbook and the training do not become “maximums” for either grantees or subrecipients.

This handbook is designed to help you understand the administrative requirements that apply to the use of Federal funds for the delivery of CDBG programs and activities. Not surprisingly, you will find the bulk of these requirements reflect common sense and good business practices, like balancing your checkbook or shopping for the lowest price. We hope that what you learn from this handbook about meeting CDBG administrative requirements will save you from major headaches later on.

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You will also recognize that most of the standards presented in this handbook represent the *minimum requirements* prescribed by Federal regulations, not *optimum* or *maximum*. Therefore, we hope your agency will resist the temptation to allow these standards to become “maximums” for its activities, but rather, will seek to use these regulations as a path to optimum performance and full achievement of all your goals.

This handbook had not been updated since its first printing in 1993. The changes currently being made reflect the incorporation of OMB Circulars A-102 and A-110 into the HUD Common Rule at 24 Code of Federal Regulations (CFR) Parts 84 and 85, as well as changes to the CDBG regulations that were made between 1993 and 2003. *(2015 Update: 24 CFR Parts 84 and 85 have now been codified at 2 CFR Part 200 – The Uniform Grants Guidance. All OMB Administrative, Cost and Audit Circulars have been incorporated into the code of Federal regulations at 2 CFR Part 200).*

Experience has shown that activities undertaken by subrecipients are potentially high risk. Many subrecipients have excellent intentions but use volunteers or inexperienced staffs who don't know Federal requirements. In our efforts to promote timely expenditure of CDBG funds, we also found that delays in subrecipient activities were a cause for grantee failure to comply with the timeliness requirements at 24 CFR 570.902.

Over 10 years have passed since CPD first issued the three related publications dealing with subrecipients. This material is now being updated because in the intervening years, some administrative requirements have changed, grantees and subrecipients have experienced staff turnover, and new subrecipients are participating in the program. It is again time to focus grantees' attention on their responsibilities for subrecipient oversight and to encourage entitlement communities to take a fresh look at their internal processes for subrecipient selection, training, management, and monitoring.

This is an opportunity for grantees to distribute copies of Playing by the Rules to all their subrecipient organizations and to conduct training for both grantee and subrecipient staff, using the newly issued Training CDBG Subrecipients in Administrative Systems as a guide. Because both these publications are available from the HUD Web site*, it has been made easier for grantees to distribute materials and to conduct this training. In addition to promoting program compliance, the sound management practices advocated in these publications can also serve to facilitate the development of performance measures for project implementation. Such actions will result in improved delivery of CDBG programs to the intended program beneficiaries, the low- and moderate-income residents of the community.

*<http://www.hud.gov/offices/cpd/communitydevelopment/library/index.cfm>

CHAPTER 1.0: INTRODUCTION

The purpose of this handbook is to provide subrecipients of CDBG Entitlement funds with an explanation of the basic administrative requirements of the CDBG program. A “**subrecipient**” is a public agency, a private non-profit organization, in some circumstances a Community-Based Development Organization (CBDO), or perhaps even a for-profit entity that has been provided CDBG funds by the local “grantee” (the city or county) to carry out agreed upon activities that are eligible under the Federal regulations. While you may not technically meet the CDBG definition of a “subrecipient,” your grantee may want to treat you like one to achieve its own objectives. In the administration of its CDBG funds, each subrecipient must meet the administrative requirements covered in this handbook.

The CDBG Entitlement program for metropolitan cities and urban counties is a “block grant” program. Through the block grant approach, the Federal Government offers localities a great deal of flexibility in the way they may use their funds, and in the activities they support, either directly or through subrecipients.

Since the start of the CDBG program over 30 years ago, HUD has issued numerous rules and regulations governing the program to ensure that the intent and requirements of the law are fulfilled, and that the opportunities for fraud, waste, mismanagement, and abuse of program resources are minimized. Although the regulations cover administrative and program requirements for both grantees and subrecipients, **this handbook is primarily concerned with:**

- The regulations that apply to internal management and financial systems of subrecipients; and
- Subrecipients’ responsibilities to document and report their CDBG-funded activities.

The administrative systems that are the subject of this handbook are *critical* to a subrecipient’s ability to comply with CDBG program requirements. For example, a non-profit organization may indeed be providing highly effective public services to its low-income clientele; but it is only through its record-keeping and financial systems that the subrecipient will be able to justify its use of CDBG funds by showing that the activities were both eligible and consistent with its Subrecipient Agreement with the grantee, and that its expenses were appropriate and allowable under the program guidelines.

For those subrecipient organizations having little prior experience with Federal grant programs, the complexity of regulations that mandate specific procedures (“means”) for achieving program objectives (“ends”) can be daunting. The emphasis on specific procedures and extensive record keeping may appear on the surface to be bureaucratic red tape. However, many of the required systems and procedures are based on widely-accepted standards for good business practices that

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are extensively observed in the private sector. They are also designed to help ensure that every entity administering CDBG funds has basic management controls and financial safeguards in place to reduce the likelihood of mismanagement in the use of public funds. With the oversight and analytic capacity that these systems provide, many program managers find they are able to adjust their operations continuously and improve their performance on a regular basis.

1.1 How to Use This Handbook

This Handbook is organized into chapters corresponding to particular components of a subrecipient's administrative operations:

- Financial Management (Chapter 2.0).
- Procurement and Contracting (Chapter 3.0).
- Property Management and Disposition (Chapter 4.0).
- Record-Keeping and Reporting Requirements (Chapter 5.0).
- Other Administrative and Program Requirements (Chapter 6.0).
- Audits (Chapter 7.0).
- Closeout (Chapter 8.0).

Each chapter begins with a brief explanation of the underlying management principles that apply to that facet of program administration, followed by the basic standards that must be met as specified in the applicable regulations or circulars.

It is important to note that sometimes differences exist in the specific requirements for governmental versus nongovernmental subrecipients. In such cases, the set of requirements that is generally more stringent or detailed is described first and then any exceptions to such rules are discussed.

2 CFR Part 200.

To the extent feasible, performance standards have been listed in order from the most basic requirements to the most specialized. This has been done to facilitate use of the handbook as a checklist for building administrative systems “from the ground up,” and/or for reviewing existing systems for their adequacy in meeting the standards.

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Subrecipients (and grantees) are cautioned to use this handbook as a supplement to, not a replacement for, the applicable regulations. It is assumed that the reader has access to, or copies of, the basic regulations identified in Section 1.2, which follows. Over time, use of the handbook as a reference tool should help the recipient de-mystify the regulations and become more familiar with the requirements of the CDBG program. This knowledge, in turn, should assist the subrecipient avoid the pitfalls (and penalties) of noncompliance.

Readers of this handbook may notice some duplication from chapter to chapter. This reflects the overlap that occasionally occurs in the regulations themselves and was retained in the text to minimize the amount of cross-referencing.

1.2 Summary of Principal Regulations Governing CDBG Administrative Systems

The key regulations that form the basic administrative requirements of the CDBG Entitlement program are summarized here to acquaint the reader with the various sources for the following standards described throughout the remainder of this handbook. At the end of this chapter, Exhibit 1–1 describes the regulatory framework for the CDBG program. Regulations are developed in response to, or in fulfillment of, Federal statutes that govern the CDBG Entitlement program, both those specific to the CDBG program and those addressing other Federal laws or policies that apply to the CDBG program (e.g., National Environmental Policy Act, Americans with Disabilities Act, Davis-Bacon Act).

The basic program regulations governing management and financial systems for the CDBG program are contained in **24 CFR Part 570, Subparts J and K**. They are applicable both to grantees and subrecipients in the public and private sectors:

- a) **Subpart J (24 CFR 570.500–570.513)** addresses general responsibilities for grant administration, including the applicability of uniform administrative requirements, provisions of Subrecipient Agreements, program income, use of real property, record keeping and reporting, and closeout procedures.
- b) **Subpart K (24 CFR 570.600–570.613)** deals with other program requirements of the CDBG program, including civil rights; labor standards; environmental standards; flood insurance; relocation; displacement; acquisition; employment and contracting opportunities; lead-based paint; use of debarred, suspended, or ineligible contractors; uniform administrative requirements and cost principles; and conflicts of interest.

In addition to the basic regulations of the CDBG program contained in 24 CFR Part 570, there are three other categories of requirements that affect the administrative systems and procedures subrecipients must have in place to receive support:

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- Federal regulations governing administrative and audit requirements for grants and cooperative agreements (governmental subrecipients) for which HUD has oversight responsibilities.
- Administrative circulars from the Office of Management and Budget (OMB) and Department of the Treasury governing cost principles, administrative systems, fiscal procedures, and audit requirements for grantees and subrecipients.
- Executive Orders from the Office of the President implementing various equal employment opportunity and environmental policies.

The applicability of these administrative requirements depends upon the public or private status of the organization receiving funds. *2 CFR Part 200*.

24 CFR Part 84 (Now 2 CFR Part 200) “Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-profit Organizations”²: These regulations implement OMB Circular A-110 and specify standards relative to cash depositories, bonding and insurance, retention and custodial requirements for records, financial management systems, monitoring and reporting on performance, property management, and procurement.

OMB Circular A-122 (Now 2 CFR Part 200) “Cost Principles for Non-profit Organizations”: A publication of OMB, this document establishes principles for determining costs that are allowed to be charged to Federal grants, contracts, and other agreements with non-profit organizations (except educational institutions). The principles are designed to ensure that the Federal Government will bear its fair share of costs except where restricted or prohibited by law.

OR,

OMB Circular A-21 (Now 2 CFR Part 200) “Cost Principles for Educational Institutions”: This document covers much of the same subject matter as OMB Circular A-122, only it is aimed at educational institutions (public and private).

AND,

OMB Circular A-133 (Now 2 CFR Part 200) “Audits of States, Local Governments and Non-profit Organizations”: This circular defines audit requirements for both governments and non-profits receiving Federal funds. The document addresses mandated frequency and scope of audits, allowability of audit costs, and the process of auditor selection.

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For “governmental subrecipients” (*a public agency that is independent of the grantee government, such as a public housing authority, parks commission, or a jurisdiction cooperating with an urban county CDBG grantee³*), the key administrative requirements are: (*Update 2015: All regulations at 24 CFR Parts 84 and 85, and OMB Circulars are now codified at 2 CFR Part 200*).

24 CFR Part 85 (Now 2 CFR Part 200) “Uniform Administrative Requirements for Grants and Cooperative Agreements to State, Local, and Federally-recognized Indian Tribal Governments” (also known as “the Common Rule”)¹: For governmental entities and public agencies, Part 85 of Title 24 of the CFR details standards for financial management systems, payment, allowable costs, property management, procurement, monitoring and reporting program performance, financial reporting, record retention, and termination.²

OMB Circular A-87 (Now 2 CFR Part 200) “Cost Principles for State and Local Governments”: For governmental entities receiving CDBG or other Federal funds, this document is the equivalent of OMB Circular A-122. The circular establishes the principles for determining the allowable costs of programs administered by public entities under grants or contracts from the Federal Government. The principles are designed to provide the basis for a uniform approach to determining costs and to promote efficiency.

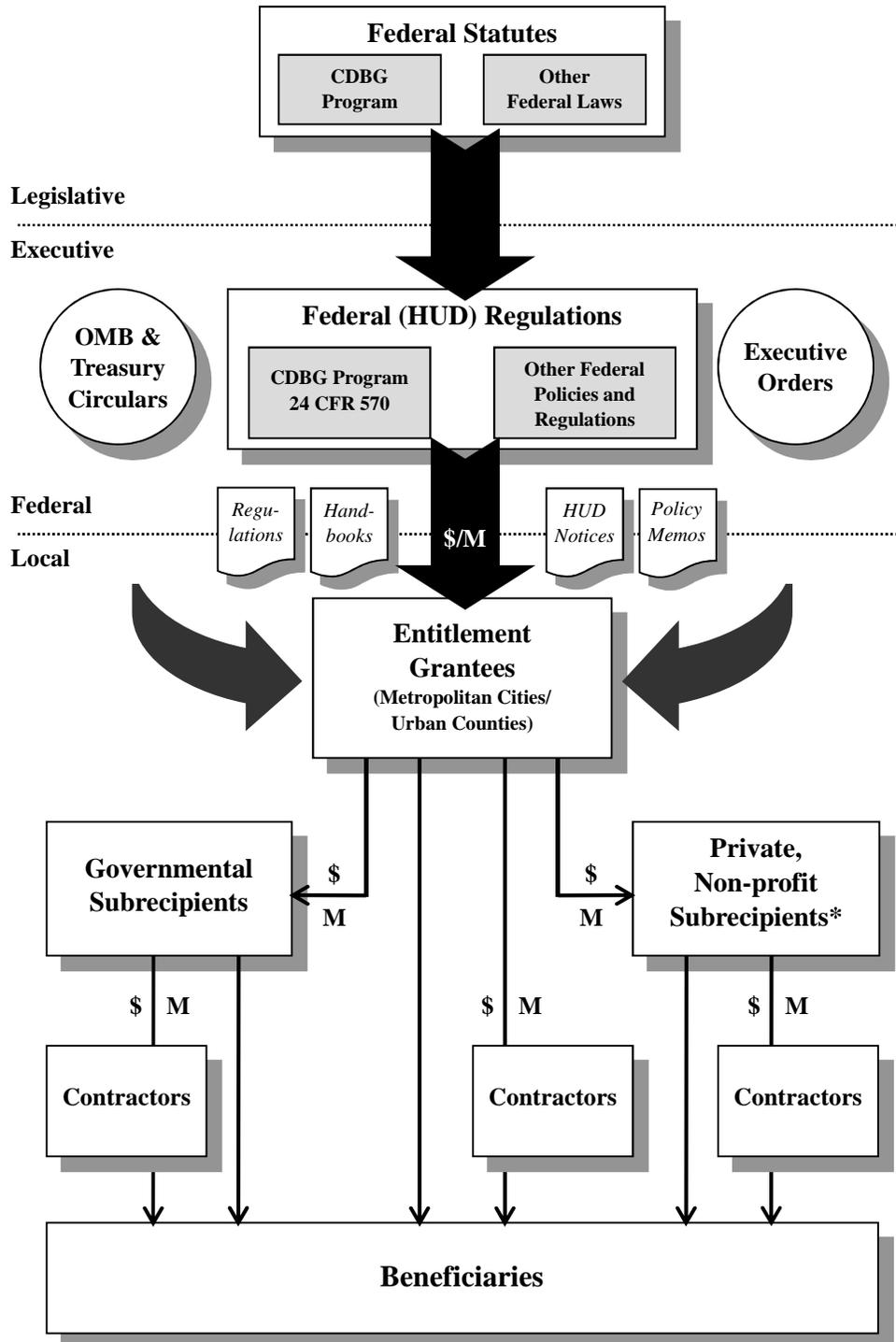
OMB-133 (Now 2 CFR Part 200) “Audits of State, Local Governments and Non-profit Organizations”:

For state and local governments which receive Federal aid, this document describes audit requirements, including frequency and scope of audit, audit standards, and auditor selection procedures.

The above referenced sections of Title 24 regulations and OMB circulars may be accessed at the HUD Web site at <http://www.hudclips.org/cgi/index.cgi>.

³Under the CDBG program, participating units under an urban county are considered to be part of the grantee; however, the grantee is responsible for applying the same requirements to these participating jurisdictions as are applicable to subrecipients.

Exhibit 1-1: Regulatory Framework for CDBG Entitlement Program



\$=Funds provided. M=Monitoring required. *Includes §204(c)(2) for-profit CBDOs.

CHAPTER 2.0: FINANCIAL MANAGEMENT

When subrecipients first begin providing services under the CDBG program and drawing down funds, few have financial systems in place that meet all pertinent Federal requirements. For many of you, putting together a financial system both that serves your needs and meets Federal requirements may have been a matter of trial and error. This kind of “ad hoc” approach is dangerous, however, because you may not find out about the inadequacies of your system until it is too late, such as when you run into a major problem with an overspent budget or a serious audit finding.

This chapter provides you with a summary of the required elements of financial systems for managing Federal funds. Before you plunge into the details of the Federal requirements, you may want to ask yourself the following eight sets of questions to find out if there are *particular* areas where you may need help.

- 1) Internal controls:** Does your agency have a written set of policies and procedures that define staff qualifications and duties, lines of authority, separation of functions, and access to assets and sensitive documents? Does your agency have written accounting procedures for approving and recording transactions? Are financial records periodically compared to actual assets and liabilities to check for completeness and accuracy?

- 2) Accounting records:** Does your agency maintain an adequate financial accounting system, the basic elements of which should include: (a) a chart of accounts, (b) a general ledger, (c) a cash receipts journal, (d) a cash disbursements journal, (e) a payroll journal, (f) payable and receivable ledgers, and (g) job cost journals (if involved in construction)? Does your accounting system provide reliable, complete, and up-to-date information about sources and uses of all funds? Are “trial balances” performed on a regular basis (at least quarterly)?

- 3) Allowable costs:** Does your agency have a clearly defined set of standards and procedures for determining the reasonableness, allowability, and allocability of costs incurred that’s consistent with the basic Federal rules (2 CFR Part 200)? Does your agency know which specific types of expenditures are prohibited under the CDBG program? Does your agency have an approved indirect cost allocation plan?

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- 4) Source documentation:** Does your agency maintain up-to-date files of original source documentation (receipts, invoices, canceled checks, etc.) for all of your financial transactions, including those involving obligations incurred and the use of CDBG program income?
- 5) Budget controls:** Does your agency maintain an up-to-date (approved) budget for all funded activities, and perform a comparison of that budget with actual expenditures for each budget category? Does your agency regularly compare progress toward the achievement of goals with the rate of expenditure of program funds?
- 6) Cash management:** Does your agency have a regular procedure for accurately projecting the cash needs of the organization that will serve to minimize the time between the receipt of funds from the grantee and their actual disbursement? Can your agency ensure that all CDBG program income is used for permitted activities, and that such program income is used before further drawdowns are made from the grantee for the same activity?
- 7) Financial reporting:** Is your agency able to provide accurate, current, and complete disclosure of the financial results of each Federally-sponsored project or program in accordance with the reporting requirements of the grantee and HUD?
- 8) Audits:** When was your last Independent Public Accountant (IPA) audit and what were the results? Does your agency have a copy of the management letter?

If your answer is “yes” to all of these questions, then your agency has established a laudable degree of control over its financial affairs. If you were not able to give an affirmative answer to all of the questions in the preceding section, then this chapter will help you to understand the minimum Federal requirements for financial management and to identify where your systems need strengthening. Once these areas have been identified, you can work with your financial staff, your auditor and/or your grantee to develop the systems and expertise you need to gain control of your agency’s financial affairs and meet the Federal requirements.

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AS YOU READ THIS CHAPTER, THINK ABOUT ...

1. Checking your systems against the standards described here.
2. Reviewing the capabilities of your current bookkeeping or accounting staff to fulfill their responsibilities under these requirements and listing the areas where they may need support.
3. Talking to your present accountant/auditor to find out if he or she has fully evaluated the adequacy of your systems and is familiar with the requirements outlined here.
4. Getting the names of people to contact in your grantee's agency (e.g., city or county Community Development agency) who can answer questions and help you strengthen your systems.
5. Paying attention to any warning signs that may signal a need for help (for example, unexplained expenditures, unrecorded program income, expenditures occurring much more rapidly than progress is attained.)

2.1 Overview

The requirements for financial management systems and reporting are found in **2 CFR Part 200 for governmental subrecipients¹** and in **2 CFR Part 200 as amended by 570.502**, for non-profit subrecipients. The purpose of these requirements is to ensure that a subrecipient receiving Federal funds has a financial management system sufficient to:

- a) Provide effective control over and accountability for all funds, property, and other assets.
- b) Identify the source and application of funds for Federally-sponsored activities, including verification of the “reasonableness, allowability, and allocability” of costs and verification that the funds have not been used in violation of any of the restrictions or prohibitions that apply to this Federal assistance.
- c) Permit the accurate, complete, and timely disclosure of financial results in accordance with the reporting requirements of the grantee or HUD.
- d) Minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by the subrecipient.

The Federal regulations provide specific requirements in connection with the eight areas previously identified in this chapter, namely, internal controls, accounting records, allowable costs, source documentation, budget controls, and cash management, financial reporting, and audits. The first seven areas are discussed in Sections 2.2 to 2.8. Auditing standards are described separately in Chapter 7.0.

2.2 Internal Controls (see 2 CFR Part 200)

The soundness of any organization’s financial management structure is determined by its system of internal controls. **“Internal controls” consist of a combination of procedures, specified job responsibilities, qualified personnel, and records that together create accountability in an organization’s financial system and safeguard its cash, property, and other assets.** Through its system of internal controls, an agency’s management can ensure that:

- Resources are used for authorized purposes and in a manner consistent with applicable laws, regulations, and policies.

¹ Paragraph (a) of 24 CFR 85.20, however, does not apply to subrecipients, but only to states that are recipients of Federal funds. (Per 570.502(a)(4)).

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- These resources are protected against waste, mismanagement, or loss.
- Reliable information on the source, amount, and use of resources are secured, up-to-date, and recorded.

Accordingly, some of the basic elements that a subrecipient should consider in developing its system of internal control include:

- An ***organizational chart*** setting forth the actual lines of responsibility of individuals involved in approving or recording financial transactions.
- ***Written definition of the duties*** of key employees.
- ***A formal system of authorization and supervision*** sufficient to provide accounting control over assets, liabilities, receipts, and expenditures. This should include:
 - Maintenance of a policy manual specifying approval authority for financial transactions and guidelines for controlling expenditures.
 - Written procedures for the recording of transactions as well as an accounting manual and a chart of accounts (see Accounting Records, in the following section).

The system of authorizations should provide a way for management to ensure supervisory approval of transactions and documentation of these transactions for accounting purposes. A system of authorizations can be general, as in a procedures manual that explains how accounting functions are to be performed, or very specific, as in identifying who has the authority to sign a contract on behalf of the organization or to sell a piece of equipment.

- Adequate ***separation of duties***, so no one individual has authority over an entire financial transaction. Separation of duties specifically involves the separation of three types of functional responsibilities: (a) authorization to execute a transaction, (b) recording of the transaction, and (c) custody of the assets involved in the transaction. No one person should have control of more than one of these functional responsibilities.²

² It is often beneficial to have different individuals or even different departments handle the various steps in the processing of transactions. First, separation of functional responsibility results in cross-checking by the individuals involved, increasing the likelihood that errors will be discovered and corrected. Second, fraud is more difficult to carry out if it requires the collusion of two persons or more. In organizations with very limited staff, however, it may

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- Hiring policies to ensure that *staff qualifications* are commensurate with job responsibilities.
- ***Control over access to assets, blank forms, and confidential documents.*** Physical access to records, blank forms, cash, and other assets should be limited to authorized personnel only. For example, access to accounting records should be limited to only those individuals having record-keeping or supervisory responsibility for them.
- Periodic ***comparisons of financial records to actual assets and liabilities (reconciliation)***, with corrective action taken in response to any discrepancies. As with separation of duties, this is a crucial exercise to uncover and correct inadvertent record-keeping errors in a timely manner. It is also essential for identifying potential weaknesses in an organization's system for safeguarding resources as well as possible instances of fraud or misuse of assets.

2.3 Accounting Records (see 2 CFR Part 200)

Subrecipients are required to have ***accounting records that adequately identify the source and application of CDBG funds*** provided to them. To meet this requirement, a subrecipient's accounting system should include at least the following elements:

- ***A chart of accounts.*** This is a list of names and the numbering system for the individual accounts that contains the basic information about particular classifications of financial transactions for the organization. Accounts are created and, in turn, used to summarize the financial transaction data, according to some common characteristics. For example, a typical chart of accounts might have separate account categories for describing assets (cash in a checking account, accounts receivable, prepaid insurance, etc.); liabilities (loans, accounts payable, obligated funds, etc.); revenue (drawdowns from CDBG awards, cash contributions, proceeds from sales, other program income, etc.); and expenses (rent, wages, heat, telephone, etc.).
- ***A cash receipts journal.***³ This journal documents chronologically when funds were received, in what amounts, and from what sources.

be difficult to achieve optimal separation of duties. In such instances, the most critical functional areas are separation between custody for cash, record keeping for cash, and control of assets easily converted to cash.

³ A journal is a chronological record of transactions showing the charges to be recorded as a result of each transaction. Every transaction is initially recorded in a journal. Therefore, a journal is called a record or book of original entry. Each entry in the journal states the names of the individual accounts to be debited and credited, the dollar amount of each debit and credit, the date of the transaction, and any other necessary explanation of the transaction. The act of entering a transaction in a journal is called "journalizing." Information for a journal entry can originate from a variety of sources, such as checks issued or received, invoices, cash register tapes, and time sheets.

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A cash disbursements journal. This journal documents chronologically the expenditures of the organization (e.g., when the expense was incurred, how much was spent, to whom funds were paid, and for what purpose).

- *A payroll journal.* This journal documents the organization’s expenses on salaries and benefits and distinguishes different categories for regulatory purposes.
- *A general ledger.* After a transaction is entered in a journal, that information also should be transferred to the proper accounts contained in the general ledger. The general ledger summarizes chronologically the activity and financial status of all the accounts of an organization. The process of transferring transaction information from a journal to a ledger is known as “posting.” The entries in the journal and ledger should be cross-indexed to permit the tracing of any recorded transaction (i.e., an “audit trail”).

Periodically, a “trial balance” is performed, to test the mathematical accuracy of the ledger and to prepare a statement of the financial position of an organization as of a particular date.

Sources and Uses of Funds

For the CDBG program, these *accounting records must contain reliable and up-to-date information* about the sources and uses of funds, including:

- Federal **grant awards** (or subgrant allocations) received by the organization.
- **Current authorizations and obligations** of CDBG funds.
- **Unobligated balances** (funds remaining available for distribution).
- **Assets and liabilities.**
- **Program income.**
- Actual **outlays or expenditures**, with further breakdowns by:

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- The grant program from which the funds are derived.⁴
- The “eligible activity” classifications specified in 24 CFR 570.201–570.206 (housing rehabilitation, economic development, public facilities, public services, etc.) or similar classifications which clearly indicate use of program funds for eligible activities.

Maintenance of Records

The internal control requirements provide for the **separation of duties** and the **secure storage** of accounting records in limited access areas. In maintaining these accounting records a subrecipient should also ensure that:

- Journal entries are properly approved and explained/supported.
- Posting and trial balances are performed regularly.
- Fidelity bond coverage is obtained for responsible officials of the organization.

The grantee may require the subrecipient to purchase additional fidelity bond coverage in cases where it believes the normal policy coverage is not sufficient to protect the interest of the Government.

2.4 Allowable Costs (see 2 CFR Part 200)

The standards for determining the reasonableness, allowability, and allocability of costs incurred as part of CDBG-financed activities are found at **2 CFR Part 200**.

According to basic guidelines contained within the Uniform Grant Guidance at 2 CFT Part 200, a *cost is allowable* under the CDBG program if:

1. The expenditure is *necessary, reasonable, and directly related to the grant*.

This standard applies equally to such items as salaries and administrative services contracts, as well as to real property and equipment purchases or leases, travel, and other administrative expenditures. In determining the reasonableness of a given cost, consideration shall be given to:

⁴ Subrecipients are encouraged, but not required by HUD, to identify expenditures by the specific grant.

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- a) Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the organization or the performance of the award.
 - b) The restraints or requirements imposed by such factors as generally accepted sound business practices, arm's length bargaining, Federal and state laws and regulations, and terms and conditions of the award.
 - c) Whether the individuals concerned acted with prudence in the circumstances, considering their responsibilities to the organization, its members, employees and clients, the public at large, and the Government.
 - d) Significant deviations from the established practices of the organization that may unjustifiably increase the award costs.
2. The expenditure has been *authorized by the grantee* (the city or county that provides the CDBG funds to the subrecipient), generally through approval of the budget for the activity.

For example, grantees generally are limited by HUD to obligating no more than 15 percent of any year's CDBG award on public services expenses. Therefore, in their agreement with a subrecipient, the grantee will stipulate how much the particular subrecipient will be allowed to obligate on such activities to keep the grantee's overall public services expenditures within the 15-percent ceiling. Any obligations by the subrecipient on such activities exceeding the approved amount may be disallowed by the grantee based upon the provisions of the Subrecipient Agreement.

3. The *expenditure is not prohibited* under Federal, state, or local laws or regulations.

For example, regulations at 2 CFR Part 200 explicitly prohibit expenditure of Federal funds for entertainment, contributions and donations, fines and penalties, and bad debts.⁵

In addition, the regulations specific to the CDBG program (at 24 CFR 570.207) prohibit the use of program funds for:

⁵ Regulations at 2 CFR Part 200 also prohibit expenditures on interest and other financial costs *except where authorized by legislation* as is the case under Section 105(a)(13) of Title I of the Housing and Community Development Act of 1974, as amended, which specifically identifies "reasonable ... carrying charges related to the planning and execution of community development and housing activities" as eligible costs under the CDBG program.

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- **Buildings used for the general conduct of government**
- **General governmental expenses**
- **Political activities**

This section of the program regulations also specifies that the following activities may *not* be assisted with CDBG funds *unless* authorized as a special economic development activity under 24 CFR 570.203, *or* when carried out by Community-Based Development Organizations (CBDOs) under the provisions of 24 CFR 570.204, or when the other special conditions noted in the following section after each category are met:

- **Purchase of construction equipment** (unless purchased for use as part of a solid waste disposal facility, which is eligible under 24 CFR 570.201(c)).
 - **Personal property, furnishings, fixtures, or motor vehicles** (unless these items constitute part or all of a public services activity under 24 CFR 570.201(e), are eligible as firefighting equipment under 24 CFR 570.201(c), or are necessary in the administration of activities assisted with CDBG funds).
 - **Operating and maintenance expenses** (except for expenses associated with public service, “In Rem,” and interim assistance activities, or office space for program staff employed in carrying out the CDBG program).
 - **New housing construction** (unless performed in accordance with the “last resort” housing provisions of 24 CFR Part 42, or carried out by a CBDO under Section 570.204).
 - **Income payments** (this prohibition does not preclude payments made under 24 CFR 570.201(n) to facilitate and expand homeownership by low- and moderate-income persons or emergency grant payments made over a period of up to 3 consecutive months to the provider of such items as food, clothing, housing, or utilities).
4. The *expenditure is consistently treated*, in the sense that the subrecipient applies generally accepted accounting standards in computing the cost, and utilizes the same procedures in calculating costs as for its non-Federally assisted activities.

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5. The *cost must be allocable to the CDBG program*. A cost is allocable to a particular cost objective (e.g., grant, program, or activity) in proportion to the relative benefits received by that objective. This means that:
 - If an office is utilized by two programs during the same hours, the costs of the office should be allocated between the two programs on an equitable basis.
 - The same expense cannot be claimed against more than one grant (i.e., double-billing is prohibited). In addition:
 - A cost originally allocable to a particular Federal grant program **cannot be shifted to another Federal grant program** to overcome funding deficiencies, to avoid restrictions imposed by the grant or by law, or for any other reasons.
 - In accordance with the guidance found at 2 CFR Part 200, the composition of direct and indirect costs must be clear. **Direct costs** must be identified specifically with a particular activity. **Indirect costs** are those incurred for common objectives that benefit more than one activity (e.g., salaries of executive officers, accounting and auditing, other costs of general administration). The subrecipient's indirect costs must be supported by an indirect cost proposal/cost allocation plan prepared in accordance with U.S. Department of Health and Human Services Circular OASMB-5 (for non-profit subrecipients) or OASC-10 (for governmental subrecipients).
6. The *cost is net of all applicable credits*. Any credits such as purchase discounts or price adjustments must be deducted from total costs charged. The subrecipient is not allowed to make a profit from any costs charged to CDBG funds.

2.5 Source Documentation

The general standard is that *all accounting records must be supported by source documentation (see 2 CFR Part 200)*. Supporting documentation is necessary to show that the costs charged against CDBG funds were incurred during the effective period of the subrecipient's agreement with the grantee, were actually paid out (or properly accrued), were expended on allowable items, and had been approved by the responsible official(s) in the subrecipient organization.

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The source *documentation must explain the basis of the costs incurred* as well as show the actual dates and amount of expenditures. For example:

- With respect to **payrolls**, source documentation should include employment letters and all authorizations for rates of pay, benefits, and employee withholdings. Such documentation might include union agreements or minutes from board of directors' meetings where salary schedules and benefit packages are established, copies of written personnel policies, W-4 forms, etc. For staff time charged to the CDBG program activity, **time and attendance records should be available**. If an employee's time is split between CDBG and another funding source, there must be time distribution records supporting the allocation of charges among the sources. Canceled checks from the employees, insurance provider, etc., or evidence of direct deposits will document the actual outlay of funds.
- With respect to the cost of **space and utilities**, space costs must be supported by documentation such as rental or lease agreements. Utility costs will be supported by bills from the utility companies. Both types of expenses will be supported by canceled checks. If the cost of space or utilities is split between the CDBG program and other sources, there must be a reasonable method in place to allocate the charges fairly among the sources, consistent with the guidelines covering allocable costs in Section 2.4.
- With respect to **supplies**, documentation would include purchase orders or requisition forms initiated by an authorized representative of the subrecipient, an invoice from the vendor (which has been signed-off by the subrecipient to indicate the goods were received), the canceled check from the vendor demonstrating payment was made, and information regarding where the supplies are being stored and for what cost objective(s) they are being used.

Some additional requirements related to source documentation include:

- All **source documentation** does not have to be located in the CDBG project files, but it must be **readily available for review by the grantee, HUD, or other authorized representatives at all times**. For example, employment letters and salary schedules are not likely to be maintained in a subrecipient's CDBG files but instead will be kept in the organization's central personnel files.
- The subrecipient must ensure that either (a) **an encumbrance/obligation is recorded** whenever a contract is signed or a purchase order is issued or (b) **up-to-date information on the status of all obligations** is otherwise readily accessible.

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- The subrecipient must maintain a complete, accurate, and up-to-date record of the receipt and use of CDBG-generated **program income**. (See Chapter 6.0.)

2.6 Budget Controls

Subrecipients must have procedures in place to monitor obligations and expenditures against their approved budget(s) for CDBG-funded activities. **Depending on the language of the Subrecipient Agreement, the grantee may be under no obligation to reimburse a subrecipient for expenditures that exceed approved budget line items or the overall budget for CDBG-assisted activities.** Therefore, the subrecipient needs to have an ongoing system to compare actual receipts, encumbrances, and expenditures with the CDBG budget to ascertain in a timely fashion **whether it will be necessary to initiate a formal budget revision**. In addition, since the budget reflects the subrecipient's best estimate of the resources necessary to accomplish the CDBG project scope of services, any pattern of line item overruns should prompt a careful re-assessment of whether the available resources will still be sufficient to achieve the agreed-upon objectives.

To compare and control expenditures to approved budgets, a subrecipient must:

- Maintain in its accounting records **the amounts budgeted for eligible activities**.
- **Include unexpended/unobligated balances** for budgeted categories, as well as obligations and expenditures.
- Periodically **compare actual obligations and expenditures to date against planned obligations and expenditures, and against projected accomplishments for such outlays**.

Obviously, these comparisons should be made on an ongoing basis, and not after a majority of funds have been committed. In addition, it is critical that subrecipients maintain a close watch over the progress achieved for the amount of funds expended. It does little good to stay within the budget line if the actual accomplishments lag far behind in terms of the units of service delivered.

2.7 Cash Management

Subrecipients are required to have procedures in place to minimize the time elapsed between receipt of funds from the grantee and the actual disbursement of those funds. This requirement is intended to curtail unnecessary drawdowns of CDBG funds (through the grantee) from the U.S. Treasury and minimize the cost of financing the CDBG program by the Federal Government.

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Grantees have two general methods available to transfer CDBG grant funds to subrecipients: the reimbursement method and the cash advance method.

- The **reimbursement method** entails a transfer of grant funds to the subrecipient **based on actual expenditures by the subrecipient before the request for funds.**
- **The cash advance method** involves the transfer of CDBG funds from the grantee based upon the subrecipient's request (and information on obligations) **before the actual cash disbursements have been made by the subrecipient.**

Both methods must be implemented in compliance with the cash management requirements. In accordance with 24 CFR 570.502(b)(3)(i), as applicable, and 31 CFR Part 205⁶, these requirements include:

- A subrecipient must include *accurate information in its drawdown request to a grantee*. This requirement is intended to address the intentional falsification of drawdown information. The Federal Government is also concerned that all subrecipients have adequate financial record-keeping systems in place to be able to determine reliably how much cash they have on hand and what their immediate cash needs will be.
- *Although there is no explicit regulation for cash advances, the general standard is that the subrecipient must disburse the funds to pay for CDBG program costs within 3 business days of the receipt of those funds from the grantee.* The subrecipient should also maintain written justification in its files for each instance in which disbursement of an advance took longer than a 3-day period.
- A subrecipient must *return erroneously drawn funds to the grantee in a timely fashion*. This applies to both advances and reimbursement payments when it is determined that the transfer resulted in more funds being drawn down than what was required by the subrecipient's immediate disbursement needs.

For example, if a subrecipient drew down CDBG funds in anticipation of the start of a public facilities project, and the project's commencement was delayed, the subrecipient is required to return the CDBG funds to the grantee and re-initiate the drawdown process at a later point.

⁶ These are the regulations of the U.S. Department of the Treasury governing withdrawal of cash from the Treasury for an advance under a Federal grant program.

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- If CDBG *grant advances* are placed in an interest-bearing account by a subrecipient, the subrecipient must ***return this interest income to the U.S. Treasury*** via the grantee (570.502(b)(3)(i), as applicable, and 24 CFR 570.500(a)(2)). Such interest income is not considered program income. Similarly, if a subrecipient uses a ***“revolving loan fund account”*** under the CDBG program, ***the funds must be deposited in an interest bearing account, and all interest earned on funds on deposit must be returned to the Treasury via the grantee no less frequently than annually*** (24 CFR 570.500(b)).
- ***Program income (other than program income deposited in a revolving fund) must be disbursed in payment of program costs before requesting further drawdowns from the grantee*** (24 CFR 570.504(b)(2)(ii) and 570.504(c)).
- If program income is put in an approved revolving fund by a subrecipient, the subrecipient must ***disburse this program income for the same activity for which the revolving fund was established***, before making further cash drawdown requests to the grantee for the activity. The account must be interest bearing, and interest earned or funds held in the account must be remitted to the grantee at least annually (24 CFR 570.504(b)(2)(i) and 570.500 (b)).
- Funds held in an ***escrow account*** for rehabilitation activities generally must be disbursed within 10 days (24 CFR 570.511(a)(4)).

While avoiding excessive drawdowns, a subrecipient should also exercise care that the legitimate cash needs of its CDBG activities are being met. As noted in the preceding section, a subrecipient needs to be able to forecast accurately what its project expenses are going to be. If its CDBG activities are relatively stable (the same type and level of activities from month to month), a subrecipient can begin with the previous month’s financial activity as a starting point for its estimate of current period cash needs. This estimate, however, should be modified for periodic expenses or seasonal variations in costs, such as for heating and electricity. If a subrecipient’s activities are expanding or exhibit irregular fluctuations in expenses, then it is important to devote more careful attention to predicting future cash requirements.

It should be noted that, in the private sector, the “cash requirements report” is a standard management tool for anticipating the monthly (or even weekly) cash flow needs of a business. When a subrecipient is not able to plan its expenditures and encounters large fluctuations in the disbursement of obligated funds (as can happen, for example, in construction activities), there is a tendency to invade other non-CDBG funds, or alternatively to “temporarily borrow” CDBG funds for non-CDBG purposes. ***Such inter-fund transfers that result in using CDBG funds for non-CDBG purposes are not allowed and may result in program sanctions or termination of the CDBG contract by the grantee.***

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2.8 Financial Reporting

Financial reports prepared by a subrecipient must be accurate, timely, current, and represent a complete disclosure of the financial activity and status in each Federal grant program under which assistance is received (2 CFR Part 200 and 24 CFR 570.502(b)(3)(i), as applicable).

Although the format and frequency of the financial reports required of subrecipients may differ from locality to locality, a subrecipient must have the capacity to provide at least the following information **for each CDBG activity**:

- *Amount budgeted.*
- *Advances/reimbursements* received to date.
- *Program income and other miscellaneous receipts* in the current period and to date.
- *Actual expenditures/disbursements* in the current period and cumulatively to date, for both program income and regular CDBG grant funds.

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- *Current encumbrances/obligations* in addition to disbursements.
- *Unpaid requests for payment* previously submitted at time of latest drawdown.

In addition, a subrecipient's accounting and record-keeping system must be able to support the data included in (a) its drawdown requests, (b) its other financial and progress reports, and (c) the grantee's Consolidated Annual Performance and Evaluation Report (CAPER) submitted to HUD.

2.9 Other Miscellaneous Requirements for Subrecipient Financial Management Systems

- **Loan servicing:** A subrecipient must have a system for properly servicing all CDBG-funded loans, where applicable, including:
 - **Loan agreements** with clear repayment terms and default definitions, descriptions of how defaults can be resolved, what actions will be taken if a loan is in default, and what is pledged as security for each loan.
 - **Collection procedures** that provide for recognition of all current amounts due and when past payments were received, notification when payments are overdue, as well as a procedure for taking further action to collect overdue amounts and criteria for writing off bad debts.
- **Cash depositories:** Regular banking procedures may be followed without any separate bank account or special bank eligibility requirements. Subrecipients are advised, however, to obtain information on bank ratings before depositing CDBG funds with a financial institution.⁷

In addition, subrecipients are encouraged to use minority-owned financial institutions in conjunction with their CDBG activities whenever possible.

⁷ Bank rating and research firms which provide information on the comparative financial strength of local banks and other financial institutions are found in most regions of the country. Frequently the local city or county treasurer's office subscribes to a bank rating service and may be able to provide subrecipients with useful information on the ratings of local financial institutions.

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- **Real property:** The subrecipient must:
 - Keep track of CDBG-acquired real property to ensure that program income from sales or rental of such property or assets is properly recorded and reported (24 CFR 570.503(b)(3)).
 - Have procedures for ensuring ongoing compliance with the National Objectives requirements associated with real property acquired or improved with CDBG funds in excess of \$25,000 (24 CFR 570.503(b)(7)).

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Exercise for Chapter 2.0 — Financial Management

Circle the Correct Answer

1. Which of the following are components of an organization's system of *internal controls* for financial management?
 - (a) Written procedures and policies.
 - (b) Specified job responsibilities.
 - (c) Job qualifications.
 - (d) Accounting records.
 - (e) All of the above.

2. The sole purpose of *accounting records* is to provide reliable and up-to-date information on the cash controlled by an organization or agency.

TRUE

FALSE

3. An expenditure by a subrecipient will be considered an *allowable* CDBG expense if it is necessary to carry out an approved activity and is not explicitly prohibited by Federal, state, or local regulations.

TRUE

FALSE

4. *Source documentation* does not have to be located in the CDBG project files.

TRUE

FALSE

5. An effective system of *budget controls* requires a periodic comparison of actual obligations and expenditures to planned obligations and expenditures, and to projected accomplishments for such outlays.

TRUE

FALSE

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6. Interest income from CDBG advances and revolving loan accounts may be retained by the subrecipient as *program income*.

TRUE

FALSE

The answers are on next page.

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Exercise for Chapter 2.0 — Financial Management (continued)

Answers to questions from preceding pages

1. “(e) All of the above.”
2. **FALSE.** The purpose of accounting records is to provide information *not only on cash* but also on *all the assets and liabilities* of an organization, including property, receivables, payables, and other obligations.
3. **FALSE.** The fact that an expenditure is both necessary and not explicitly prohibited by law and program regulations *is only part of the criteria* that must be met for it *to be considered an allowable CDBG expense*. In addition, the expenditure must:
 - Have been authorized by the grantee (through an approved budget or other mechanism).
 - Be reasonable.
 - Have been treated by the subrecipient in a manner consistent with its normal procedures for computing costs.
 - Be allocable to an approved-CDBG cost objective.
 - Be net of all applicable credits.
4. **TRUE.** *Source documentation does not have to be stored in the CDBG project files if it is readily available to be reviewed by the grantee, HUD, or other authorized representatives.* In general, however, subrecipients will find that it is more efficient in the long run to maintain as much project information as possible in files specifically dedicated to their CDBG activities.
5. **TRUE.**
6. **FALSE.** One of the primary purposes of a subrecipient’s *cash management* system is to minimize the time between receipt of CDBG funds and their disbursement; therefore, if the subrecipient’s system is working efficiently, *there shouldn’t be any interest income* generated on cash advances. In fact, 24 CFR 570.500(a)(2) makes explicit that *the definition of program income does not include interest earned on the investment of the initial proceeds of a grant advance, including funds advanced from a grantee to a subrecipient*, and any such funds must be promptly remitted to the U.S. Treasury. Moreover, 570.500(b) makes it clear that cash balances held in a revolving fund must be

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held in an interest-bearing account and that any interest earned on funds held in such an account will be considered to be interest income generated on a cash advance and must be remitted to the Treasury at least annually.

CHAPTER 3.0: PROCUREMENT AND CONTRACTING

This chapter outlines the requirements for using Federal funds to purchase materials, products, or services under the CDBG Entitlement program. Whether you are a small agency purchasing occasional office supplies or a large organization contracting for millions of dollars of construction services, the requirements governing the purchasing process are designed to ensure that you:

- Follow a **free and open competitive process** in securing those products or services.
- Properly **document** your purchasing activities and decisions.
- Observe the special **rules for particular kinds of purchases** (small purchases, competitive sealed bids, competitive proposals, and sole source procurements).
- **Properly bond and insure** work involving large construction contracts and/or subcontracts.
- Use **local businesses** and contract **with small, minority and/or women-owned businesses** to the maximum extent feasible.

When it comes to spending the taxpayer's money, no matter how little the amount, it is important to ensure that the prices you pay are competitive, and that you (and the taxpayer) are getting good value. The rules don't require that you get a bargain every time you buy, but only that you pay a fair price. They don't require that you always get the latest in technology at the lowest possible cost, but only that you shop around and get what you paid for. This means that you should seek to buy with CDBG funds only what is necessary under the terms of your Subrecipient Agreement, and no more. You should also be able to ensure the integrity of your purchasing decisions; to document the history, results, and decisions behind your purchases; to follow the rules for certain kinds of transactions; and to offer opportunities to local and disadvantaged firms to respond to your purchasing needs. By following these requirements you are helping to guarantee the fairness and the vitality of our free market system, and to ensure that taxpayer resources are not being wasted.

By observing the basic rules, you'll also find your purchasing decisions can be more efficient. For example, if you set up a standardized purchasing system for securing price quotations and preparing purchase orders, you won't have to reinvent the wheel every time you want to buy materials and supplies. These efficiencies in turn can help make your limited purchasing budgets go much farther. You'll also have the satisfaction of knowing you paid a fair price for every purchase.

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In addition, when you use CDBG funds to purchase materials or services, it is not sufficient simply to *state* that you got the lowest possible price and followed the rules. You have to be able to *prove it*. Therefore, to avoid disallowed costs and/or recapture of payments, it is necessary that you document the background, need, and the details of every purchasing decision, whether it involves renting an office or buying two-by-fours. At first, this may appear burdensome, but full documentation can only help you avoid serious problems and a lot of extra work in the long run.

AS YOU READ THIS CHAPTER, THINK ABOUT ...

1. Planning how would you set up a purchasing system if you were spending your own money and wanted to spend it efficiently?
2. Updating the list of vendors and contractors from whom you plan to purchase materials, supplies, equipment, and services over the next 12 months (if you don't have such a list, think about developing one for all vendors and contractors you might buy from).
3. Developing (or expanding) your own written procurement manual describing your procedures and a code of conduct for all employees involved in purchasing.
4. Identifying ways to ensure that all purchasing documents such as cost and price solicitations, purchase orders, contracts, delivery receipts, invoices, payables records, and check vouchers are integrated into one system.
5. Ensuring the *honesty and fairness* of your purchasing decisions.

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3.1 General Procurement Provisions

The standards and procedures for procurement are intended to ensure that supplies, equipment, construction and other services acquired in whole or in part with Federal funds are:

- a) Obtained as efficiently and economically as possible.
- b) Procured in a manner that provides, to the maximum extent practical, open and free competition.

Solicitations must clearly explain all requirements that the bidder/offeror must fulfill in order for his or her bid/offer to be evaluated by the subrecipient. Solicitations for goods and services must be based on a clear and accurate description of the material, product, or service to be procured, and cannot contain features which unduly restrict competition. Some of the situations considered to be restrictive of competition include, but are not limited to:

- Placing unreasonable qualifying requirements on firms.
- Requiring unnecessary experience and excessive bonding.
- Specifying only “brand name” products instead of allowing “an equal” product.
- Noncompetitive pricing practices between firms or affiliated companies.
- Noncompetitive awards to consultants on retainer contracts.

Awards are to be made to the bidder/offeror whose bid/offer is responsive to the solicitation and is most advantageous to the subrecipient, price and other factors considered. Any and all bids may be rejected when it is in the subrecipient’s interest to do so. The subrecipient must ensure that the award is only made to responsible contractors possessing the ability to perform successfully under the terms and conditions of the proposed procurement. Consideration should be given to such matters as contractor integrity, compliance with public policy, record of past performance, and financial and technical resources.

The Federal guidelines for contracting are designed to further ensure that contracts are structured and managed in a way that is consistent with good administrative practices and sound business judgment.

The Federal requirements for these administrative areas are found in **2 CFR Part 180**. However, in general, the standards set forth in 2 CFR Part 180 for procurement may be viewed as a “safe harbor” for satisfying the Federal requirements.

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The general requirements for procurement include the following:

- According to 2 CFR Part 180, a subrecipient must maintain *records to detail the significant history of procurement*. These records include, but are not limited to, files on the rationale for selecting the methods of procurement used, selection of contract type, the contractor selection/rejection process, and the basis for the cost or price of a contract.
- *Pre-qualified lists of vendors/contractors*, if used, must be current, developed through open solicitation, include adequate numbers of qualified sources, and must allow entry of other firms to qualify at any time during the solicitation period.
- As part of its efforts to eliminate unfair competitive advantage, a subrecipient should *exclude contractors that develop or draft specifications*, requirements, statements of work, invitations for bids, and/or requests for proposals from competing for such procurement.
- A subrecipient must ensure that *awards are not made to any party which is debarred or suspended or is otherwise excluded from or ineligible for participation* in Federal assistance programs under Executive Order 12549, “Debarment and Suspension”.
- There must be *written selection procedures for procurement transactions*, and the procedures must be adequate to ensure that:
 - **The purchase of unnecessary or duplicate items is avoided.** Where appropriate, an analysis should be made of lease versus purchase alternatives;
 - Whenever possible, use of **Federal excess and surplus property or intergovernmental agreements for procurement or use of common goods and services** should be considered as a way to foster greater economy and efficiency;
 - **All purchase orders (and contracts) are signed by the authorized official(s)** of the subrecipient;
 - **Items delivered and paid for are consistent with the purchase order** and/or contract for the goods or services;
 - **Timely payment to vendors** occurs once the order is delivered, inspected, accepted, and payment authorized;

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- A **cost or price analysis** is performed for every procurement action, including contract modifications, and documentation to that effect is maintained in the subrecipient files. The *method and degree of analysis is dependent on the facts surrounding the particular procurement situation*, but as a starting point, subrecipients must make independent estimates before receiving bids or proposals;
- **Profit or fee is negotiated separately from price** where competition is lacking or whenever a cost analysis is performed. To establish a fair and reasonable profit, consideration will be given to the complexity of the work to be performed, the risk borne by the contractor, the contractor's investment, the amount of subcontracting, the quality of past performance, and industry rates for the area and,
- The list of **provisions in, as applicable**, must be included in any contracts.
- Subrecipients must ***not use "cost plus a percentage of cost" pricing*** for; in addition, subrecipients should use "*time and material*" type contracts only after a determination is made that no other contract is suitable and the contract includes a ceiling price that the contractor exceeds at its own risk.
- Subrecipients must have ***protest procedures in place*** to handle and resolve disputes relating to their procurement and in all instances report such disputes to the grantee.

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- There must be a *documented system of contract administration* for determining the adequacy of contractor performance.
- A subrecipient must have a *written code of conduct governing employees, officers, or agents engaged in the award or administration of contracts*.

3.2 Permitted Approaches to Procurement

Depending on the scarcity of the item or service desired, and the size of the purchase, different methods of procurement are available for use by subrecipients under the Federal regulations.¹

- **NEW Micro-Purchases - 2 CFR Part 200 Section 320**

- Supplies and services under \$3,000
 - (Under \$2,000 for Davis-Bacon projects)
 - May be awarded without soliciting competitive quotations
 - Prices must meet the “reasonable” test
 - Must be distributed equitably amongst qualified suppliers
- **Small purchases** may be used for procurement of **\$150,000** or less in the aggregate:
 - Small purchases are made through the use of purchase orders. Competition is sought through oral or written price quotations. A subrecipient must document the receipt of an adequate number of price or rate quotations from qualified sources.
 - A procurement of more than **\$150,000** may not be inappropriately broken up into smaller components solely to qualify for the less complicated procedures followed under the “small purchases” approach.
 - **Competitive sealed bids** (formal advertisement):
 - The procurement must lend itself to a firm, fixed price contract (lump sum or unit price) where the selection can be principally made on the basis of price.
 - A subrecipient must advertise the Invitation for Bid (IFB) in publications of general circulation.

¹ Subrecipients need to be aware, however, that local or state laws or policies may require additional procedures or set lower dollar-value thresholds for some forms of procurement. Therefore, it is important to check with your grantee to learn whether any such additional procurement provisions apply.

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- The IFB must include complete and accurate specifications and pertinent attachments and clearly define items or services needed, in sufficient detail for the bidders to properly respond.
- Bids must be opened publicly at the time and place stated in the IFB.
- A subrecipient must receive at least two or more responsible bids for each procurement transaction.
- If awarded, the contract must be given to the lowest responsive and responsible bidder (the subrecipient, however, can decide *not* to make the award to *any* of the bidders).

The competitive sealed bid method is the preferred approach for procuring construction services.

- **Competitive proposals:**

- A subrecipient should use this method only when conditions are not appropriate for the use of formal advertising.
- The Request for Proposal (RFP) must clearly and accurately state the technical requirements for the goods and services required.
- A subrecipient must publicize the RFP, and to the maximum extent practicable, honor reasonable requests by parties to have an opportunity to compete.
- Proposals must be solicited from an adequate number of qualified sources, consistent with the nature and requirements of the procurement.
- The subrecipient must conduct a technical evaluation of the submitted proposals to identify the responsible offerors.
- As necessary, the subrecipient conducts negotiations with those offerors who are deemed responsive and responsible and fall within a competitive price range, based on the subrecipient's evaluation of the bidders' pricing and technical proposals. After negotiations, these bidders may be given the opportunity to submit a "best and final" offer.

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- The subrecipient must award the contract to the most responsive and responsible offeror after price and other factors are considered through scoring the proposals (or “best and final” offers) according to predetermined evaluation criteria. The successful proposal/offeror must clearly be the “most advantageous” source of the goods and services for the subrecipient.

For procurement involving **architecture or engineering (A/E) services**, subrecipients may use competitive proposal procedures whereby competitors’ qualifications are evaluated and **the most qualified competitor is selected**, subject to negotiation of fair and reasonable compensation. In these instances, price is *not* used as a selection factor. Once the most-qualified firm is identified, only that firm is asked for a price proposal that is subject to negotiation of a fair and reasonable price. If negotiations with the selected firm are unsuccessful, this process is repeated with the next highest-ranked firm, until a fair and reasonably priced contract can be awarded. The subrecipient must be careful to document the bases for its determination of the most qualified competitor and the reasonableness of the contract price. This qualifications-based approach to the competitive proposals method may *not* be used to purchase other than A/E services.²

In addition, the Federal procurement regulations generally *discourage the use of local geographical preferences in the evaluation of bids or proposals (except where mandated by Federal statutes)*, due to the restrictions on open competition which result. However, in procuring A/E services, geographic location is permitted as a selection criteria provided this criterion leaves an appropriate number of qualified firms.

- **Noncompetitive proposals/sole source procurement:**

Noncompetitive negotiations may be utilized only under very limited circumstances. The subrecipient must show that another method of procurement was infeasible because:

- The item or service was only available from a single source.
- A public emergency or condition requiring urgency existed which did not permit the use of competitive procurement.

² It is important to note that many states have laws which *require* the use of qualifications-based selection (QBS) procedures when purchasing professional A/E services. In those states, the discretion afforded by 24 CFR 85.36(d)(3)(v) is removed. Absent a state QBS law, a recipient could opt to use QBS or competitive proposals. In the latter instance, prices are solicited from all contractors and considered in the selection process.

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- Competition was determined to be inadequate after receiving proposals from numerous sources.

Among the procurement approaches described in the preceding section, the *competitive sealed bid* resulting in a firm, fixed price contract is the preferred procurement approach when there are a number of available and qualified providers, when the requirements and specifications are thoroughly detailed and are unlikely to change, and where the subrecipient has the opportunity to make the provider assume a large share of the risk for non-performance.

In other instances, for example, complicated rehabilitation projects, or unique human service activities, other forms of competitive and noncompetitive procurement may be necessary or desirable. In cases where price is not the single most important objective, it is still important to try to assure the highest possible quality of procurement at the lowest reasonable price through “open and free competition.”

3.3 Bonding

The requirements for bonding in procurement are as follows:

- **For construction or facility improvement (sub) contracts exceeding \$150,000**, the following *minimum Federal requirements* for bid guarantees, performance bonds, and payment bonds must be met. These include:
 - A **bid guarantee** from each bidder equivalent to **5 percent of the bid price**. The “bid guarantee” must be a firm commitment in the form of a bid bond, certified check, or other negotiable instrument as assurance that the bidder is prepared to execute a contract within the time specified for the bid amount.
 - A **performance bond** from the (sub) contractor for **100 percent of the contract price** to secure the (sub) contractor’s fulfillment of all obligations under the contract.
 - A **payment bond from the (sub) contractor for 100 percent of the contract price** to assure payment of all persons supplying labor and material under the contract.
- **For non-profit subrecipients**, states that for contracts or subcontracts awarded for construction or facility improvement **equal to or less than \$150,000**, a subrecipient must follow its own policies for bid guarantees, performance bonds, and payment bonds.

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For both **non-profit subrecipients** and **governmental subrecipients**, however, the Subrecipient Agreement may mandate compliance with *the grantee's bid guarantee, bonding, and insurance requirements* in instances of contracts or subcontracts for construction or facility improvements with a value equal to or less than \$150,000.

3.4 Use of Local Businesses; Contracting with Small, Minority, and/or Women-Owned Businesses

Federal regulations, both CDBG and non-CDBG, make it very clear that subrecipients should make every effort to use local business firms and contract with small, minority-owned and/or women-owned businesses in the procurement process. Specifically,

- A subrecipient must take **affirmative steps to use small firms, minority-owned firms, women-owned firms, or labor surplus area firms** in its CDBG-financed activities. The efforts which a subrecipient should make include:
 - Incorporating such businesses in **solicitation lists** whenever they are potential sources.
 - Ensuring that **such businesses are solicited** when identified as potential sources.
 - **Dividing procurement requirements**, when economically feasible, to permit maximum participation of such businesses.
 - Requiring prime contractors, when **subcontracts** are let, to take affirmative steps to select such firms.
- In conformance with the requirements of *Section 3 of the Housing and Community Development Act of 1968*, to the greatest extent feasible, subrecipients must award contracts for work to be performed to eligible **business concerns located in or owned by residents of the target area** to ensure that the employment and other economic opportunities generated by Federal financial assistance for housing and community development programs shall, to the greatest extent feasible, be directed toward low- and very low-income persons, particularly those who are recipients of governmental assistance for housing (see 24 CFR 570.607(b)).

Subrecipients should note, however, that the desire to award contracts to local firms is *not* a legitimate excuse for avoiding an open and competitive procurement process.

Exercise for Chapter 3.0 — Procurement and Contracting

Circle the Correct Answer

1. The reason for Federal competitive procurement requirements is:
 - (a) To ensure that supplies, equipment, and services are acquired efficiently.
 - (b) To help guarantee a “fair” price for items or services bought with Federal funds.
 - (c) To give the public confidence in the procurement practices of Federal assistance programs.
 - (d) To allow more firms, particularly local firms, small businesses, and minority- or women-owned businesses, to have an opportunity to compete for work under Federal programs.
 - (e) All of the above.

2. A cost or price analysis and documentation of the procurement process is only required for *major purchases*.

TRUE **FALSE**

3. A governmental subrecipient is justified in breaking up procurement into components of ***\$150,000*** or less to utilize the “small purchase” procedures if the procurement process for each purchase is still competitive.

TRUE **FALSE**

4. The “Section 3” requirements for awarding work to local business concerns takes precedence over the competitive procurement requirements.

TRUE **FALSE**

The answers are on next page.

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Exercise for Chapter 3.0 — Procurement and Contracting (continued)

Answers to questions from preceding page

1. “(e) All of the above.”
2. **FALSE.** A subrecipient must do a cost or price analysis and maintain documentation of the procurement process for *every* procurement. However, the level of complexity of the analysis and detail of the documentation should vary by the size of the procurement and the extent of competitiveness in the process. Therefore, the purchase of desktop stationary supplies will require that the subrecipient maintain a very modest level of documentation of how comparative prices were analyzed (through catalogs and/or price quotes). A sole source procurement, on the other hand, will require much more extensive documentation to justify the noncompetitive process and to demonstrate that the price incurred was fair.
3. **FALSE.** The standard for “small purchases” is that the procurement is for services, supplies, or property does not exceed *\$150,000 in the aggregate*. Therefore, for example, it is not allowable to break up arbitrarily a \$150,000 procurement of weatherization materials into three \$50,000 purchases just to be able to use the less complicated “small purchase” procedures. The purchase of such materials should be handled through a *sealed bid* method of procurement, with the larger purchase volume entailed in this approach likely to result in lower per unit prices.
4. **FALSE.** *Both* sets of requirements must be satisfied. Therefore, the competitive procurement procedures adopted by the subrecipient also must be designed to facilitate and encourage local businesses to compete for the proposed work.

CHAPTER 4.0: PROPERTY MANAGEMENT AND DISPOSITION

If you use CDBG funds to acquire real or personal property, Federal regulations make you, the subrecipient, responsible for ensuring that the property continues to be used for its intended (and approved) purpose, that you keep track of it, that you take care of it, and that if you sell it, you reimburse the grantee for the CDBG share of the property's value.

This fairly straightforward proposition about the ownership, use, management, and disposition of property is complicated by two facts. First, the rules about property management and disposition differ slightly depending on whether you are a public-sector or private-sector subrecipient. (The rules are generally more explicit for governmental subrecipients). Second, the rules depend on the nature of the property. Real property (e.g., land, buildings) is treated differently than personal property (e.g., equipment, supplies, intangible property like copyrights).

This chapter outlines the rules for subrecipients regarding the ownership, management, and disposition of real and personal property. Despite the different treatments, there are several key themes applicable to most property that should be emphasized at the outset:

- Property can only be acquired with CDBG funds for a *specific purpose* that must be approved by the grantee and should be made a part of the Subrecipient Agreement.
- The use of that property for the *approved purpose must continue*; in the case of personal **property**, generally for if the subrecipient owns it and the property is needed for the CDBG activity, and in the case of real **property** (acquired or improved with CDBG funds in excess of \$25,000), generally for at least 5 years following the expiration of the Subrecipient Agreement.
- If you own the property, you should *keep accurate records* for it (e.g., purchase date, price, location, physical description, maintenance history and condition, original and current use, and other inventory types of data).
- You have to *control the use* of the property (in accordance with its intended purpose) and *take good care* of it (that is, take adequate steps to prevent its damage, theft, or loss).
- If you no longer need the property, you can dispose of it but only according to specific rules (such as paying back the grantee, accounting for program income, etc.).

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The following chart summarizes the applicability of specific sections of the regulations to particular categories of property for governmental and private subrecipients and shows the relevant regulations affecting its ownership, use, and disposition.

Exhibit 4-1: Rules for Property Management and Disposition

Property Management and Disposition Regulations 24 CFR 570.503—all subrecipients (subs)	Real Property (Acquired with CDBG funds)	Personal Property Acquired with CDBG funds		
		Tangible		Intangible
		Nonexpendable	Expendable	
<i>Typical Example</i>	<i>Land/Buildings</i>	<i>Cars/Equipment</i>	<i>Office Supplies</i>	<i>Copyrights</i>
Ownership	See property acquisition, 24 CFR 570.201(a), 201(c), 202, 203(a)	Vested in subs	Vested in subs	Nonexclusive license to govt.
Use & Management	24 CFR 570.505 governs grantees; subrecipients follow 503(b)(7) *			
Disposition	24 CFR 570.503(b)(7)	Generally, fair-market value or proceeds returned to grantee; with grantee approval, proceeds retained as program income 24 CFR 570.502(a)(8) as modified by 570.502(b)(3)(vi)	Residual inventories	Nonexclusive license to use remains with govt.

* 570.501(b) requires that units of general local government participating with, or as part of, an urban county, or as part of a metropolitan city, follow the same requirements as are applicable to subrecipients, except that the 5-year period identified under 570.503(b)(7)(i) begins with the date that the unit of general local government is no longer considered by HUD to be a part of the urban county or metropolitan city, instead of the date that the subrecipient agreement expires.

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AS YOU READ THIS CHAPTER, THINK ABOUT ...

1. Whether your agency would care for the property differently if it were purchased with agency funds rather than CDBG funds.
2. Whether your agency's records are up to date in documenting the ownership, use, management, and/or disposition of its property.
3. Whether the procedures for maintaining and protecting the agency's property are adequate or need strengthening.
4. If you are planning to dispose of any property, whether your agency has taken appropriate steps to ensure that the applicable disposition rules are followed for the particular type of property involved.

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4.1 Overview

The relevant Federal regulations governing the management and disposition of property are 24 CFR 570.503 for all subrecipients, as amended by 570.502(b)(3)(vi) for private sector subrecipients, and, as modified by 570.502(a)(8), for governmental subrecipients.

For the purposes of these Federal regulations, “property” is classified according to the following distinct categories:

- **Real property:** “real property” means land, including any improvements to and structures located on the land, but excluding any movable machinery or equipment.
- **Personal property:** “personal property” is basically any kind of property other than real property. Personal property can be *tangible* (such as supplies, furniture, and equipment), or *intangible* (such as copyrights, patents, and inventions).

Further distinctions can be made between:

- **Non-expendable personal property**, which generally is considered to include *tangible* personal property having a useful life of more than ~~1-year~~ 2 years and an acquisition cost of \$3,000 or more per unit.
- **Expendable personal property**, which includes all *tangible* personal property other than non-expendable personal property.

The Federal requirements relating to property are organized according to title (ownership), use, and disposition. In general, a subrecipient’s property management system must provide for **accurate records, the conduct of regular inventories, adequate maintenance and control, and proper sales procedures**. Subrecipients must follow sales procedures that provide for competition, to the extent practicable, and that result in the highest possible return.

4.2 Real Property

For *grantees*, the use of real property is governed by 24 CFR 570.505. For real property acquired or improved in whole or in part with CDBG funds in excess of \$25,000, the grantee cannot change the use or planned use of the property (including the beneficiaries of such use) without first providing affected citizens notice and opportunity to comment, and determining that either:

- a) The contemplated new use meets one of the National Objectives and is not a building for the general conduct of government.

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- b) The contemplated new use is deemed appropriate (after consultation with affected citizens) but will not meet a National Objective. In this latter case, the grantee must reimburse the CDBG program in the amount of the current fair market value of the property, less the value attributable to the non-CDBG portion of the acquisition or improvements.

The Subrecipient Agreement must be **explicit** about the use of any real property under the subrecipient's control that was acquired or improved in whole or in part with CDBG funds in excess of \$ 25,000. For such instances, **24 CFR 570.503(b)(7)** mandates that such real property either:

- Must be used by the subrecipient to continue to meet one of the CDBG program's National Objectives **for at least 5 years after the expiration of the Subrecipient Agreement** (or a longer time as specified by the grantee in the Subrecipient Agreement); or
- If a National Objective is not met during this time period, the grantee must be **reimbursed for the current fair market value**, less any portion of the value attributable to non-CDBG funds.

4.3 Personal Property — Equipment

For **governmental subrecipients**:

- **Title:** Title to equipment acquired with CDBG funds is vested in the subrecipient, subject to the conditions described in the following section.
- **Use:** Equipment purchased with CDBG funds or other forms of Federal assistance must be used by the subrecipient in the program or project for which it was acquired, and **as long as needed, whether or not the program or project continues to be supported by Federal funds.**
 - When no longer needed for the original program or project, the equipment may be used in other activities currently or previously supported by a Federal agency.
 - The subrecipient also must make the acquired equipment **available for use on other projects or programs** currently or previously supported by the Federal Government **provided that such use will not interfere with the work on the project or program for which the equipment was originally acquired.**

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- A subrecipient is **prohibited** from using CDBG-acquired equipment to **provide services for a fee to compete unfairly** with private companies that provide equivalent services unless specifically authorized by Federal statute.
- With the approval of the grantee, equipment acquired with CDBG funds may be used as **a trade-in on replacement property**.
- **Management requirements:** For equipment (including replacement equipment) acquired in whole or in part with CDBG funds, the subrecipient must have procedures and control systems in place to:
 - Keep **adequate equipment records**, which must include information on:
 - Property description.
 - Identification.
 - Funding source (grant number).
 - Title holder.
 - Acquisition date and cost.
 - Federal share of cost.
 - Location, use, and condition.
 - Unit acquisition cost.
 - Disposition data.
 - **Conduct a physical inventory** of the property no less often than every 2 years, with a reconciliation of the inventory results with the equipment records.
 - Ensure adequate **safeguards for preventing loss, damage, or theft** of property.
 - Maintain the equipment in **good condition**.

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- **Disposition:** When original or replacement equipment acquired with CDBG funds is no longer needed for the original project or program or for other activities currently or previously assisted with Federal funds, the following rules of disposition will apply to **governmental subrecipients:**
 - 1) Equipment with a **current per-unit fair market value of less than \$5,000** may be retained, sold, or otherwise disposed of by the subrecipient *after notice to the grantee*, subject to the conditions in 3) in the following section.
 - 2) Equipment with a **current per-unit fair market value of \$5,000 or more** may *after notice to the grantee* be retained or sold by the subrecipient with the grantee having the right to compensation in an amount equal to multiplying the current fair market value *or* the proceeds from sale by the Federal share (percentage) in the original acquisition price of the equipment.
 - 3) The grantee may reserve **the right to transfer title of the equipment** to the Federal Government or a third party.

In addition, per 24 CFR 570.502(a)(8), in all cases when equipment purchased with CDBG funds is sold, the net proceeds are considered **program income**.

For **non-profit subrecipients:**

- **Title:** Title to personal property acquired with CDBG funds is vested with the subrecipient, subject to the following conditions:
 - 1) **In all cases** in which personal property is no longer needed by the subrecipient for CDBG activities, it must be transferred to the grantee for the CDBG program or can be retained by the subrecipient after compensation to the grantee (per 24 CFR 570.502(b)(3)(vi)(B)).
 - 2) The grantee may reserve **the right to transfer title of the equipment** to the Federal Government or a third party.
 - 3) In all cases in which personal property is sold, the proceeds will be considered **program income** (24 CFR 570.502(b)(3)(vi)(A)).

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4.4 Personal Property — Supplies

For **governmental subrecipients**:

- Upon termination of the subrecipient's agreement with or award from the grantee, **if there is a residual inventory of unused supplies exceeding \$5,000 in total aggregate fair market value, and if such supplies are not needed for any other Federally sponsored programs or project**, the subrecipient must compensate the grantee for the share of such supplies which were acquired with CDBG funds.

For **non-profit subrecipients**, the requirements of apply; that is,

- The residual inventory of unused supplies exceeding \$5,000 not needed by the subrecipient for CDBG activities must be transferred to the grantee for the CDBG program or can be retained after compensating the grantee.
- **In all cases** in which the residual inventory of supplies is sold, the proceeds are considered **program income**.

4.5 Personal Property — Copyrights

For **governmental subrecipients** and for **non-profit subrecipients**:

- The Federal Government **reserves a royalty-free, nonexclusive, and irrevocable license** to reproduce, publish, or otherwise use and to authorize others to use, for Federal Government purposes:
 - The copyright to any work developed with CDBG funds.
 - Any rights of copyright which a subrecipient or a contractor purchases with CDBG support.

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Exercise for Chapter 4.0 — Property Management and Disposition

Circle the Correct Answer

1. For **real property** controlled by a subrecipient and acquired or improved with CDBG funds in excess of \$25,000, what is the *minimum* period of time following the expiration of the Subrecipient Agreement that such property must be used to continue to meet a National Objective?
 - (a) 1 year.
 - (b) 3 years.
 - (c) 5 years.
 - (d) 10 years.
 - (e) As long a period as the grantee feels is appropriate.

2. When are the proceeds from a subrecipient's sale of equipment purchased with CDBG funds considered to be **program income**?
 - (a) Never.
 - (b) When the proceeds are returned to the grantee as compensation for the original CDBG funding.
 - (c) When the net proceeds exceed the compensation due to the grantee.
 - (d) When the depreciated value of the equipment exceeds the CDBG portion of the original acquisition cost.
 - (e) Always.

3. A non-profit subrecipient has in its inventory a computer acquired with CDBG funds that is worth less than \$3,000. The subrecipient may retain it without paying the grantee for its current value if the grantee does not need it for any other Federally sponsored program or project.

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4. The Federal Government's copyright license for any written work developed by a subrecipient with CDBG funds does not preclude the subrecipient from reproducing or otherwise publishing such work.

TRUE

FALSE

The answers are on next page.

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Exercise for Chapter 4.0 — Property Management and Disposition (continued)

Answers to questions from preceding pages

1. The correct answer is “(c) 5 years.” Although a grantee may stipulate a longer time period (in a closeout agreement, for example), 5 years is *the minimum* period during which such property must continue to be used to address a CDBG National Objective. If, on the other hand, during that time period a national objective is no longer being met or the subrecipient chooses to dispose of the real property, the subrecipient must reimburse the grantee for the fair market value of the property, less any portion attributable to non-CDBG funds.
2. The correct answer is “(e) always,” with the qualification that if a portion of the equipment purchase was financed with non-CDBG funds, only the CDBG portion of the proceeds would be program income for the purposes of the CDBG program.
3. **FALSE.** The pertinent regulations for non-profit subrecipients (24 CFR 570.502(a)(8) and (b)(3)(vi)) require that, regardless of dollar value, equipment acquired with CDBG funds and no longer needed by the subrecipient for CDBG activities must be transferred to the grantee or retained by the subrecipient only after compensating the grantee.
4. **TRUE.** Although the Federal Government reserves a copyright license on such work, it is a *nonexclusive* license.

CHAPTER 5.0: RECORD-KEEPING AND REPORTING REQUIREMENTS

Accurate record keeping and reporting are crucial to the successful management of your CDBG-funded activities. The *failure to maintain* adequate documentation of CDBG-funded activities continues to be one of the most serious administrative issues undermining program performance and regulatory compliance of subrecipients in the CDBG Entitlement program.

Without adequate record keeping, you and your grantee cannot track performance against your contract goals and your grantee cannot provide adequate management support in its oversight of your activities. Insufficient documentation and reporting on your part leads to serious monitoring findings, and those findings are likely to be much more difficult to resolve in cases where records are missing, inaccurate, or otherwise deficient.

It is very important, therefore, that you adhere to the record-keeping and reporting requirements of the Entitlement program and other pertinent regulations. Adequate documentation means knowing:

- What information needs to be collected and why.
- When that information should be collected (and how often).
- How the information should be acquired, organized, and stored.
- How the information should be reported.
- The required retention period for records.

This chapter addresses the minimum standards for documentation with respect to general record-keeping requirements, file organization and maintenance, retention of records, access to records, and reporting requirements. The end of the chapter contains a comprehensive chart identifying key records for each of three record types: administrative records, financial records and project records.

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AS YOU READ THIS CHAPTER, THINK ABOUT ...

1. Whether your agency has a *clearly defined process* for acquiring, organizing, storing, retrieving, and reporting information, especially about your CDBG-funded activities.
2. How you can *strengthen your documentation and reporting systems* to meet the requirements outlined in this chapter.
3. *Who in your agency is responsible* for the majority of record-keeping and reporting tasks, and whether they are properly trained and supported.
4. How you can *streamline your record-keeping and reporting procedures* by standardizing the process and removing duplication of records from your system.
5. How your agency might begin to automate (computerize) some of the record-keeping and reporting tasks if it has not already done so.

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5.1 General Record-Keeping Requirements

Every subrecipient is required to establish and maintain at least three major categories of records:

- **Administrative records:** These are files and records that apply to the overall administration of the subrecipient's CDBG activities. They include the following:
 - Personnel files.
 - Property management files.
 - General program files: files relating to the subrecipient's application to the grantee, the Subrecipient Agreement, program policies and guidelines, correspondence with grantee and reports, etc.
 - Legal files: articles of incorporation, bylaws of the organization, tax status, board minutes, contracts and other agreements.
- **Financial records:** These include the chart of accounts, a manual on accounting procedures, accounting journals and ledgers, source documentation (purchase orders, invoices, canceled checks, etc.), procurement files, bank account records, financial reports, audit files, etc.
- **Project/case files:** These files document the activities undertaken with respect to specific individual beneficiaries, property owners, and/or properties.

Since previous chapters of this handbook have provided information about the elements necessary for financial and general administrative records, this chapter focuses primarily on CDBG requirements as they relate to project files or case files. Exhibit 5-1 at the end of the chapter provides a checklist of the most important files that should be maintained by both subrecipients and grantees for monitoring purposes.

The **general CDBG standard for record keeping** is that records must be *accurate, complete and orderly*. A grantee must establish the specific requirements for record keeping in its Subrecipient Agreement (24 CFR 570.503(b)(2)). Grantees frequently specify record keeping requirements for their subrecipients that are very similar to those found in 24 CFR 570.506, so that for the activities undertaken by subrecipients, the grantee will be able to demonstrate compliance with all applicable program requirements. Therefore, a subrecipient should anticipate having to maintain records sufficient to:

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Provide a **full description of each activity** assisted with CDBG funds, including the location where the activities occur, the amount of CDBG funds budgeted, obligated, and expended for the activity and the regulatory provision under which the activity is eligible.

- Demonstrate that each activity undertaken meets one of the **National Objectives** for the CDBG program (24 CFR 570.208 and particularly the record-keeping requirements at 570.506(b)(1) - (12)).
- Show that the subrecipient has made all necessary **determinations required for the eligibility of certain activities** under the CDBG program, including but not limited to 24 CFR 570.201(f) **for interim assistance**, 570.201(i)(2) **for relocation**, 570.201(p) **for technical assistance**, 570.202(b)(3) **for loans to refinance existing indebtedness secured by a property being rehabilitated**, 570.204 **for activities carried out by CBDOs**, and 570.206(f) **for the preparation of applications for other Federal programs**, and 570.209 **for special economic development activities**.
- Document compliance with the program rules regarding **any change of use of real property** acquired or improved with CDBG assistance (24 CFR 570.505 and 570.503(b)(7)(i) and (ii)).
- Demonstrate compliance with the program requirements regarding **acquisition, displacement, relocation, and replacement housing** (24 CFR 570.606).
- Detail the subrecipient's **fair housing** activities and **equal opportunity** compliance.
- Maintain all necessary information relative to the other program requirements specified in Subpart K of 24 CFR Part 570 (which includes **labor standards; national flood insurance; employment and contracting opportunities; lead-based paint; use of debarred, suspended, or ineligible contractors or subrecipients; and conflict of interest**).

It should be noted that subrecipients are not responsible for providing documentation for the initial environmental review of an activity, because they cannot assume the grantee's environmental responsibilities (24 CFR 570.503(b)(5)). However, actions that a subrecipient provides to the grantee in order for it to carry out these responsibilities and other actions the subrecipient takes to abate or address environmental findings must be documented.

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5.2 File Organization and Maintenance

A subrecipient should structure its project/case files and other records to comply with the general requirements specified in the preceding section and to facilitate preparation of progress and other reports, including all submissions necessary for the grantee's input into the Integrated Disbursement and Information System (IDIS) and its Consolidated Annual Performance and Evaluation Report (CAPER).

In setting up (or reviewing the adequacy of) its record-keeping system, a subrecipient should use this handbook to develop a list of all the items for which it must maintain documentation on a case/project basis and/or an activity basis. For example, if a subrecipient is carrying out a housing rehabilitation program using private contractors, **each project case file** should contain appropriate records, including:

- The owner's application for assistance, including the address of the property.
- Household size and income documentation for the owner and other households in the structure (if a multi-unit building) and other information to determine program eligibility and the appropriate level of financial assistance (underwriting).
- Other demographic information on the anticipated and actual beneficiaries of the activity for this project/case.
- The work write-up on the property.
- Evidence of any required owner contribution or private loan match.
- The financial assistance agreement between the subrecipient and owner (specifying levels of assistance, intended uses for funds, matching requirements, general program requirements, repayment and recapture procedures, requirements for occupancy by low- and moderate-income households if rental property, etc.).
- Evidence of liens to secure loan.
- Documentation of contractor solicitation and selection.
- Documentation of rent affordability, where applicable.
- A copy of executed construction contract, with all necessary provisions.

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- Documentation of compliance, as applicable, with historic preservation, flood insurance, lead-based paint, Davis-Bacon, relocation/anti-displacement, and other relevant program rules.
- Evidence of the subrecipient's periodic on-site inspection and sign-off on rehabilitation work, including final inspection.
- Copies of all change orders, with proper authorization.
- Records of disbursements made for completed and approved work. (In regard to this last item, a subrecipient must ensure that the data in its project files agree with its financial records.)

For each type of activity undertaken, a subrecipient in consultation with the grantee should determine the comparable data that must be maintained in the individual case files and establish a system for ensuring that every file contains the necessary information. Although the list will vary from activity to activity, each project or case file should include documentation of the **National Objective** being met, the **characteristics and location of beneficiaries**, the **eligibility of the activity**, the **compliance with special program requirements**, the **allowability of the costs**, and the **status of the case/project**.

A subrecipient must also devote attention to implementing an efficient method for compiling **cumulative data** on its activities **for inclusion in periodic reports** required by the grantee. The subrecipient should develop **logs for recording and totaling programmatic data** (by type of activity, for units of service, numbers of beneficiaries, etc.) as cases are initiated and as they progress to avoid searching through all of its individual case files to obtain aggregate statistics every time a progress report is due. The establishment of such logs at the commencement of a CDBG activity, based on the reporting requirements specified by the grantee (see **Section 5.5** in the following section), can save a subrecipient considerable time and effort over the course of the activity.

With an automated reporting system, it is critical to structure the computer database to permit the collection and manipulation of all data elements (i.e., characteristics of projects and beneficiaries) necessary for the production of currently required reports and reports that may be desired in the future. This requires a careful appraisal of current and anticipated future operations and an assessment of the "interface" between the computer system and the individuals who will input the data and those who will use the generated reports.

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5.3 Retention of Records

To avoid monitoring findings and facilitate audit reviews, subrecipients are required to retain their records for extended periods of time, even though an activity may be completed for some time:

- **For all subrecipients:** 42 **2 CFR 200.333** as modified by 570.502(a)(16) 570.502(b)(3)(ix) (A) and (B), as appropriate:

In general, **records are to be retained for 4 years** from the date of submission of the grantee's CAPER in which the specific activity is reported for the last time, unless there is litigation, claims, audit, negotiation, or other actions involving the records, which has started before expiration of the 4-year period. In such cases, the records must be retained until completion of the action and resolution of all issues which arise from it or the end of the regular 4-year period, whichever is longer.

5.4 Access to Records

- Representatives of the grantee, HUD, the Comptroller General of the United States, or of other authorized governmental agencies have the right of access to any pertinent records of a subrecipient to make audits, examinations, excerpts, and transcripts.
2 CFR 200.336
- Consistent with applicable state and local laws regarding privacy and obligations of confidentiality, the subrecipient also must provide citizens with reasonable access to records on the past use of CDBG funds (24 CFR 570.508).

5.5 Reporting Requirements

A subrecipient's reporting requirements must be specified by the grantee in the Subrecipient Agreement (24 CFR 570.503(b) (2)). These reporting requirements must be consistent with the provisions of **2 CFR 200.327**

Although it has broad discretion over the type and frequency of reports, **a typical grantee is likely to request three kinds of reports** from its subrecipients: information on drawdown requests, regular progress reports, and CAPER data.

- As part of a subrecipient's periodic **drawdown requests**, all grantees should require the subrecipient to provide information on the financial status of the latter's operations, which should include (for each activity) the amount of:

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- Funds budgeted.
 - Funds received in drawdowns to date.
 - Funds obligated in most recent period and to date.
 - Funds expended in most recent period and to date.
 - Cash on hand (including program income identified as such).
 - Previous drawdowns requested but not yet received.
- Most grantees will also require regular **progress reports** from subrecipients. These reports generally will be required monthly or quarterly and will usually be designed to **track actual project accomplishments, obligations, and spending patterns against planned operations and accomplishments** as specified in the project schedule and budget portions of the Subrecipient Agreement.
 - In addition, grantees will need information from their subrecipients **in connection with the grantee's input to IDIS and for preparation of its CAPER**, which it must submit to HUD. Although for some grantees the information contained in the subrecipient progress reports may be sufficient to satisfy their CAPER needs, others may need to supplement these regular reports with requests to their subrecipients for special reports. In IDIS and in its CAPER, the grantee must provide the following information on each CDBG activity funded:
 - The activity's name, matrix code, description, and location.
 - The National Objective being met.
 - The amount expended during the program year.
 - The total cost of each multi-unit housing and 570.203(b) economic development activity.
 - The amount of unliquidated obligations for each public service and planning and administration activity if CDBG funds are not disbursed during the 90 days after the end of the grantee's program year.

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- Activity status and specific units of accomplishments, including compliance with the applicable National Objective, during each program year.
- For rehabilitation activities, the CAPER also requires information (organized separately for single-units and each multi-unit property) on:
 - Activity delivery costs expended in carrying out rehabilitation may be included as part of the cost of the rehab activity or may be reported as a separate activity.
 - Number of units proposed and completed.
 - Number of units in each multi-unit structure initially occupied by low- and moderate-income households following rehab.
 - For multi-unit properties, the amount proposed and expended from CDBG, other public, and private sources.
- The CAPER also requires data on:
 - The characteristics of beneficiaries of direct benefit activities (expressed in total households/persons assisted, number of extremely low-income, low-income, and moderate-income households/persons, and ethnic characteristics of beneficiaries).
 - The source and amount of program income received during the program year.
 - Number and total dollar amount of loans outstanding.
 - CDBG-acquired parcels of property to be sold.
 - Households displaced in connection with CDBG activities.

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As mentioned in **Section 5.2 in the preceding section**, a subrecipient should **carefully identify its complete CDBG reporting responsibilities as part of the process of designing its record-keeping system** for CDBG-funded activities.

A final area of reporting not discussed in this chapter concerns **annual audits**. This subject is addressed in detail in **Chapter 7.0**.

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Exhibit 5–1: Record-Keeping Checklist for Tracking Activities

- This form should be initiated when grantee awards a subgrant to a subrecipient.
- The date at the top should indicate the last time the checklist was updated.
- This form should be updated after internal project review, after monitoring visits by the grantee, or when key documents are modified or received from/sent to the grantee.

Date Checklist Last Updated: _____

Documents to be Maintained	Document Source		Status	
	Source	Date	Complete?	Location
Project Application			Y N	
<input type="checkbox"/> Original Application	<input type="checkbox"/> Subrecipient	_____	<input type="checkbox"/> <input type="checkbox"/>	_____
<input type="checkbox"/> Amendments to Application	<input type="checkbox"/> Subrecipient/Grantee	_____	<input type="checkbox"/> <input type="checkbox"/>	_____
<input type="checkbox"/> Approval of Amendments	<input type="checkbox"/> Grantee	_____	<input type="checkbox"/> <input type="checkbox"/>	_____
<input type="checkbox"/> Notice of Award	<input type="checkbox"/> Grantee	_____	<input type="checkbox"/> <input type="checkbox"/>	_____
<input type="checkbox"/> Correspondence	<input type="checkbox"/> Subrecipient/Grantee	_____	<input type="checkbox"/> <input type="checkbox"/>	_____
Pre-Award Documentation			Y N	
<input type="checkbox"/> Articles of Incorporation/Bylaws	<input type="checkbox"/> Subrecipient	_____	<input type="checkbox"/> <input type="checkbox"/>	_____
<input type="checkbox"/> Non-profit Determination	<input type="checkbox"/> Subrecipient	_____	<input type="checkbox"/> <input type="checkbox"/>	_____
<input type="checkbox"/> List of Board of Directors	<input type="checkbox"/> Subrecipient	_____	<input type="checkbox"/> <input type="checkbox"/>	_____
<input type="checkbox"/> Authorization to Request Funds	<input type="checkbox"/> Subrecipient	_____	<input type="checkbox"/> <input type="checkbox"/>	_____
<input type="checkbox"/> Authorized Official	<input type="checkbox"/> Subrecipient	_____	<input type="checkbox"/> <input type="checkbox"/>	_____
<input type="checkbox"/> Organizational Chart	<input type="checkbox"/> Subrecipient	_____	<input type="checkbox"/> <input type="checkbox"/>	_____
<input type="checkbox"/> Résumés of Chief Admin. and Chief Fiscal Officers	<input type="checkbox"/> Subrecipient	_____	<input type="checkbox"/> <input type="checkbox"/>	_____
<input type="checkbox"/> Financial Statement and Audit	<input type="checkbox"/> Subrecipient	_____	<input type="checkbox"/> <input type="checkbox"/>	_____
<input type="checkbox"/> Conflict of Interest Statement	<input type="checkbox"/> Subrecipient	_____	<input type="checkbox"/> <input type="checkbox"/>	_____
<input type="checkbox"/> Plan for Compliance with National Objectives	<input type="checkbox"/> Subrecipient	_____	<input type="checkbox"/> <input type="checkbox"/>	_____
<input type="checkbox"/> Lobbying Statement	<input type="checkbox"/> Subrecipient	_____	<input type="checkbox"/> <input type="checkbox"/>	_____
Subrecipient Agreement			Y N	
<input type="checkbox"/> Subgrant/Subaward Amount	<input type="checkbox"/> Grantee	_____	<input type="checkbox"/> <input type="checkbox"/>	_____
<input type="checkbox"/> Date of Subgrant/Subaward	<input type="checkbox"/> Grantee	_____	<input type="checkbox"/> <input type="checkbox"/>	_____
<input type="checkbox"/> Statement of Work	<input type="checkbox"/> Subrecipient	_____	<input type="checkbox"/> <input type="checkbox"/>	_____
<input type="checkbox"/> Budget by Task/Activity	<input type="checkbox"/> Subrecipient	_____	<input type="checkbox"/> <input type="checkbox"/>	_____
<input type="checkbox"/> Schedule by Task/Activity	<input type="checkbox"/> Subrecipient	_____	<input type="checkbox"/> <input type="checkbox"/>	_____
<input type="checkbox"/> Standard Provisions Included?	<input type="checkbox"/> Grantee	_____	<input type="checkbox"/> <input type="checkbox"/>	_____
<input type="checkbox"/> Amendments (Dates)	<input type="checkbox"/> Grantee	_____	<input type="checkbox"/> <input type="checkbox"/>	_____

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Documents to be Maintained	Document Source		Status		Location
	Source	Date	Complete?		
			Y	N	
Financial Records					
<input type="checkbox"/> Current Approved Budget	<input type="checkbox"/> Subrecipient/Grantee	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/> Authorization Letter/Signatures	<input type="checkbox"/> Subrecipient	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/> Financial Management Systems (accounting books, software, reporting systems)	<input type="checkbox"/> Subrecipient	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/> Chart of Accounts	<input type="checkbox"/> Subrecipient	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/> List of Source Documents to be Maintained	<input type="checkbox"/> Subrecipient	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/> Financial Status Report (total budget, amount expended, unliquidated obligations, unobligated balance)	<input type="checkbox"/> Subrecipient	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/> Drawdown Request Forms	<input type="checkbox"/> Subrecipient	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/> Drawdown Request Reports	<input type="checkbox"/> Subrecipient	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/> Executed Contracts/Bid Docs	<input type="checkbox"/> Subrecipient	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/> Board Minutes for Approval of Contracts or Bids	<input type="checkbox"/> Subrecipient	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/> Copy of Most Recent Audit Report	<input type="checkbox"/> Subrecipient	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/> Certification of Insurance Coverage/Bonding	<input type="checkbox"/> Subrecipient	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/> CDBG Payroll Records	<input type="checkbox"/> Subrecipient	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/> Certified Construction Payroll Records (Davis-Bacon applicable)	<input type="checkbox"/> Subrecipient	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/> Approved Cost Allocation Plan	<input type="checkbox"/> Subrecipient/Grantee	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/> Relevant Financial Correspondence	<input type="checkbox"/> Subrecipient/Grantee	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
Project Monitoring and Control			Y	N	
<input type="checkbox"/> Completed Monitoring Reports	<input type="checkbox"/> Grantee	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/> National Objectives Documentation	<input type="checkbox"/> Subrecipient	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/> Eligible Activities Documentation	<input type="checkbox"/> Subrecipient	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/> Activity Status Report (scope, cost, schedule/actual vs. agreement)	<input type="checkbox"/> Subrecipient	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/> Drawdown Requests/Reports	<input type="checkbox"/> Subrecipient	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/> Subrecipient Staffing	<input type="checkbox"/> Subrecipient	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/> Meeting Minutes	<input type="checkbox"/> Subrecipient	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/> Telephone Log/Notes	<input type="checkbox"/> Subrecipient	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/> Correspondence	<input type="checkbox"/> Subrecipient	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____

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Documents to be Maintained	Document Source		Status	
	Source	Date	Complete?	Location
Regulatory Compliance File			Y	N
<input type="checkbox"/> HUD Monitoring Results	<input type="checkbox"/> HUD/Grantee	_____	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Real Property Inventory, Management and Change of Use	<input type="checkbox"/> Subrecipient	_____	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Anti-discrimination, Fair Housing, EEO, ADA/504 Certifications	<input type="checkbox"/> Subrecipient	_____	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Procurement, Bonding, Insurance	<input type="checkbox"/> Subrecipient	_____	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Labor Standards	<input type="checkbox"/> Subrecipient	_____	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Acquisition, Displacement, Relocation, Replacement Housing	<input type="checkbox"/> Subrecipient	_____	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Environmental Review	<input type="checkbox"/> Grantee	_____	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Loan Status Reports (Economic Development, Rehabilitation)	<input type="checkbox"/> Subrecipient/Grantee	_____	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Administrative Activities	<input type="checkbox"/> Subrecipient	_____	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Flood Insurance Purchase	<input type="checkbox"/> Subrecipient	_____	<input type="checkbox"/>	<input type="checkbox"/>
Other Project/Activity Files			Y	N
<input type="checkbox"/> Plans and Specs (rehabilitation, historic preservation)	<input type="checkbox"/> Subrecipient	_____	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Orientation and Training	<input type="checkbox"/> Subrecipient	_____	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Special Case Records	<input type="checkbox"/> Subrecipient	_____	<input type="checkbox"/>	<input type="checkbox"/>

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Exercise for Chapter 5.0 — Record-Keeping and Reporting Requirements

Review the following examples and indicate whether the approach being taken is adequate or inadequate. Where you feel the approach is “inadequate,” explain why and what might be done differently.

1. John Smith, the program director for the CDBG-funded housing rehabilitation activities of Housing Alliance, Inc., worked diligently with his staff to ensure that every case file contained the information specified in the Subrecipient Agreement for necessary records. As a result, in preparing periodic progress reports, Mr. Smith was able to review each case file and be confident of finding all the data necessary to be included in the reports.

Adequate?

Inadequate?

Comment: _____

2. Four years had passed since the submission of the grantee’s final Consolidated Annual Performance and Evaluation Report detailing Family Support, Inc.’s counseling services. The independent public accountant (IPA) audit performed for Family Support for the time period in question had not included any findings or questioned costs relating to this project. Joanne White, the executive director of Family Support, Inc., consequently directed her staff to discard the records of this CDBG-funded activity.

Adequate?

Inadequate?

Comment: _____

3. Delroy Blaise wanted his subrecipient agency to take advantage of the efficiencies of automated data processing for its record-keeping and reporting functions but did not have anybody on his staff with computer expertise. Therefore, he hired a computer consultant who assisted the agency in purchasing a microcomputer, wrote specific software for entering data and generating reports for all the information currently required by the grantee, and trained the staff in its use.

Adequate?

Inadequate?

Comment: _____

The answers are on next page.

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Exercise for Chapter 5.0 — Record-Keeping and Reporting Requirements (continued)

Answers to questions from preceding page

Each of the three cases on the previous page is an example of a situation where the subrecipient in all probability is in *technical compliance with the requirements* for record keeping and reporting but may not be taking sufficient action to maximize the efficiency of its operations or to avoid future problems.

1. Although John Smith has taken pains to ensure that his agency could provide the grantee with the required report data, the necessity of having to search through each case file each time a report is due might be not an efficient use of his agency's personnel resources. Mr. Smith's organization should also have developed summary sheets of the case files and chronological program logs with key characteristics, from which periodic aggregate tallies could be derived much more efficiently.
2. The 4-year retention rule for records might best be viewed as a *minimum*. It is always theoretically possible that an entity like the HUD Office of the Inspector General (OIG) or the General Accounting Office (GAO) may show up to perform an audit after the 4 years have elapsed and request access to such records in support of some questionable costs. Therefore, even after the 4 years, for your own protection, it is probably best to place the records in storage for a year or so rather than to discard or destroy them.
3. When automating record-keeping and reporting functions, a key consideration is **ongoing flexibility**. In this case, because the software was designed specifically for the *current* records/reporting requirements, if the data desired by either the subrecipient or the grantee changed, it is not clear whether the agency had the technical capacity to modify its computer system accordingly. The agency may have been better served if it had purchased a more "user friendly" generic software package that its own staff could learn to modify.

These examples have been included to remind the reader that the requirements contained in this handbook represent **minimum standards** for administrative, financial, and management systems. These minimums should not automatically become your maximums. Although HUD cannot *require* grantees and subrecipients to go beyond these regulatory standards, it is often in your agency's interest to strive for the "best management practice" possible, or to build an extra margin into your systems, in recognition of the fact that there will always be some unexpected demand on these systems or other problems that will arise over time.

CHAPTER 6.0: OTHER ADMINISTRATIVE AND PROGRAM REQUIREMENTS

Federal regulations mandate that all CDBG-funded activities conducted by grantees and subrecipients must be *eligible* and must meet *one of three National Objectives*. These requirements form the regulatory backbone of the CDBG Entitlement program while leaving flexibility to localities to adapt the funding to their needs. There are, however, numerous other administrative and program requirements that govern your use of CDBG funds. Some of these fall into the area of prohibitions (for example, not using CDBG funds to conduct political activities). Others outline actions that *must be taken* (for example, taking positive steps to assure civil rights, equal opportunity, and fair housing protections).

You may find that, at any given time, some of these requirements do not directly affect your program or your activities. However, in the interest of *preventing future problems*, it is always a good idea to familiarize yourself with these sections of the CDBG regulations before you encounter situations where they apply. The consequence of ignorance is rarely bliss. For example, not observing the restrictions regarding lead-based paint, Davis-Bacon labor standards, or relocation requirements can result in very expensive outcomes for your program. By knowing the rules ahead of time, you will be prepared to avoid the problems and the costs of noncompliance and achieve your objectives with minimal difficulties.

This chapter provides an overview of 14 additional administrative and program requirements specified in Subparts J and K of 24 CFR Part 570 that apply to subrecipients as well as grantees. They are:

- Program Income (24 CFR 570.503 and 570.504).
- Programmatic and Budget Changes.
- Civil Rights and Fair Housing; Employment and Contracting Opportunities (24 CFR 570.601, 570.607 and 570.614).
- Labor Standards (24 CFR 570.603).
- Environmental Requirements (with respect to the use of funds, 24 CFR 570.604).
- Historic Preservation.
- National Flood Insurance Program (24 CFR 570.605).
- Floodplain Management (24 CFR Part 55).
- Relocation, Real Property Acquisition, and One-for-One Housing Replacement (24 CFR 570.606).
- Lead-based Paint (24 CFR 570.608).

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- Political Activity (24 CFR 570.207(a)(3)).
- Conflict of Interest (24 CFR 570.611).
- Program Monitoring (24 CFR 570.501(b), 24 CFR 85.40(a) and (e), and 24 CFR 84.51(a)).
- Suspension and Termination (24 CFR 570.503 (b) (6), 24 CFR 85.43 and 44, and 24 CFR 84.62).

The purpose of this chapter is to outline the specific requirements and areas of responsibility contained in these sections of the CDBG program regulations. For a more complete explanation of the standards and procedures relevant to any particular requirement, you should refer to the regulations themselves, to the Executive Orders or laws cited, and to your written Agreement with the grantee.

AS YOU READ THIS CHAPTER, THINK ABOUT ...

1. Which of your agency's activities may involve or be affected by the 14 requirements summarized in this chapter.
2. Whether any of these requirements might require a change in the way you currently conduct your CDBG-assisted activities, and if so, how.
3. Ways you should adapt your procedures (e.g., through staff training or changes in systems) to comply with the regulations and ensure that none of these requirements will provide a barrier to fulfilling the objectives of your Subrecipient Agreement.
4. What sort of technical assistance might be helpful to you in understanding and implementing the requirements of Subparts J and K of the CDBG regulations.
5. Whether your current Subrecipient Agreement adequately addresses the requirements summarized here.

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6.1 Program Income (24 CFR 570.503(a), (b)(3) and (7), and 570.504)

- The term “**program income**” means any gross income received by the subrecipient that was directly generated from the use of CDBG funds (24 CFR 570.500(a)). This includes, but is not limited to:
 - Proceeds from the sale or long-term lease of **real property purchased or improved** with CDBG funds.
 - Proceeds from the disposition of **equipment purchased** with CDBG funds.
 - Gross income from the **use or rental of property acquired** by the grantee or subrecipient with CDBG funds, less the costs incidental to the generation of such income.
 - Gross income from the **use or rental of property owned by the grantee or subrecipient that was constructed or improved** with CDBG funds, less any costs incidental to the generation of such income.
 - Payments of **principal and interest on loans made** using CDBG funds.
 - Proceeds from the **sale of loans made** with CDBG funds.
 - Proceeds from the **sale of obligations secured by loans made** with CDBG funds.
 - **Interest earned on program income**, pending the disposition of such program income.
 - **Funds collected through special assessments made against properties owned and occupied by households not of low- and moderate-income**, where such assessments are used to recover part or all of the CDBG portion of a public improvement.

Program income does **not** include (except for funds in lump-sum drawdown accounts), the interest earned on cash advances from the grantee or funds held in a revolving loan fund account. Such interest must be returned to the grantee for remittance to HUD.

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When income is generated by an activity that is only **partially** assisted with CDBG funds, the income must be prorated to reflect the percentage of CDBG funds used to determine the portion that is program income.

- The **written agreement** between the subrecipient and the grantee will specify whether any program income received by the subrecipient is to be **returned to the grantee or retained by the subrecipient for use in carrying out CDBG activities**.
- If the program income is to be retained by the subrecipient, the **written agreement will also specify what CDBG-eligible activities** the subrecipient may undertake with the program income.
- The receipt and expenditure of program income **must be recorded** by the subrecipient as part of its records of financial transactions.
- When a subrecipient retains program income, such income must be used for any authorized activity **before drawing down additional grant funds** from the grantee, except in the case of a revolving fund. In the case of **program income in a revolving fund**, the subrecipient must use the program income for the activity for which the revolving fund was established, **before** drawing down additional grant funds for that activity.
- **At the expiration of the Subrecipient Agreement**, any program income on hand or subsequently received by the subrecipient must **be returned to the grantee**.

6.2 Programmatic and Budget Changes

The Subrecipient Agreement and/or the grantee's written policies must specify when prior approval of the grantee is necessary for a programmatic or budget change relative to the subrecipient's CDBG-funded activities. For example, prior approval and/or a written amendment to the Agreement usually will be necessary when any of the following are anticipated:

- A revision to the scope or objectives of the CDBG activities, including purpose, location, or beneficiaries.
- The need to extend the period of availability of funds.
- Changes in key personnel when specified in the application package or grant award.

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- In non-construction projects, when contracting out a portion of the activity to a third party, unless specified in the application.
- A revision that would result in the need for additional funding.
- Cumulative transfers among direct cost categories or, if applicable, among separately budgeted activities or projects which exceed 10 percent (unless this requirement is waived by the grantee).
- Expenditures on items for which the applicable cost principles (OMB Circulars A-87 and A-122) require prior approval, see 570.200(h) for pre-award/pre-agreement costs.

6.3 Civil Rights and Fair Housing; Employment and Contracting Opportunities (24 CFR 570.601-602, 570.607)

The Subrecipient Agreement must require the subrecipient to administer its CDBG funds in compliance with the following Federal laws and Executive Orders, and implementing regulations:

- **Title VI of the Civil Rights Act of 1964 (Public Law 88-352 implemented in 24 CFR Part 1):** This law states that no person shall, on the grounds of race, color, or national origin, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving Federal financial assistance.
- **Fair Housing Act, Title VIII of the Civil Rights Act of 1968 (Public Law 90-234):** The Fair Housing Act prohibits discrimination in housing practices on the basis of race, color, religion, sex, and national origin. The Fair Housing Act was amended in 1988 to provide protections from discrimination in any aspect of the sale or rental of housing for families with children and persons with disabilities. The Fair Housing Act also establishes requirements for the design and construction of new rental or for-sale multi-family housing to ensure a minimum level of accessibility for persons with disabilities.
- **Executive Order 11063, as amended by Executive Order 12259 (implemented in 24 CFR Part 107):** This order and its implementing regulations require HUD to take all actions necessary to prevent discrimination because of race, color, religion, sex, or national origin in the use, occupancy, sale, leasing, rental, or other disposition of residential property assisted with Federal loans, advances, grants, or contributions.

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Section 104(b) of Title I of the Housing and Community Development Act of 1974, as amended (42 U.S.C. 5301 *et. seq.*): This law provides that any grant under Section 106 shall be made only if the grantee certifies to the satisfaction of the Secretary of HUD that the grantee will, among other things, affirmatively further fair housing.

- **Section 109 of Title I of the Housing and Community Development Act of 1974, as amended (42 U.S.C. 5301 *et. seq.*, particularly 42 U.S.C. 6101 *et. seq.*, and 29 U.S.C. 794):** This law mandates that no person on the grounds of race, color, national origin, sex, or religion shall be excluded from participation, denied the benefits of, or otherwise be subject to discrimination under any activity funded in whole or part with CDBG funds.
- **Section 3 of the Housing and Community Development Act of 1968 (12 U.S.C. 1701u):** This section implemented at 24 CFR Part 135 requires that, to the greatest extent feasible, a subrecipient must:
 - Ensure that opportunities for training and employment arising in connection with a housing rehabilitation (including reduction and abatement of lead-based paint hazards), housing construction, or other public construction project are given to low- and very low-income persons residing within the metropolitan area in which the CDBG-funded project is located; where feasible, priority should be given to low- and very low-income residents within the service area of the project or the neighborhood in which the project is located, and to low- and very low-income participants in other HUD programs.
 - Award contracts for work undertaken in connection with a housing rehabilitation (including reduction and abatement of lead-based paint hazards), housing construction, or other public construction project are given to business concerns that provide economic opportunities for low- and very low-income persons residing within the metropolitan area in which the CDBG-funded project is located; where feasible, priority should be given to business concerns which provide economic opportunities to low- and very low-income residents within the service area or the neighborhood in which the project is located and to low- and very low-income participants in other HUD programs.

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- **Section 504 of the Rehabilitation Act of 1973, as amended (implemented at 24 CFR Part 135):** This section specifies that no otherwise qualified individual shall solely by reason of his or her handicap be excluded from participation (including employment), denied program benefits, or subjected to discrimination under any program or activity receiving Federal assistance. Part 8 requires that recipients ensure that their programs are accessible to and usable by persons with disabilities. Part 8 also prohibits recipients from employment discrimination based upon disability.
- **The Americans with Disabilities Act (ADA) of 1990:** This law prohibits discrimination on the basis of disability in employment by state and local governments and in places of public accommodation and commercial facilities. The ADA also requires that facilities that are newly constructed or altered, by, on behalf of, or for use of a public entity, be designed and constructed in a manner that makes the facility readily accessible to and usable by persons with disabilities. The Act defines the range of conditions that qualify as disabilities and the reasonable accommodations that must be made to assure equality of opportunity, full participation, independent living, and economic self-sufficiency for persons with disabilities.
- **The Age Discrimination Act of 1975, as amended:** This law provides that no person shall be excluded from participation, denied program benefits, or subjected to discrimination on the basis of age under any program or activity receiving Federal assistance.
- **Executive Order 11246 (as amended by Executive Orders 11375 and 12086) — Equal Opportunity Under HUD Contracts and HUD-assisted Construction Contracts:** This order requires that grantees and subrecipients and their contractors and subcontractors agree not to discriminate against any employee or applicant for employment because of race, color, religion, sex, or national origin.
- **The Architectural Barriers Act of 1968:** The Architectural Barriers Act (ABA) of 1968 (ABA) (42 U.S.C. 4151-4157) requires that certain buildings financed with Federal funds must be designed, constructed, or altered in accordance with standards that ensure accessibility for persons with physical disabilities. The ABA covers any building or facility financed in whole or in part with Federal funds, except privately owned residential structures. Covered buildings and facilities designed, constructed, or altered with CDBG funds are subject to the ABA and must comply with the Uniform Federal Accessibility Standards.

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6.4 Labor Standards (24 CFR 570.603)

- **All laborers and mechanics** employed by contractors or subcontractors on **construction work** in excess of \$2,000 and financed in whole or in part with CDBG funds must be paid “**prevailing wages**” that have been determined in accordance with the **Davis-Bacon Act** as amended (40 U.S.C. 276a–276a-5). The Contract Work Hours and Safety Standards Act (40 U.S.C. 327–333) also applies to such activities.
- **These labor standards shall apply only to the rehabilitation of residential property if the property contains not less than eight (8) units.**

Subrecipients are strongly encouraged to consult closely with their grantee during the planning of any construction or rehabilitation projects to assure that all the requisite labor standards will be properly observed. Grantees and subrecipients should pay particular attention to the technical complexities entailed in:

- Determining whether a project might be subject to Davis-Bacon requirements.
- Obtaining the appropriate prevailing wage rates and inserting the wage determination and the appropriate labor standards provisions in the contract.
- Requesting additional wage rate classifications that may not appear on a wage decision.
- Conducting an adequate pre-construction conference.
- Monitoring the work-site and contractor/subcontractor payrolls to document compliance with these requirements, including on-site employee wage interviews.

6.5 Environment Requirements (24 CFR 570.604)

In their use of CDBG funds, grantees are required to assume responsibility for **environmental review, decision making, and other action** that would otherwise apply to HUD under the National Environmental Policy Act of 1969 and other related provisions of law. The CDBG regulations explicitly **prohibit subrecipients from assuming the grantee’s environmental responsibilities** (see 24 CFR 570.503(b)(5)(i)).

However, under the applicable regulations for any project receiving CDBG assistance, **no party involved with the project, including subrecipients, may commit funds to the project, including incurring project costs, until the grantee completes the appropriate environmental review and public notification process, and HUD approves a certification of**

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compliance with environmental laws and request for release of funds from environmental conditions. Activities not subject to this restriction are those the regulations define as exempt from environmental review. However, before any party involved with the project can incur costs, even for activities that are exempt, **the grantee must first make a formal determination that the activity(ies) is exempt.** (The list of activities that are exempt from environmental review are found in 24 CFR part 58.34 and 58.35(b).)

6.6 Historic Preservation

Subrecipients must be careful not to violate provisions of the Historic Preservation Act and related laws and Executive Orders. Before commitments are made to make any physical improvements or alterations or to demolish any building, a subrecipient should receive assurances from the grantee that the grantee is in compliance with the Act.

Part of the grantee responsibility requires it to consult with the State Historic Preservation Officer as to whether the property: (1) is or could be declared a historic property; (2) is located in a historic district or an area which could be declared a historic district; and (3) involves proposed changes that could adversely affect historic properties or neighborhoods or properties or neighborhoods which could be declared historic.

If historic properties could be adversely affected, an agreement must be reached on appropriate mitigating measures with all parties identified in 36 CFR Part 800.

6.7 National Flood Insurance Program (24 CFR 570.605)

If a community has had notice for more than a year that an area has been identified by the Federal Emergency Management Agency (FEMA) as having special flood hazards, CDBG funds cannot be spent for acquisition or construction purposes in the area unless the community is participating in the National Flood Insurance Program and such insurance has been purchased for the properties in question. *Note that there is a statutory prohibition against providing Federal assistance to a person who had previously received Federal flood disaster assistance conditioned on obtaining and maintaining flood insurance and the person failed to obtain and maintain such insurance. (24 CFR 58.6(b)).*

6.8 Floodplain Management

Subrecipients should select sites that are located outside of special flood hazard areas for projects proposing new construction or substantial improvement of existing buildings. Executive Order

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11988, Floodplain Management, directs agencies “to avoid direct or indirect support of floodplain development wherever there is a practicable alternative” (24 CFR Part 55).

Note that the guidance relating to environmental requirements is available on the HUD Web site at: <http://www.hud.gov/offices/cpd/energyenviron/environment/index.cfm>.

6.9 Relocation, Real Property Acquisition, and One-for-One Housing Replacement (24 CFR 570.606 (b) and (c))

A subrecipient must comply with (1) the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended (URA), 24 CFR 570.606(b), and 49 CFR Part 24; and (2) the requirements of 24 CFR 570.606(c) and 24 CFR Part 42 governing the Residential Antidisplacement and Relocation Assistance Plan (Plan) under Section 104(d) of the HCD Act.

Under the URA and the Plan, the subrecipient must provide relocation assistance to persons (families, individuals, businesses, non-profit organizations, and farms) that are displaced as a direct result of acquisition, rehabilitation, demolition, or conversion for a CDBG-assisted project. All property occupants must be issued certain notices on a timely basis. (Failure to issue timely notices may result in unnecessary expenses.)

The Plan also requires the one-for-one replacement of any occupied or vacant occupiable low/moderate-income housing that is demolished or converted to another use in connection with a CDBG-assisted project. Finally, the Plan requires the identification of the steps that will be taken to minimize displacement.

Real property acquisition requirements are described in 49 CFR 24, Subpart B.

6.10 Lead-Based Paint (24 CFR 570.608 and Part 35)

CDBG-funded activities, such as the acquisition, construction, or rehabilitation of residential structures, may not use lead-based paint.

Certain requirements apply to the use of CDBG funds for the rehabilitation of a residential property that was constructed before 1978. At a minimum, grantees are required to: (a) notify a purchaser or lessee of the presence of any known lead-based paint and/or lead-based paint hazards; (b) paint test surfaces to be disturbed or removed during rehabilitation for the presence of lead-based paint, or presume lead-based paint and notify the occupants of the results within 15 days of when the evaluation report is received or the presumption is made; (c) provide each occupied dwelling unit discussed in (a) and (b) in the preceding section with the EPA-approved lead hazard information pamphlet Protect Your Family From Lead in Your Home or EPA-

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approved equivalent; (d) reduce lead hazards as required by the applicable subparts of Part 35; and (e) perform clearance testing, including dust testing, before reoccupancy after all but minimal (“de minimis”) amounts of paint disturbances. (See in the following section for details.)

The CDBG regulation at 24 CFR 570.608 states that the following subparts of Part 35 apply to the use of CDBG funds in pre-1978 housing:

- A - (Disclosure of Known Lead-Based Paint and/or Lead-Based Paint Hazards Upon Sale or Lease of Residential Property),
- B - (General Lead-Based Paint Requirements and Definitions for All Programs),
- J - (Rehabilitation),
- K - (Acquisition, Leasing, Support Services, or Operation), and
- R - (Methods and Standards for Lead-Based Paint Hazard Evaluation and Hazard Reduction Activities).

Part 35, Subpart A, is called the Lead Disclosure Rule; and Part 35, Subparts B through R, are called the Lead Safe Housing Rule.

Certain properties are exempt from the requirements of the Lead Safe Housing Rule. They include:

- Housing built on or after January 1, 1978;
- Zero-bedroom dwellings, including efficiency apartments, single-room occupancy housing, dormitories, or military barracks;
- Housing exclusively for the elderly or people with disabilities, unless a child under age 6 resides or is expected to reside there;
- Units that have been found to be free of lead-based paint by a certified lead-based paint inspector;
- Units where all lead-based paint has been removed;
- Unoccupied housing that will remain vacant until it is demolished;
- Non-residential portions of mixed-use buildings, except that spaces serving both residential and non-residential uses are covered by the rule;
- Units that are to be rehabilitated without disturbing a painted surface; and
- Units that are subject to emergency repair action needed to safeguard against imminent danger to human life, health or safety, or to protect the property from further structural damage;

For properties that are covered by the Lead Safe Housing Rule, the lead-based paint requirements for rehabilitation depend on the amount of Federal rehabilitation assistance provided. The amount of Federal rehabilitation assistance is the average per unit amount of Federal funds for the hard costs of rehabilitation, excluding lead-based paint hazard evaluation and hazard reduction activities. In calculating this assistance amount, you must consider both the total amount of Federal assistance to be used (including CDBG and other funds) and the hard costs of rehabilitation (including Federal and non-Federal funds). Whenever these two amounts

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are not the same, the smaller of the two determines the type and level of lead-based paint requirement. For a structure with more than one dwelling unit, the thresholds are applied against the average amount of Federal assistance per unit or the average hard cost of rehabilitation per unit, whichever is lower.

The following is a general overview of the requirements based on dollar thresholds per year per assisted housing unit:

- **Up to and including \$5,000**—notice, provision of pamphlet, paint testing of surfaces to be disturbed or presumption of lead-based paint, safe work practices as part of rehabilitation (except for minimal amounts of paint disturbances), repair any paint that is disturbed, and clearance after the work and before reoccupancy.
- **\$5,001–\$25,000**—notice, provision of pamphlet, paint testing or presumption, risk assessment to identify lead-based paint hazards, interim control or standard treatment of lead-based paint hazards, and clearance.
- **Over \$25,000**—notice, provision of pamphlet, paint testing or presumption, risk assessment, abatement of lead-based paint hazards, ongoing lead-based paint maintenance, and clearance.
- **Minimal (“de minimis”) amounts**—Safe work practices and clearance are not required when maintenance or hazard reduction activities do not disturb painted surfaces that total more than: 20 square feet on exterior surfaces; 2 square feet in any one interior room or space, or 10 percent of the total surface area on an interior or exterior type of component type with a small surface area (e.g., window sills, baseboards, and trim).
- **Pamphlet**—The Protect Your Family From Lead in Your Home pamphlet can be downloaded in English and Spanish from www.hud.gov/offices/lead or www.epa.gov/lead, and single paper copies can be obtained from the National Lead Information Clearinghouse at 1-800-424-LEAD. Persons with hearing or speech impediments may access this telephone number via TTY by calling the toll-free Federal Information Relay Service at 1-800-877-8339.

The in the preceding section description is intended to provide basic information on lead-based paint requirements. Consult the applicable portions of 24 CFR Part 35 (see www.hud.gov/offices/lead) and/or contact the HUD field office for greater detail if you are carrying out an activity subject to these requirements.

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6.11 Political Activity (24 CFR 570.207(a) (3))

A subrecipient is prohibited from using CDBG funds to finance the use of facilities or equipment for political purposes or to engage in other partisan political activities, such as sponsoring candidate forums, distributing brochures, voter transportation, or voter registration. However, a facility originally assisted with CDBG funds may be used on an incidental basis to hold meetings, candidate forums, or voter registration, provided that all parties and organizations have access to the facility on an equal basis and are assessed equal rent or use charges, if any.

6.12 Conflict of Interest (24 CFR 570.611; 2 CFR 200.112-113)

There are two sets of conflict of interest provisions applicable to activities carried out with CDBG funding. The first set, applicable to the procurement of goods and services by subrecipients, is the procurement regulations located at **2 CFR 200.112-113**. (See 24 CFR 570.611(a)(1).) The second set of provisions is located at 24 CFR 570.611(a) (2). These provisions cover situations not covered by 2 CFR 200.

With respect to procurement activities, the subrecipient must maintain written standards of conduct governing the performance of its employees engaged in the award and administration of contracts. At a minimum, these standards must:

- Require that no employee, officer, or agent may participate in the selection, award, or administration of a contract supported by Federal funds if a real or apparent conflict would be involved. Such a conflict would arise when any of the following parties has a financial or other interest in the firm selected for an award:
 - an employee, officer, or agent of the subrecipient;
 - any member of an employee's, officer's, or agent's immediate family;
 - an employee's, agent's, or officer's partner; or
 - an organization which employs or is about to employ any of the in the preceding section.
- Require that employees, agents, and officers of the subrecipient neither solicit nor accept gratuities, favors, or anything of value from contractors, or parties to subagreements. However, subrecipients may set standards for situations in which the financial interest is not substantial or the gift is an unsolicited item of nominal value.
- Provide for disciplinary actions to be applied for any violations of such standards by employees, agents, or officers of the subrecipient.

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With respect to all other CDBG-assisted activities, the general standard is that no employee, agent, or officer of the subrecipient, who exercises decision-making responsibility with respect to CDBG funds and activities, is allowed to obtain a financial interest in or benefit from CDBG activities, or have a financial interest in any contract, subcontract, or agreement regarding those activities or in the proceeds of the activities. Specific provisions include that:

- This requirement applies to any person who is an employee, agent, consultant, officer, or elected or appointed official of the grantee, a designated public agency, or a subrecipient, and to their immediate family members, and business partner(s).
- The requirement applies for such persons during their tenure and for a period of 1 year after leaving the grantee or subrecipient organization.
- Upon written request, exceptions may be granted by HUD on a case-by-case basis, after consideration of the cumulative effect of various factors listed at 24 CFR 570.611(d), and only with: (a) full disclosure of the potential conflict, and (b) a legal opinion of the grantee's attorney that there would be no violation of state or local laws in granting the exception.

6.13 Program Monitoring (24 CFR 570.501(b)).

A grantee is responsible for ensuring that all CDBG funds under its oversight are used in accordance with all program requirements, and for determining the adequacy of its subrecipients' performance. Accordingly, **the grantee is empowered to make site visits and review program files as necessary to fulfill these responsibilities.**

6.14 Suspension and Termination (24 CFR 570.503(b)(6))

When problems arise in the performance of a subrecipient, the grantee is responsible for taking appropriate actions **for correcting these deficiencies**, including suspending or terminating **the CDBG activities being carried out by the subrecipient (24 CFR 570.501(b)).**

Consistent with 24 CFR 570.503(b)(6), the **written agreement** between the grantee and the subrecipient must specify that suspension or termination may occur if the subrecipient materially fails to comply with any term of the CDBG award, and that the agreement may also be terminated for convenience (also see 2 CFR Part 200).

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Exercise for Chapter 6.0 — Other Administrative and Program Requirements

Circle the Correct Answer

1. Available program income must be used by the subrecipient before requesting additional grant funds from the grantee.

TRUE

FALSE

2. Program income must be used by the subrecipient for the same CDBG-funded activity that generated it.

TRUE

FALSE

3. Amendments to the Subrecipient Agreement are only necessary if the amount of the CDBG funding or the period in which it will be available is to be changed.

TRUE

FALSE

4. Regardless of the National Objective being addressed by a CDBG-funded public construction activity, in carrying out that activity, a subrecipient must ensure that to the greatest extent feasible, jobs are made available to local low- and moderate-income persons.

TRUE

FALSE

5. Davis-Bacon “prevailing wage” standards apply to all CDBG-funded construction or rehabilitation projects.

TRUE

FALSE

6. Subrecipients are required to perform an environmental review before incurring any program expenses in connection with a CDBG-funded activity.

TRUE

FALSE

7. In areas identified by FEMA as having special flood hazards, the National Flood Insurance requirements apply only to CDBG-funded new construction projects.

TRUE

FALSE

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8. The “one-for-one replacement” rule for low/moderate-income dwelling units that are demolished as a result of a CDBG-funded project only applies if the unit was occupied at the time that the CDBG project was initiated.

TRUE

FALSE

9. In a structure to be rehabilitated that has historic significance and is found to contain lead paint, the lead-based paint abatement requirements take precedence over the historic preservation requirements.

TRUE

FALSE

10. If a contractor, who sits on the board of directors of a non-profit subrecipient, offers to donate his time to perform rehabilitation on the subrecipient’s homeless shelter, there is no conflict of interest if the contractor is only reimbursed for the cost of materials.

TRUE

FALSE

11. A grantee may only perform an on-site monitoring at a time convenient to the subrecipient, and during that monitoring the grantee does not have a right to inspect individual client files.

TRUE

FALSE

The answers are on next page.

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Exercise for Chapter 6.0 — Other Administrative and Program Requirements (continued)

Answers to questions from preceding pages

1. **TRUE.** According to 24 CFR 570.504(b)(2), program income on hand must be used before drawing down additional grant funds, **except** in the instance of program income in a revolving fund, in which case the subrecipient must use the program income for the activity for which the revolving fund was established before drawing down additional funds for that same activity.
2. **FALSE.** The Subrecipient Agreement must specify whether the subrecipient will be allowed to retain program income (24 CFR 570.504(c)). The Agreement should also specify the CDBG activities for which this program income may be used, which do not have to be the same activities that generated it. For example, the Agreement could specify that program income generated from repayment of economic development loans to for-profit businesses is to be used subsequently for housing rehabilitation loans. On the other hand, the grantee could authorize the subrecipient to keep the income in a revolving fund, in which case it would have to be used for making other economic development loans.
3. **FALSE.** In addition to changes to the total funding and period of performance, there are a variety of other circumstances under which a formal amendment to the Agreement should be executed. For example, a formal amendment should be made if additional activities are added to the scope of work, funds are substantially re-budgeted among activities, or the performance objectives for a particular activity are modified. Although sometimes incorrectly dismissed as a mere formality, written amendments serve to protect both the grantee and the subrecipient by making explicitly clear what the current expectations and legal responsibilities are for each party to the agreement.
4. **TRUE.** A requirement of Section 3 of the Housing and Community Development Act of 1974, as amended, states that it is the responsibility of grantees and subrecipients to make every reasonable effort to ensure that such employment opportunities are created for low- and moderate-income persons within the area.
5. **FALSE.** In general, Davis-Bacon “prevailing wage” standards apply only to construction contracts in excess of \$2,000 for construction work financed in whole or in part with CDBG assistance. For rehabilitation or new construction of residential properties, a CDBG-financed project is only subject to Davis-Bacon requirements if the property includes eight (8) or more units.
6. **FALSE.** Although a subrecipient is not allowed to incur program expenses for a CDBG project before the receipt of environmental clearance, it is the *grantee* that has the responsibility of completing the environmental review, *not* the subrecipient.

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7. **FALSE.** The National Flood Insurance Program requirements apply to *any CDBG-funded acquisition or construction project (including rehabilitation)* in a community that has had notice from FEMA for more than a year that the project area has special flood hazards.
8. **FALSE.** The “one-for-one replacement” requirement applies if the low/moderate-income unit had been *occupiable* and not just if it was actually occupied.
9. **FALSE.** Both the lead-based paint abatement and the historic preservation requirements must be satisfied. If the subrecipient cannot comply with both sets of requirements with the available funding, then it cannot assist the unit.
10. **FALSE.** Even if the contractor only receives reimbursement for materials “at cost,” the contractor will be considered to have a “financial interest” and therefore a conflict would exist. However, the grantee could request that HUD provide an exception in accordance with § 570.611(d) in this type of instance, where the contractor’s interest does not include payment for his or her services.
11. **FALSE.** In its efforts to fulfill its oversight responsibilities, a grantee is given broad discretion in the establishment of schedules for on-site visits and for examining any program records that it deems necessary for monitoring compliance with CDBG requirements. However, it is good practice to consider the subrecipient’s situation when scheduling such a visit, so as not to create too much of an inconvenience.

CHAPTER 7.0: AUDITS

Even if your agency had its own internal sources of funds, you would still want to have some independent review of your financial and program results to let you know whether you were making adequate progress toward your goals and objectives, and that you were not wasting funds. GAO has stated that you, as a subrecipient of the CDBG Entitlement program, share a joint responsibility with your grantee to ensure that Federal program resources are applied “efficiently, economically and effectively to achieve the purposes for which the resources were furnished.”¹ The financial and performance audits discussed in this chapter are designed to assure that grantees and subrecipient agencies meet this mutual responsibility and are accountable to the public. In particular:

1. **Financial audits** are designed to provide an independent opinion on whether your agency’s financial statements present in a fair manner actual operating results in accordance with accepted standards, and whether your agency has complied with specific financial requirements in terms of systems and procedures.
2. **Performance audits** provide an independent point of view on the extent to which your agency has faithfully, efficiently and effectively carried out its operations, and achieved the intended results or benefits of its programs.

In general, a formal IPA audit sits at the third rung of a four-rung examination ladder. The first rung corresponds to your own internal bookkeeping systems and procedures that enable you to compile operating results for a given period of time and give you a chance to compare your agency’s financial and program results for that period, as a whole, to your goals and objectives. The second rung corresponds to an outside accountant’s compilation and review of your operating data for a given period. However, at this level, the review is still informal and may not result in the accountant’s formal opinion as to the reliability and accuracy of the results.

The third level of examination, discussed in this chapter, corresponds to the formal IPA audit that must be performed anytime your agency expends **\$750,000** or more in Federal funds in a year. Its primary goal is to determine whether your agency has adequate systems in place to assure that:

- Goals and objectives are met.
- Resources are safeguarded.

¹ U.S. General Accounting Office, Government Accounting Standards (U.S. Government Printing Office: Washington, D.C., 1988) pp. 1-4.

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- Laws and regulations are followed.
- Reliable data are obtained, maintained, and accurately disclosed.

This level of review should always result in a formal opinion of the accuracy and reliability of the data presented as expressed in a management letter.

The fourth level of audit corresponds to detailed evaluations by the GAO or HUD's OIG that are designed to improve the productivity of Federal agencies and programs by identifying and correcting poor management practices among these agencies and their grantees and subrecipients. These types of audits are not discussed in detail here, but, if you are interested, your grantee or local HUD office should be able to provide you with information on GAO and OIG procedures and standards.

This chapter summarizes Federal requirements for IPA audits of subrecipients subject to the provisions of the Single Audit Act. It discusses general audit requirements, internal control and compliance reviews, audit reports, auditor selection and procurement, audit costs, and audit review and resolution procedures. The intent is not only to summarize the procedures necessary to comply with Federal requirements, but also to show that an IPA audit gives you an excellent opportunity to measure the strengths and weaknesses of your program so you can improve your performance.

AS YOU READ THIS CHAPTER, THINK ABOUT ...

1. *What kind of audit* your agency is required to perform, and whether multiple funding sources are involved (Federal, non-Federal).
2. Based on prior financial reviews or audits, whether you feel your agency has *sufficient control* over its financial situation and its CDBG-related activities.
3. Whether there are any particular *financial or program concerns* you feel should be addressed as part of your next audit.
4. What *files, records, or procedures should be organized and updated* before your next audit, so that the auditor might be more efficient in collecting and organizing the data and giving you important feedback on financial and program results.

7.1 General Audit Requirements

Subrecipients that expend \$750,000 or more in total Federal financial assistance³ in a year are responsible for obtaining **an independent audit** in accordance with the Single Audit Act of 1984 and *2 CFR 200 Subpart F*. The computation of the total of such assistance includes all Federal funds received by the entire entity, and not just the department or division receiving the CDBG funding. For purposes of determining the amount of Federal assistance expended, all Federal assistance shall be considered, including that which is received directly from a Federal agency, or passed through a state or local government, or through non-profit organizations, or any combination thereof.

If a subrecipient expends **less than \$750,000 per year** in Federal financial assistance, it is exempt from Federal audit requirements. However, the subrecipient must still have records available for review by HUD, the grantee, or GAO, and there also may be separate state or local laws prescribing additional audit requirements.

If a subrecipient has expended more than \$750,000 in a year under only one Federal program, the auditee may elect to have a program-specific audit conducted in lieu of a single audit. (*A single audit is an audit that includes both the entity's financial statements and the Federal funds it has expended.*) If the subrecipient elects this option, the auditor(s) will perform the compliance testing for the individual grant program in accordance, *2 CFR 200.507*.

If a subrecipient in turn provides \$750,000 or more of its Federal financial assistance in a year **to another subrecipient**, the providing subrecipient must ensure that this second subrecipient has complied with the relevant audit requirements and applicable laws and regulations. It must also issue a management decision on audit findings within 6 months after receipt of the audit report and ensure that the subrecipient takes appropriate and timely corrective action,*2 CFR 200.513*.

³ "Federal financial assistance" means assistance provided directly by a Federal agency to a recipient or a subrecipient or through a recipient to a subrecipient to carry out a program or activity. Such assistance may be in the form of:

- Grants.
- Loans.
- Contracts.
- Cooperative agreements.
- Loan guarantees.
- Property.
- Interest subsidies.
- Insurance.
- Direct appropriations.
- Other non-cash assistance.

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Subrecipients will be responsible for providing the auditor with a summary schedule of any prior audit findings, whether corrective action was taken, and the status of corrective actions not yet completed.

7.2 Internal Control and Compliance Review

The Single Audit Act requires, among other things, that the independent auditor determine and report on whether the organization or governmental entity has **internal control systems** to provide reasonable assurance that it is managing its Federal assistance programs in compliance with applicable laws and regulations. The auditor will perform tests of these controls to evaluate the effectiveness of the design and operation of the policies and procedures in preventing or detecting material noncompliance.

The auditor will also conduct **compliance testing**. For the CDBG program, the auditor will examine a sample of transactions to determine whether:

- The amounts reported by the subrecipient as expenditures were for allowable services, and the records show that those who received benefits or services were eligible to receive them.
- Applicable limitations (such as ceilings on administrative costs, or funding for public services, as well as allocations for activities to principally benefit low- and moderate-income individuals) were met.
- The subrecipient's financial reports and claims for advances and reimbursements contain information that is supported by the books and records from which the basic financial statements have been prepared.
- Program income received was properly recorded and used before drawing additional grant funds.
- The expenses claimed by the subrecipient are in accordance with the applicable cost principles and uniform administrative requirements.

7.3 Audit Reports

Following the completion of the audit, an audit report must be prepared. The audit report must contain at least the following (assuming that it is a single audit as opposed to a program-specific audit):

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- **An opinion as to whether the subrecipient's financial statements** are presented fairly in all material respects, and **an opinion as to whether the schedule of expenditures of Federal awards** is presented fairly in relation to the financial statements taken as a whole.
- **A report on the subrecipient's internal control related to the financial statements and major programs.** The report would be expected to identify the significant internal accounting controls and those controls designed to provide reasonable assurance that Federal programs are being managed in compliance with applicable laws and regulations.
- **A report on compliance containing:** an opinion as to whether each major Federal program was being administered in compliance with applicable laws and regulations; a statement of positive assurance for those items tested; negative assurance for those items not tested; a summary of all instances of noncompliance; and, identification of total amounts questioned.
- **A schedule of findings and questioned costs,** where applicable.

The audit must generally be completed within 9 months after the end of the audit period and the report submitted within 30 days of receipt of the auditor's report(s). The subrecipient shall submit to the Federal clearinghouse designated by OMB the data collection form used in the audit along with a copy of the reporting package. It shall also submit a copy of the reporting package to HUD and the grantee.

A subrecipient should maintain copies of audit reports on file for a minimum of 4 years from the date of their issuance. Similarly, the subrecipient should ensure that its auditor maintains copies of the audit work papers for a minimum of 4 years from the date of the report issuance. If there remain unresolved audit issues at the end of this 4-year period, the subrecipient should notify the auditor in writing to extend the retention period.

7.4 Auditor Selection/Procurement

In arranging for audit services, subrecipients must follow the procurement requirements found in 2 CFR 200.509, as applicable. Small audit firms and audit firms owned and controlled by minorities or women must have the maximum practicable opportunity to participate in audit contracts.⁴

⁴ 2 CFR 200.321

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In requesting proposals for audit services, the objectives and scope of the audit should be made clear. Factors to be considered in evaluating each proposal for audit services include the responsiveness to the request for proposal, relevant experience, availability of staff with professional qualifications and technical abilities, the results of external quality control review, and price.

7.5 Audit Costs

The costs of audits made in accordance with the applicable regulations are allowable charges to Federal assistance programs. These charges can be treated as either a direct cost or an allocated indirect cost. In regard to the latter, the percentage of costs generally charged to Federal assistance programs for a single organization wide audit should not exceed the percentage that the subrecipient's Federal funds represent of total funds expended by the entity during the applicable year. The percentage may be exceeded, however, if appropriate documentation demonstrates higher actual costs.

7.6 Audit Review and Resolution

As noted in the preceding section, the reports from any independent audits must be forwarded by the subrecipient to the grantee (in its role as the entity providing the funds), who will review all such reports to determine whether they meet all relevant standards and are acceptable.

A subrecipient must establish a system to ensure a *timely and appropriate resolution* to audit findings and recommendations. This system must address both independent audits performed relative to the Single Audit Act and audits completed on the subrecipient's operations by the HUD OIG, GAO, or other governmental bodies.

A subrecipient's first step in the resolution of an audit is the preparation of its "Management's Response" to the findings and recommendations contained in the audit report. In its response, the subrecipient should provide:

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For findings/recommendations with which the subrecipient agrees:

- Information on the actions it has taken (or plans to take) to correct the specified noncompliance or financial system deficiencies.

For findings/recommendations with which the subrecipient does not agree:

- The basis (including relevant documentation) for the subrecipient's belief that an audit finding or recommendation is inaccurate or inappropriate.

Typically, the Management Response is due within 30 days from the subrecipient's receipt of an audit report. If, in its Management Response, the subrecipient disagreed with any of the audit findings or recommendations, the grantee will re-examine the points in question to determine whether any revisions to the report's findings/recommendations are warranted. It will then issue a Management Decision concerning the finding or recommendation.

For those audit findings and recommendations with which the subrecipient agrees, and for any disputed findings or recommendations in which the subrecipient's challenge is not upheld (in the grantee's management decision), the next step in the resolution process is the implementation of procedures to prevent the deficient conditions from re-occurring. In general, action to correct findings or to implement recommendations must be completed within 1 year of the issuance of the audit report. The grantee may perform a site visit or require documentation that the corrective action procedures have been implemented, or may require the subrecipient's independent auditor to report whether the subrecipient has implemented the prior year's corrective action and/or recommendations.

A **“repeat finding”** (a deficiency or area of noncompliance which appears in more than one successive audit for a subrecipient) will be viewed very seriously by a grantee and can often result in special conditions being attached to the subrecipient's CDBG funding or other sanctions.

Occasionally, the findings from an audit will result in **“questioned costs.”** A subrecipient's costs associated with its CDBG funding may be questioned for the following reasons:

- There is inadequate documentation to support the expenditure or the amount of cost charged to the grant.
- The expenditure does not appear to be related to the grant project.

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- The cost was incurred outside the effective period of the Subrecipient Agreement or was a program expense incurred by the subrecipient before environmental review clearance was achieved.
- The expense is unallowable under the program regulations and applicable cost principles.
- The cost required the prior approval of the grantee, and no prior approval was obtained.

To resolve a questioned cost, the subrecipient must:

- Provide the missing documentation to support the expenditure and amount.
- Offer detailed explanation of how the cost relates to the grant program.
- Seek retroactive approval for an expense that required prior approval (which the grantee may or may not give).

If a subrecipient is not able to resolve a questioned cost to the satisfaction of the auditor and/or grantee, the expense will be **disallowed**. A disallowed expense for which Federal funds were originally used must be reimbursed from non-CDBG/non-Federal funds. On occasion, such reimbursements can be repaid on a payment schedule negotiated with the grantee or the other relevant officials (e.g., HUD/OIG representatives).

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Exercise for Chapter 7.0 — Audits

Circle the Correct Answer

1. A non-profit subrecipient that has expended \$35,000 in Federal financial assistance in a year from multiple Federal programs must have:
 - (a) An audit of its entire operations.
 - (b) A program-specific financial audit for each Federal award.
 - (c) Either (a) or (b).
 - (d) No audit is required.

2. A non-profit subrecipient that has expended a total of \$850,000 in Federal financial assistance in a single year, but only from one Federal program, must have:
 - (a) An audit of its entire operations.
 - (b) A program-specific financial audit for the Federal award.
 - (c) Either (a) or (b).

3. Which of the following are necessary components of a financial audit report under the Single Audit Act?
 - (a) An organizational chart or description of the entity's organizational structure.
 - (b) Financial statements and schedule of Federal assistance.
 - (c) An inventory of non-disposable property.
 - (d) An itemization of personnel positions and salaries.
 - (e) An evaluation of internal control systems.
 - (f) A report on compliance.
 - (g) An assessment of the entity's efficiency and effectiveness in its operation of the Federal program(s).

4. A subrecipient may procure independent audit services from any source of its choosing.

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TRUE

FALSE

5. Cost considerations must be the dominant factor in the selection of auditors.

TRUE

FALSE

6. Since the Single Audit Act mandates a single audit for non-profit subrecipients that expend a total of \$750,000 or more in a single year from multiple Federal programs, the non-profit can charge the full cost of the audit to those Federal programs.

TRUE

FALSE

The answers are on next page.

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Exercise for Chapter 7.0 — Audits (continued)

Answers to questions from preceding pages

1. “(d).” No audit is required because the subrecipient expended less than the \$750,000 in total Federal assistance that triggers the requirement for an audit.
2. The subrecipient may have either type of audit.
3. “(b),” “(e),” and “(f).”
4. **FALSE.** Subrecipients must follow procurement rules in either the Federal Acquisition Regulation or in 2 CFR Part 200, as applicable.
5. **FALSE.** Cost should only be a selection factor when the other selection criteria such as the qualifications and independence of the firms being considered have been met.
6. **TRUE.** Since the audit is a mandated Federal requirement, the Federal programs can pay the full cost of the audit.

CHAPTER 8.0: CLOSEOUT

It would be nice if the closeout process for completing your activities under a Subrecipient Agreement were as simple as closing out a bank account or making a final payment on a mortgage. Unfortunately, closeout procedures can be somewhat drawn out, depending on the complexity of the activities undertaken and the nature of any contingent assets or liabilities which may survive the completion of your CDBG-funded activities.

What this means is that your agency may remain “on the hook” (i.e., responsible) despite having completed all requirements under its Agreement and despite having paid/received all accounts due. ***The key to closing out your activities effectively is “clarity.”*** Clarity can only be achieved if you have carefully and fully documented all of your financial and program activities up to the point of closeout. The weaker your documentation, or the more complicated your program, or the longer time that has elapsed over the life of the Agreement, the more difficult it may be to achieve a resolution of closeout issues to the satisfaction of both your agency and the grantee.

This chapter is designed to help you understand the closeout process with respect to:

- General issues that must be addressed.
- Specific closeout procedures typically undertaken by subrecipients.
- Adjustments made to account for final costs, cash, and other asset balances.
- Continuing subrecipient responsibilities mandated by Federal regulations.

By knowing these ahead of time, you can *take appropriate steps now* to assure that you and the grantee are fully aware of the likely issues to be addressed during the settlement process. You can also clear up any documentation problems that may hinder your ability to finalize activities and deliverables under your Subrecipient Agreement.

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AS YOU READ THIS CHAPTER, THINK ABOUT ...

1. Whether any of your CDBG-funded activities may be ready to closeout, and what their status is.
2. Whether your financial and progress reports are up-to-date and accurately reflect the completion of your work under the Agreement.
3. Whether there are any outstanding monitoring issues (findings or concerns) that have not been resolved to the satisfaction of the grantee.
4. Whether there are any commitments (e.g., affordable housing) that may survive the closeout of your activities with the grantee, and how you plan to handle them.

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8.1 Overview

The closeout of a Subrecipient Agreement is the process by which the grantee determines that all required work under the Agreement has been completed. This means that all financial, administrative, and performance issues related to the activities undertaken by the subrecipient have been resolved to the satisfaction of both the grantee and the subrecipient.

The Federal regulations applicable to the CDBG program include few specific requirements relative to the closeout of subrecipient projects. The lack of specific Federal requirements means that there will be some variation in closeout procedures among communities. Nonetheless, many grantees, through the incorporation of appropriate language in their Subrecipient Agreements, require their subrecipients to follow closeout procedures that are similar to the ones that the grantees themselves must follow pursuant to 24 CFR 570.509. The following section describes the general process detailed in 24 CFR 570.509 that is often used by grantees as a standard for the closeout of subrecipients.

8.2 Closeout Procedures

A grantee will usually initiate closeout procedures relative to a subrecipient when:

- All costs to be paid with CDBG funds have been incurred, with the exception of closeout costs (e.g., audit) or contingent liability costs.
- The work to be financed with CDBG has been completed, including activities financed through escrow accounts, loan guarantees, or similar mechanisms.
- The other responsibilities of the subrecipient under its agreement with the grantee have been met, or the grantee feels that there is no further benefit in keeping the Agreement open for the purpose of securing performance.

When the grantee has determined that these criteria have been met, or upon the expiration or termination of the Subrecipient Agreement, the grantee usually will require the subrecipient to provide final versions of all financial, performance, and other reports that were a condition of the award. These reports may include but are not limited to:

- A final performance or progress report.
- A financial status report (including all program income).
- A final request for payment.

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- A final inventory of property in the subrecipient's possession that was acquired or improved with CDBG funds.

Although an alternate deadline may be established by the grantee, frequently these reports are due within 90 days of the expiration/termination of the Subrecipient Agreement or notification by the grantee. The grantee generally will also require the subrecipient to liquidate all obligations incurred under the CDBG award before the submission of the final financial status report.

Based on the information provided by the subrecipient in these final reports and other relevant information, the grantee may execute a closeout agreement with the subrecipient that specifies:

- Any closeout costs or contingent liabilities subject to payment with CDBG funds after the closeout agreement are signed.
- The amount of any unused CDBG funds (see Section 8.3 regarding the disposition of these funds).
- The subrecipient's responsibilities after closeout (see Section 8.4).
- Other provisions appropriate to any special circumstances.

8.3 Cost and Cash Adjustments (24 CFR 570.503(b) (7))

Upon receipt by the grantee of the reports referred to in Section 8.2 in the preceding section, the grantee will make upward or downward adjustments to the subrecipient's allowable costs. The grantee should make prompt payment to the subrecipient for any outstanding allowable reimbursable costs.

Pursuant to 24 CFR 570.503(b) (7), the Subrecipient Agreement must specify that any grant funds that are remaining in the subrecipient's possession at the expiration or termination of the agreement must be refunded immediately to the grantee. Similarly, any accounts receivable must be transferred to the grantee.

According to **2 CFR 220.345**, any funds paid to the subrecipient in excess of the amount to which the subrecipient is finally determined to be entitled under the CDBG program constitutes a debt to the Federal Government. If not paid by the subrecipient within a reasonable period of time, a grantee may reduce this debt by making an offset against other requests for reimbursement from the subrecipient by withholding advance payments or by other action permitted by law.

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8.4 Continuing Subrecipient Responsibilities

As specified in *2 CFR 200.344*, the closeout of a CDBG award to a subrecipient does not affect:

- The grantee's right to disallow costs and/or recover funds on the basis of a later audit or other review.
- The subrecipient's obligation to return funds due to the grantee from subsequent refunds, corrections, or other transactions.
- The subrecipient's responsibilities for records retention.
- The CDBG property management and disposition requirements.
- Audit requirements.

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Exercise for Chapter 8.0 — Closeout

Circle the Correct Answer

1. On the date that its Subrecipient Agreement with the Midtown Community Development Agency expired, the non-profit Family Services Organization submitted final performance, financial status, and inventory reports, and a final request for payment. Once the final payment is received from the grantee, can this subrecipient consider itself “closed-out”?

YES

NO

2. Although its CDBG-funded \$800,000 housing rehabilitation effort over the last year had not yet been audited, when the funds were fully expended and assisted units completed, the Mica City Housing Authority submitted its final reports to the Mica City CD Office and received certification that the grantee considered its program to be closed-out. Must the Mica City Housing Authority still arrange for an audit of its CDBG funds?

YES

NO

3. As a subrecipient under Central County’s CDBG program, the city of Lobos had implemented a public facilities effort aimed at removing architectural barriers, with the municipality agreeing in the Subrecipient Agreement to match the CDBG funds in the project on a dollar-for-dollar basis with city funds. The project had been formally closed out by the time that the city contracted for an IPA audit of this activity. The completed audit, however, revealed that the final costs of the public facilities effort and the amount contributed as the city’s match against the CDBG assistance were less than the figures previously submitted by Lobos in its final reports for closeout. Can the grantee still disallow some of the expenses covered with CDBG funds?

YES

NO

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4. The subrecipient, Housing Resources, Inc., had been operating a CDBG-funded rehabilitation grant program for low- and moderate-income households. *After closeout*, one of the property owners that had been assisted by the program decided *not* to make the rehabilitated unit, which had been recently vacated, available to a low- or moderate-income tenant, and under the recapture provisions of the program, returned the amount of the assistance (plus an interest penalty) to Housing Resources, Inc. Can Housing Resources keep these funds for its own use?

YES

NO

The answers are on next page.

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Exercise for 8.0 — Closeout (continued)

Answers to questions from preceding pages

1. **NO.** It is up to the grantee to determine when the conditions for “closeout” have been satisfied, consistent with its standard procedures (which should be spelled out in writing for subrecipients). Once these conditions have been met, the grantee should either enter into a closeout agreement with the subrecipient or send written notification to the subrecipient regarding the latter’s closeout status along with any special conditions or continuing responsibilities which the subrecipient must satisfy. Until a subrecipient receives such formal notification, it should **not** assume that any CDBG activity has been closed out.
2. **YES.** The applicable regulations are clear that the closeout of a CDBG award does *not* affect the subrecipient’s audit requirements. And, according to 2 CFR 200 Part F, any entity that expends \$750,000 or more a year in Federal financial assistance must have an audit completed in accordance with the standards found in that circular.
3. **YES.** 24 CFR 84.72 and 85.51 specify that even after closeout of the CDBG project, the grantee has the right to disallow costs and recover funds based on a later audit. In this case, the grantee could choose to reduce the allowable CDBG costs to a level equal to the actual amount of cash match contributed by the city of Lobos.
4. **NO.** According to 2 CFR 200.344, at the expiration of the Subrecipient Agreement, the subrecipient must transfer to the grantee any CDBG funds on hand and *any accounts receivable attributable to the use of CDBG funds*. The obligations of assisted property owners to reimburse the subrecipient under recapture provisions of a funding agreement would constitute accounts receivable. Therefore, the subrecipient would need to return these funds to the grantee.



**U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
OFFICE OF THE DEPUTY SECRETARY
WASHINGTON, DC 20410-0050**

Special Attention of:

NOTICE: SD-2015-01

Issued:

FEB 26 2015

HUD Regional Directors
HUD Field Office Directors
HUD Offices of Community Planning and Development (CPD),
Fair Housing and Equal Opportunity (FHEO),
Housing,
Native American Programs (ONAP),
Lead Hazard Control and Healthy Homes (OLHCHH),
Public and Indian Housing (PIH),
Policy Development and Research (PD&R)
HUD Grant Administrators, Grant Officers, Government Technical Monitors (GTMs), and
Government Technical Representatives (GTRs) and Recipients of HUD Federal Financial
Assistance

This notice remains effective until amended,
superseded or rescinded

SUBJECT: Transition to 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Final Guidance*

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1. BACKGROUND

On December 26, 2013, the Office of Management and Budget (OMB) published (at 78 Federal Register 78590; <https://federalregister.gov/a/2013-30465>) final guidance on the above subject, which is codified at 2 CFR part 200. OMB and the Federal awardmaking agencies published a joint interim final rule implementing the final guidance as requirements for recipients of Federal financial assistance on December 19, 2014 (at 79 Federal Register 75871; <https://www.federalregister.gov/articles/2014/12/19/2014-28697/federal-awarding-agency-regulatory-implementation-of-office-of-management-and-budgets-uniform>). OMB also made technical corrections to part 200.

The purpose of 2 CFR part 200 is to streamline the Federal government’s guidance on administrative requirements, cost principles, and audit requirements to more effectively focus Federal resources on improving performance and outcomes, while ensuring the financial integrity of taxpayer dollars in partnership with non-Federal stakeholders. The uniform guidance supersedes, consolidates, and streamlines requirements from eight OMB Circulars:

- A-21, *Cost Principles for Educational Institutions*,
- A-87, *Cost Principles for State, Local and Indian Tribal Governments*,
- A-89, *Catalog of Federal Domestic Assistance*,
- A-102, *Grants and Cooperative Agreements With State and Local Governments*,
- A-110, *Uniform Administrative Requirements for Grants and Other Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations*,
- A-122, *Cost Principles for Non-Profit Organizations*,
- A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and
- The guidance in OMB Circular A-50, *Audit Followup*, on Single Audit Act follow-up.

HUD adopted this guidance at a new part, 2 CFR part 2400. The uniform guidance also removed: 2 CFR parts 215, 220, 225, and 230. HUD amended 24 CFR parts 84 and 85, which had codified OMB Circulars superseded by 2 CFR part 200, by removing all substantive provisions and including a saving provision that provides that Federal awards made prior to December 26, 2014, will continue to be governed by parts 84 or 85 as codified in the 2013 edition of the Code of Federal Regulations (CFR) or as provided under the terms of the Federal award.

Major Reforms and Policy Changes

The policy reforms brought about by OMB's consideration of public comments and efforts to streamline federal grant-making processes are identified as the following:

- Eliminate duplicative/conflicting guidance;
- Focus on performance over compliance for accountability;
- Encourage efficient use of information technology (IT)/shared services;
- Provide for consistent treatment of costs;
- Limit allowable costs for the best use of Federal resources;
- Incorporate standard business processes using data definitions;
- Strengthen oversight; and
- Target audit requirements on risk of waste, fraud, and abuse.

In addition to the consolidation of the OMB Circulars, major audit changes include the following:

- The Single Audit threshold is raised from \$500,000 to \$750,000, which eliminates the need for more than 5,000 audits, with a cost savings estimated at \$250 million;
- The questioned cost limit in Single Audits is raised from \$10,000 to \$25,000;
- Assessment of government-wide audit quality is to be conducted every six years (beginning in 2018).

The uniform guidance, which provides a government-wide framework for grants management, is designed to reduce administrative burden for non-Federal entities receiving Federal awards.

2. EFFECTIVE DATE AND APPLICABILITY TO HUD

The uniform guidance was applicable for Federal agencies, including HUD, effective December 26, 2013. Federal agencies, including HUD, adopted 2 CFR part 200 as requirements for Federal financial assistance programs by the interim final rule published December 19, 2014. It was made applicable to non-Federal entities (recipients of Federal financial assistance) effective December 26, 2014, with one exception: §200.110(a) was revised to give a one-year grace period for implementation of the procurement standards. As will be detailed in the 2015 OMB Compliance Supplement, non-Federal entities choosing to delay implementation for the procurement standards will need to specify in their documented policies and procedures that they continue to comply with OMB Circulars A-87 or A-110 for one additional fiscal year which begins after December 26, 2014. For example, the first full fiscal year for a non-Federal entity with a June 30th year would be the year ending June 30, 2016. See also the General Transition Rules section of this Notice.

3. PURPOSE

The purpose of this Notice is to identify and explain significant changes made in 2 CFR part 200, and provide transition guidance and links to additional resource materials for HUD and its grant program stakeholders and other recipients of Federal financial assistance from HUD. This Notice is broken out by the six subparts in 2 CFR part 200:

- Subpart A – *Acronyms and Definitions*;
- Subpart B – *General Provisions*;
- Subpart C – *Pre-Federal Award Requirements and Contents of Federal Awards*;
- Subpart D – *Post-Federal Award Requirements*;
- Subpart E – *Cost Principles*; and
- Subpart F – *Audit Requirements*.

Appendix A of this Notice provides the table of contents for 2 CFR part 200. HUD highly recommends that recipients familiarize themselves with 2 CFR part 200 in its entirety. This Notice is intended to highlight major changes and topical areas that may apply across all HUD programs or be of general interest.

4. SUBPART A – ACRONYMS AND DEFINITIONS: HIGHLIGHTS

Subpart A of 2 CFR part 200 lists definitions and acronyms for key terms found throughout the uniform guidance. Each definition is in its own section so that the reader can look at the table of contents to see defined terms. Since the uniform guidance originated in eight different Circulars, there are numerous conforming changes made to provide consistency for the terms used. In particular, part 200 uses “non-Federal entity” and “pass-through entity.” “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. “Pass-through entity” means a non-Federal entity that provides a subaward to a subrecipient to carry out part of a Federal program.

Policy decisions are reflected in some definitions, including: §200.18, *Cognizant agency for audit*, §200.23, *Contractor*, §200.33, *Equipment*, §200.73, *Oversight agency for audit*, and §200.94, *Supplies*. Section 13.b of this Notice provides a link to a crosswalk developed by OMB from the existing OMB Circulars to the final uniform guidance in 2 CFR part 200.

Definition of Indian Tribe: The definition of Indian tribe in §200.54 differs from the definition in the Native American Housing Assistance and Self-Determination Act (NAHASDA) (25 U.S.C. 4013, et seq.). The definition of Indian tribe in §200.54 has no effect on programs with statutory definitions of “Indian tribe.”

5. SUBPART B – GENERAL PROVISIONS: HIGHLIGHTS

Subpart B covers general provisions, including the basic purpose of 2 CFR part 200 and its applicability to different types of Federal awards to non-Federal entities, and states that

Federal agencies, including HUD, may apply subparts A-E to for-profit entities. Exceptions to the applicability of the rule are listed in 2 CFR 200.101(d) and (e) and 2 CFR 200.102. This subpart makes clear that part 200 does not supersede any existing or future authority under law or by executive order or the Federal Acquisition Regulation (FAR). As an example, for public housing, the disposition statute at Section 18 of the U.S. Housing Act of 1937 (42 U.S.C. 1437p) supersedes the disposition instructions in §200.311(c). Subpart B also covers Authorities, Effect on other issuances, Agency implementation, OMB responsibilities, Inquiries, Effective date, English language, Conflict of interest, and Mandatory disclosures. Highlights are discussed below.

Applicability: Section 200.101 includes a table that summarizes how the guidance applies to types of Federal awards. This table must be read along with the other provisions of section 200.101:

The following portions of Part 200:	Are applicable to the following types of Federal Awards (except as noted in paragraphs (d) and (e) of section 200.101):	Are NOT applicable to the following types of Federal Awards:
Subpart A—Acronyms and Definitions.	—All.	
Subpart B—General Provisions, except for §§200.111 English Language, 200.112 Conflict of Interest, 200.113.Mandatory disclosures	—All.	
§§ 200.111 English Language, 200.112 Conflict of Interest, and 200.113. Mandatory Disclosures	—Grant agreements and cooperative agreements.	<ul style="list-style-type: none"> —Agreements for: loans, loan guarantees, interest subsidies, and insurance. —Cost-reimbursement contracts awarded under the Federal Acquisition Regulation and cost-reimbursement subcontracts under these contracts. —Fixed-price contracts and subcontracts awarded under the Federal Acquisition Regulation whenever cost analysis is performed or the contract requires the determination or negotiation of costs.
Subparts C–D, except for Subrecipient Monitoring and Management.	—Grant agreements and cooperative agreements	<ul style="list-style-type: none"> —Agreements for: loans, loan guarantees, interest subsidies, and insurance. —Cost-reimbursement contracts awarded under the Federal Acquisition Regulation and cost-reimbursement subcontracts under these contracts. —Fixed-price contracts and subcontracts awarded under the Federal Acquisition Regulation whenever cost analysis is performed or the contract requires the determination or negotiation of costs.
Subpart D—Post Federal Award Requirements, Subrecipient Monitoring and Management.	—All.	
Subpart E—Cost Principles.	<ul style="list-style-type: none"> —Grant agreements and cooperative agreements, except those providing food commodities. —Cost-reimbursement contracts awarded under the Federal Acquisition Regulation and cost-reimbursement subcontracts under these contracts in accordance with the FAR. —Fixed price contracts and subcontracts awarded under the Federal Acquisition Regulation whenever cost analysis is performed or the contract requires the determination or negotiation of costs. 	<ul style="list-style-type: none"> —Grant agreements and cooperative agreements providing food commodities. —Fixed amount awards. —Agreements for: loans, loan guarantees, interest subsidies, insurance. —Federal awards to hospitals (see Appendix IX to Part 200—Hospital Cost Principles).
Subpart F—Audit Requirements.	—All.	

Exceptions:

- Section 200.102(a) allows OMB to make exceptions to 2 CFR part 200 for certain classes of Federal awards or for certain non-Federal entities, but only in unusual circumstances and if such exceptions are not prohibited by law. Where the provisions of Federal statutes or regulations differ from the provisions of part 200, the provisions of the Federal statutes or regulations take precedence.
- Section 200.102(b) allows HUD to make certain exceptions on a case-by-case basis except where otherwise required by law or where OMB or other approval is expressly required by 2 CFR part 200. Under §200.102(c), HUD may apply more restrictive requirements to a class of Federal awards or non-Federal entities when approved by OMB or required by Federal statutes or regulations. HUD may also apply less restrictive requirements when making fixed amount awards as defined in Subpart A, §200.45.
- Exemptions from Subpart F, Audit Requirements, are not permitted under any circumstances.

English Language: Section 200.111 makes clear that all HUD financial assistance announcements, HUD award information (e.g., Notices of Funding Availability), and applications must be in the English language. Non-Federal entities may translate the Federal award and other documents into another language, however, in the event of any inconsistency, the English language meaning would control. Where a significant portion of the non-Federal entity's employees working on the award are not fluent in English, the non-Federal entity must provide the HUD award in English and the language(s) with which the employees are more familiar.

Conflict of Interest: Section 200.112 requires HUD to establish conflict of interest policies for Federal awards and requires non-Federal entities to disclose in writing any potential conflict of interest to HUD or the pass-through entity in accordance with HUD's policy. The general procurement standards in §200.318 require non-Federal entities to maintain written standards of conduct covering conflicts of interest, including organizational conflicts of interest. "Organizational conflicts of interest" means that, because of relationships with a parent company, affiliate, or subsidiary organization, the non-Federal entity is unable or appears to be unable to be impartial in conducting a procurement action involving a related organization.

6. SUBPART C – PRE-FEDERAL AWARD REQUIREMENTS AND CONTENTS OF FEDERAL AWARDS: HIGHLIGHTS

Subpart C prescribes the instructions and other pre-award information to be used in the funding announcement and application process.

Selecting the Instrument for Award: Section 200.201 requires the Federal awarding agency or pass-through entity to decide on the appropriate instrument for the Federal award (i.e., grant agreement, cooperative agreement, or Federal contract under the Federal Acquisition Regulation) in accordance with the Federal Grant and Cooperative Agreement Act (31 U.S.C. 6301-08). The program statute or pass-through entity may have another name for

the document (e.g., annual contributions contract), but the choice is limited to these three instruments, in accordance with the Federal Grant and Cooperative Agreement Act.

Fixed Amount Awards: Section 200.201(b) allows for “fixed amount” awards under which the amount is negotiated using the cost principles (or other pricing information) as a guide. Fixed amount awards generally may be used if the project scope is specific and if adequate cost, historical, or unit pricing data are available to establish a fixed amount award based on a reasonable estimate of actual cost. Accountability is based on performance. There is no governmental review of the actual costs incurred by the non-Federal entity in performance of the award. Payments may be based on milestones, on a unit price basis, or in a single payment upon completion of the Federal award. The non-Federal entity is required to provide a certification regarding completion. Periodic reports may be required.

Funding Announcements and Award Agreements: Sections 200.202, 200.203, 200.210, and Appendix I require funding opportunities to be available for at least 60 days and impose standard requirements on HUD’s notices of funding opportunities, on application requirements, and Federal award requirements. HUD will include with each Federal award any program-specific or other terms and conditions, and will share both the general and the program-specific or other requirements on a public website and in Notices of Funding Availability (NOFAs).

Risk-Based Awards: Sections 200.204 and 200.205 require Federal agencies to design and execute a merit review process for competitive applications using a risk-based approach that relies, in part, on HUD review of OMB-designated repositories of government-wide eligibility qualification or financial integrity information (such as the Federal Awardee Performance and Integrity Information System (FAPIS), “Do Not Pay” lists, etc.)¹. This assessment can include, for example:

- financial stability,
- the quality of management systems and ability to meet the management standards in 2 CFR part 200,
- history of performance,
- reports and findings from audits, and
- the applicant’s ability to effectively implement statutory, regulatory, or other requirements, and debarment and suspension guidelines.

HUD must also comply with the debarment and suspension guidelines in 2 CFR part 180.

¹ FAPIS is a database that has been established to track contractor misconduct and performance. The database contains Federal contractor criminal, civil, and administrative proceedings in connection with federal awards; suspensions and debarments; administrative agreements issued in lieu of suspension or debarment; non-responsibility determinations; contracts terminated for fault; defective pricing determinations; and past performance evaluations (see: <https://www.fapis.gov/fapis/index.jsp>). The “Do Not Pay” Business Center was developed for programs administered and/or funded by the Federal government to help prevent, reduce and stop improper payments while protecting citizens' privacy, and partner with agencies to identify potential fraud, waste, and abuse while protecting citizens' privacy (see: <http://donotpay.treas.gov/index.htm>).

Section 200.207 authorizes Federal agencies and pass-through entities to impose additional specific award conditions on applicants or recipients who have a history of failure to comply with terms and conditions, or failure to meet performance goals, or are not otherwise responsible. The conditions include requiring reimbursements rather than advance payments, requiring additional, more detailed reports, additional monitoring, etc. If such additional requirements are imposed, HUD or the pass-through entity must notify the applicant or non-Federal entity as to the nature of, and reasons for, the requirements, actions needed, and timeframe, if applicable. Special conditions must be promptly removed once the causal conditions have been corrected.

7. SUBPART D – POST-FEDERAL AWARD REQUIREMENTS: HIGHLIGHTS

Subpart D describes the requirements standards for managing and administering HUD awards. It includes standards for financial and program management, property and procurement standards, performance and financial monitoring and reporting, subrecipient monitoring and management, record retention and access, remedies for noncompliance, the provisions of the Federal Funding and Accountability Transparency Act (FFATA)² and closeout. NOTE: There will be exceptions to the items listed below and they will be published by regulation. See also Section 5 of this Notice.

Performance Measurement: Section 200.301 requires, as appropriate and in accordance with OMB information collection requirements, recipients to relate financial data to performance accomplishments of the Federal award and provide cost information to demonstrate cost effective practices (e.g., through unit cost data). This is in line with the shift in 2 CFR part 200 from compliance to performance. It also requires Federal agencies to use only OMB-approved forms for performance reports. Non-Federal entities must comply with FFATA. A recipient's performance should be measured in a way that will help HUD and other non-Federal entities improve program outcomes, share lessons learned, and spread the adoption of promising practices.

Internal Controls and Protected Personally Identifiable Information: Section 200.303 sets forth requirements for internal controls. This section reflects requirements that were previously in the A-133 audit requirements. It also addresses the non-Federal entity's responsibilities to take reasonable measures to safeguard protected personally identifiable information and other information designated as sensitive by the Federal awarding agency or the pass-through entity, consistent with applicable Federal, state and local laws regarding privacy and obligations of confidentiality.

Payment: Section 200.305 describes cash management requirements applicable to states and other non-Federal entities to minimize the time elapsed between agencies' advance

² FFATA, signed September 26, 2006, requires information on Federal awards (Federal financial assistance and expenditures) to be made available to the public via a single, searchable website, which is www.USASpending.gov. The intent is to empower every American with the ability to hold the government accountable for each spending decision. The end result is to reduce wasteful spending in the government. Amendments to FFATA have expanded its scope. See also <https://www.frs.gov/>.

payments of funds to the non-Federal entity and the entity's disbursement of funds for direct program or project costs.

Interest Earned on Federal Advances: Section 200.305(b)(8) requires non-Federal entities to maintain advance Federal payments in interest-bearing accounts (with some exceptions). Interest amounts up to \$500 per year may be retained by the non-Federal entity for administrative expenses. Under §200.303(b)(9), interest earned in excess of \$500 must be remitted annually to the Department of Health and Human Services' Payment Management System (either electronically through the system, or by check to the Department of Health and Human Services to the Treasury-approved lockbox: HHS Program Support Center, P.O. Box 530231, Atlanta, GA 30353-0231).

Program Income: Section 200.307 generally encourages recipients to earn income to offset program costs. This section has several provisions that include, but are not limited to, the following:

- Proceeds from the sale of property or equipment are not program income; such proceeds will be handled in accordance with the requirements of §200.311, *Real property*, and §200.313, *Equipment*, or as specifically identified in Federal statutes, regulations, or the terms and conditions of the Federal award.
- If the Federal awarding agency does not specify in its regulations or the terms and conditions of its award, or give prior approval for how program income is to be used, then, ordinarily, program income must be deducted from total allowable costs to determine the net costs. Program income must be used for current costs unless HUD authorizes otherwise. Program income that the recipient did not anticipate at time of the Federal award must be used to reduce the award rather than to increase the funds committed to the project.

Revision of Budget and Program Plans: Section 200.308 requires, among other things, recipients to obtain Federal agency approvals for budget and program or project scope revisions.

Property Standards: Sections 200.310-200.316 set forth standards for real property, equipment, supplies, and intangible property. The regulations cover title, insurance, property trust relationships, and disposition. When real property is no longer needed for the originally authorized purpose, the non-Federal entity must obtain disposition instructions from HUD that provides for: 1) retention of title after compensation to HUD, 2) sale of the property and compensation to HUD, or 3) transfer of title to HUD or a third party approved or designated by HUD.

Procurement: §§200.317- 200.326 cover procurement standards. The standards are generally consistent with the requirements in 24 CFR part 85 for all non-Federal entities. For governmental recipients, the regulations have not substantially changed.

- The regulations require non-Federal entities to maintain written standards of conduct covering conflicts of interest, including organizational conflicts of interest, and governing the performance of their employees engaged in the selection, award and administration of contracts. "Organizational conflicts of interest" means that,

because of relationships with a parent company, affiliate, or subsidiary organization, the non-Federal entity is unable or appears to be unable to be impartial in conducting a procurement action involving a related organization (§200.318(c)(2)).

- The non-Federal entity's procurement procedures must be designed to avoid acquisition of unnecessary or duplicative items and the non-Federal entity is encouraged to enter into intergovernmental or inter-entity agreements to procure or use common goods and services (§200.318(d) and (e)).
- Non-Federal entities, in conducting procurements, must conduct them in a manner providing full and open competition and are prohibited from using state or local geographical preferences in evaluating bids or proposals (except where applicable Federal statutes expressly mandate or encourage geographical preferences, such as HUD's Section 3 requirements in 24 CFR part 135) (§200.319).
- Methods of procurement now include a micro-purchase option, which is the acquisition of supplies or services that do not exceed \$3,000 (or \$2,000 for acquisitions for construction subject to the Davis-Bacon Act) (§200.320(a)).
- "Supplies" includes computing devices if the acquisition cost was less than the lesser of the capitalization level established by a non-Federal entity for financial statement purposes or \$5,000, regardless of the length of their useful life (§200.94).
- The Simplified Acquisition Threshold for small purchase procedures, which are those relatively simple and informal procurement methods for securing services, supplies or other property, is now \$150,000. If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources. The Simplified Acquisition Threshold is set by the Federal Acquisition Regulation (FAR) at 48 CFR Subpart 2.1 and will be periodically adjusted for inflation (§200.88 and §200.320(b)).
- The non-Federal entity's contracts must contain certain provisions which are included in Appendix II of 2 CFR part 200 (§200.326).
- Non-Federal entities have one full fiscal year after the effective date to comply with the revised procurements standards (see *Implementation Dates* in the December 19, 2014, Federal Register at <https://www.federalregister.gov/articles/2014/12/19/2014-28697/federal-awarding-agency-regulatory-implementation-of-office-of-management-and-budgets-uniform>).

Bonding Requirements: Section 200.325 permits the Federal agency to accept the recipient's bonding policy and requirements if the Federal agency has determined that the Federal interest is adequately protected, and if not, the minimum requirements (abbreviated) are as follows:

- A bid guarantee equal to five percent of the bid price.
- A performance bond on the part of the contractor for 100 percent of the contract price. A "performance bond" is one executed in connection with a contract to secure fulfillment of all the contractor's obligations under such contract.
- A payment bond on the part of the contractor for 100 percent of the contract price. A "payment bond" is one executed in connection with a contract to assure payment

as required by law of all persons supplying labor and materials in the execution of the work provided for in the contract.

Performance and Financial Monitoring and Reporting: Sections 200.327-328 address the frequency, standards, and OMB approval requirements for agency collection of recipient performance and financial data and monitoring of recipient performance.

Real Property Reporting: Section 200.329 requires annual reporting on real property for which there is a Federal interest, but permits an option for various and less stringent multi-year reporting periods where the Federal interest extends beyond 15 years.

Subrecipient or Contractor: Section 200.330 provides guidance for determining whether an entity is a subrecipient or contractor, in order to apply the appropriate oversight of the Federal funds.

Requirements for Pass-Through Entities: Section 200.331 requires pass-through entities to comply with certain requirements in order to meet their own responsibility to the Federal awarding agency. Many of these requirements were in OMB Circular A-133. Pass-through entities are required to identify certain, clearly identified subaward information. This includes an indirect cost rate if the subrecipient has indirect costs. Pass-through entities must consider risks associated with subawards. The evaluation of a subrecipient's risk of noncompliance with Federal statutes and regulations is used to determine the appropriate level of subrecipient monitoring. Specific subrecipient monitoring tools are outlined, giving pass-through entities flexibility to adjust their oversight framework based on that consideration of risk.

Record Retention: Section 200.333 continues the existing record retention period of generally three years, with some exceptions and caveats. Federal agencies and non-Federal entities should, whenever practicable, collect, transmit and store Federal award-related information in machine-readable formats instead of closed formats or on paper.

Remedies for Noncompliance: Sections 200.338-200.342 cover remedies for noncompliance, including termination and notices of termination. Section 200.338 permits conditions to be imposed on the award if the non-Federal entity fails to comply with the requirements of the award. Previously, only pre-award conditions were authorized.

Closeout: Section 200.343 describes specific closeout actions that are required for all Federal awards at the end of the period of performance and should be completed no later than one year after receipt and acceptance of all required final reports. The non-Federal entity must submit all required final reports within 90 days after the end of the period of performance. The period of performance, defined at §200.77, means from the start to the end dates in the Federal award.

Post-closeout Adjustments and Continuing Responsibilities: Section 200.344 limits the period during which any post-closeout adjustments can be made. The Federal awarding agency or pass-through entity must make any cost disallowance determination and notify

the non-Federal entity within the record retention period. However, amounts due can be collected after this period.

8. SUBPART E – COST PRINCIPLES: HIGHLIGHTS

Subpart E covers the principles that must be used in determining the allowable costs of work performed by a non-Federal entity under a Federal award and in the pricing of fixed-price contracts and subcontracts where costs are used in determining the appropriate prices. It covers exemptions (§200.401(c)) and basic considerations (§§200.402-200.411). The application of the cost principles should require no significant changes in the internal accounting policies and practices of non-Federal entities. The Basic Considerations for costs are largely unchanged. Changes have been made to some select items of cost.

Profit: Section 200.400(g) states that non-Federal entities may not earn or keep any profit resulting from the Federal financial assistance (unless explicitly authorized by the terms and conditions of the Federal award). This is not new.

Prior Approval: In recognition of the difficulty in determining the reasonableness and allocability of certain items of cost, non-Federal entities may seek the prior written approval of the cognizant agency for indirect costs or the Federal awarding agency in advance of incurring unusual or special costs. Prior approval is specifically required for allowability under certain circumstances as described in §200.407.

Direct Costs: Direct costs are covered in §200.413. This section is largely unchanged from previous OMB cost principles.

- Direct costs are identified specifically with the Federal award or can be easily and accurately assigned to activities of the award. Typical direct costs include employee compensation, fringe benefits, materials and other items attributable to the award.
- If directly related to a specific award, certain costs that would otherwise be included with an indirect cost rate can be direct charged, such as extraordinary utility consumption, cost of materials supplied from stock or services from specialized facilities or other institutional service operations.

Indirect Costs: Indirect costs are addressed in §200.414. This section is largely unchanged from previous OMB cost principles.

- Negotiated indirect cost rates must be accepted by all Federal awarding agencies unless certain conditions are met. A Federal awarding agency must implement and make publicly available (e.g., via the Federal Register) the policies, procedures, and general decision-making criteria the programs would follow in seeking and justifying deviations from negotiated rates.
- Pass-through entities must accept a federally recognized indirect cost rate between a subrecipient and the Federal government or, if no such rate exists, either negotiate a rate between the entity and the subrecipient or establish a de minimis indirect cost rate (see also §200.331(a)(4)).

- If a non-Federal entity has never received a negotiated indirect cost rate, it may elect to charge a de minimis rate of 10% of modified total direct costs (MTDC) as defined in §200.68, which may be used indefinitely (§200.414(f)). (Exceptions for some non-Federal entities are listed in Appendix VII, paragraph (d)(1)(B).)
- Non-Federal entities that are able to allocate and charge 100% of their costs directly may continue to do so. Charging the Federal award for indirect costs is never mandatory; a non-Federal entity may conclude that the amount it would recover thereby would be immaterial and not worth the effort needed to obtain it.
- Non-Federal entities that have a federally negotiated indirect cost rate may apply for a one-time extension of the current rate for a period up to four years, subject to the review and approval of the cognizant agency for indirect costs. At the end of the four-year extension period, the non-Federal entity must negotiate a rate. This rate may be extended.

Certifications: Section 200.415 addresses certifications, which are required to be submitted with annual and final fiscal reports, vouchers for payment, and proposals to establish a cost allocation plan or indirect cost rate. Specific language is included acknowledging the statutory consequences of false certifications.

Special Considerations: Special considerations for states, local governments, and Indian tribes for identification and assignment of central service costs are included in §§200.416 and 200.417. Special considerations for institutions of higher education are covered in §§200.418 and 200.419.

General Provisions for Selected Items of Cost: General provisions for 56 selected items of cost are covered in §§200.420-200.475; this section uses language from three Circulars, A-21 (2 CFR part 220), A-87 (2 CFR part 225), and A-122 (2 CFR part 230). These principles apply whether a particular item is properly treated as either a direct or indirect cost. These selected items include two additions (§200.428, *Collections of Improper Payments*, and §200.440, *Exchange Rates*), some changed provisions (including the deletion of *Communications*, which OMB thought could be addressed through “Basic Considerations,” §§200.402 – 200.411), and some clarifications.

- Audit Services: Any costs when audits required by the Single Audit Act have not been conducted or costs of auditing grantees or recipients that are not required to have a single audit are not allowable (§200.425). This provision was in OMB Circular A-133.
- Collections of Improper Payments: Costs of recipients to recover improper payments may be charged as direct or indirect, and may be used in accordance with cash management standards described in §200.305 (§200.428).
- Compensation – Personal Services: §200.430 requires non-Federal entities to maintain a strong system of internal controls over their records to justify costs of salaries and wages and provides additional flexibility in the processes they use to meet these standards.
- Conferences: Allowable conference costs paid by non-Federal entities must be necessary and reasonable for successful performance under the award and may include facilities rentals, speakers’ fees, costs of meals and refreshments, local

transportation, and other incidental items, unless further restricted by the terms and conditions of the Federal award (§200.432).

- Contingency Provisions: Contingency definitions, allowances, and disallowances are set forth in §200.433.
- Fines, Penalties, Damages, and Other Settlements: Costs resulting from a recipient's violations of, alleged violations of, or failure to follow Federal, State, local, tribal, or foreign laws or regulations are unallowable (§200.441).
- Lobbying: The cost to influence activities associated with obtaining grants, contracts, cooperative agreements or loans is unallowable (§200.450).
- Organization Costs: Costs for items such as incorporation fees, attorneys, or accountants in connection with establishment or reorganization of an entity are unallowable except with prior approval of the Federal awarding agency (§200.455).
- Pre-award Costs: Are only allowable to the extent that they would have been approved if incurred after the date of the Federal award and only with prior approval of the Federal awarding agency (§200.458).

9. SUBPART F – AUDIT REQUIREMENTS: HIGHLIGHTS

Subpart F sets forth the standards for audits of non-Federal entities expending Federal awards.

Increased Audit Threshold: One of the significant changes is the raised threshold which requires a non-Federal entity to have a single or program-specific audit conducted for any year in which the non-Federal entity expends \$750,000 or more (up from \$500,000) (§200.501(a)).

Making Audits Publicly Available: Auditees must make copies of their audit available for public inspection, ensuring that protected personally identifiable information is not included. Audit reports must be submitted to the Federal Audit Clearinghouse (FAC) and all Federal agencies, pass-through entities, and others interested in an audit report must obtain it from the FAC. Indian tribes may opt out of authorizing the FAC to publish the reporting package on the Web, but are then responsible for providing the reporting package directly to any affected pass-through entities and also making it available for public inspection (§200.512(b)(2)).

Federal Agency Responsibilities: §200.513 requires Federal agencies, including HUD, to:

- Appoint a Single Audit Accountable Official (SAAO) and a Single Audit Liaison;
- Participate in a government-wide project to determine the quality of single audits;
- Use cooperative audit resolution mechanisms to improve Federal program outcomes through better audit resolution follow-up and corrective action; and
- Develop a baseline, metrics, and targets to track, over time, the effectiveness of the Federal agency's process to follow up on audit findings and the effectiveness of Single Audits in improving non-Federal agency accountability and their use in making award decisions.

Audits and GAGAS: Audits must be conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS) (§200.514(a)).

Higher Threshold for Known Questioned Costs: The threshold for known questioned costs has been increased to \$25,000 from \$10,000. As before, in evaluating the effect of questioned costs on its opinion on compliance, the auditor must consider the best estimate of total costs questioned (likely questioned costs), not just the questioned costs specifically identified (known questioned costs). The higher threshold amount is also used in several related aspects of auditing (§200.516(a)).

Major Program Determinations and Low-Risk Auditees: Changes have been made to the auditor's risk-based approach for determining which Federal programs are major programs (§200.518). Auditees that meet the criteria for a low-risk auditee are eligible for reduced audit coverage (§200.520).

Transition Guidance: To ensure the uniform application of the requirements of Subpart F for all Federal programs, the requirements will be effective for audits of fiscal years starting December 26, 2014, or later. These revised audit requirements are not applicable to fiscal years beginning before that date.

10. 2 CFR PART 200 APPENDICES: A BRIEF DESCRIPTION

2 CFR part 200 contains 11 Appendices, briefly described here:

- Appendix I: This Appendix provides the full text of the notice of funding opportunities as required by §200.203, along with application and submission information, application review information, Federal award administration information, and Federal awarding agency contact(s) requirements.
- Appendix II: This Appendix contains required contract provisions for all contracts made by a non-Federal entity under a Federal award. The description of each provision should be sufficient for a non-Federal entity to determine if the provision needs to be included in a specific contract.
- Appendix III: This Appendix provides criteria for identifying and computing indirect cost rates at institutions of higher education (IHEs).
- Appendix IV: This Appendix provides guidance for identifying and assigning indirect costs and making rate determinations for nonprofit organizations.
- Appendix V: This Appendix provides guidance on a process for state and local governments to identify and assign central service costs to benefitted activities on a reasonable and consistent basis.
- Appendix VI: This Appendix extends requirements by the Department of Health and Human Services (HHS) on developing, documenting, submitting, negotiating, and approving public assistance cost allocation plans to all Federal agencies whose

programs are administered by a state public assistance agency. (Most such programs are funded by HHS; few, if any, are funded by HUD.)

- Appendix VII: This Appendix provides guidance to state and local governments and Indian tribes on developing, submitting and documenting indirect cost rate proposals.
- Appendix VIII: This Appendix lists those nonprofit organizations that are exempted from the requirements of Subpart E, *Cost Principles*.
- Appendix IX: This Appendix makes clear that existing principles at 45 CFR Part 74 Appendix E, *Principles for Determining Cost Applicable to Research and Development under Grants and Contracts with Hospitals*, remains in effect until OMB implements revised guidance for hospitals.
- Appendix X: This Appendix states that the Data Collection Form SF-SAC for Single Audits is available on the Federal Audit Clearinghouse (FAC) website. The FAC website address <http://harvester.census.gov/sac/>, given in §200.36, *Federal Audit Clearinghouse (FAC)*, for accessing the FAC, was valid as of the issuance of this Notice.
- Appendix XI: This Appendix states that the audit compliance supplement for Single Audits cited by §200.21, *Compliance supplement*, is available on OMB's website, and provides an address (<http://www.whitehouse.gov/omb/circulars>) that was valid for accessing the supplement as of the issuance of this Notice.

11. GENERAL TRANSITION RULES

HUD's regulations adopting the requirements of 2 CFR part 200 for HUD programs were published in the Federal Register on December 19, 2014

(<https://www.federalregister.gov/articles/2014/12/19/2014-28697/federal-awarding-agency-regulatory-implementation-of-office-of-management-and-budgets-uniform>).

Questions have been raised about the applicability of these requirements. The following applies:

- Federal awards made before December 26, 2014, will continue to be governed by the terms and conditions of the Federal award. The grant agreements for some HUD programs (e.g., Community Development Block Grant, HOME Investment Partnerships, Emergency Solutions Grants, Indian Housing Block Grants, Native Hawaiian Block Grants, Indian Community Development Block Grants) incorporate the regulations "as now in effect and as may be amended from time to time" and, therefore, 2 CFR part 200 will be applicable to these grants.
- New Federal awards made on or after December 26, 2014, are governed by 2 CFR part 200, including formula awards.

- For Federal agencies that consider incremental funding action on previously made awards to be opportunities to change award terms and conditions, 2 CFR part 200 applies to the first funding increment issued on or after December 26, 2014, and any subsequent funding increment. Awards made before then that have been modified on or after that date in ways that do not increase the funding amount (such as a no-cost extension, or more frequent reporting) will continue to be governed by the terms and conditions of the Federal award. As a result, 2 CFR part 200 will not apply to such awards unless there is another requirement that makes that part apply to them.
- For Federal agency incremental funding actions that are subject to 2 CFR part 200, non-Federal entities are not obligated to segregate or otherwise track old funds and new funds but may do so at their discretion. For example, a non-Federal entity may track the old funds and continue to apply the Federal award flexibilities to the funding awarded under the old rules (e.g., local ability to issue fixed price subawards, non-Federal entity determination of the need to incur administrative and clerical salaries based on major project classification).
- For Federal awards made with modified award terms and conditions at the time of incremental funding actions, Federal awarding agencies may apply 2 CFR part 200 to the entire Federal award that is uncommitted or unobligated as of the Federal award date of the first increment received on or after December 26, 2014.
- Existing negotiated indirect cost rates will remain in place until they are due to be re-negotiated. HUD and indirect cost negotiating agencies will use 2 CFR part 200, both in generating proposals and negotiating new rates (when the rate is due to be re-negotiated) for non-Federal entities' fiscal years that start on or after December 26, 2014.
- The effective date of 2 CFR part 200 for subawards is the same as the effective date of 2 CFR part 200 for the Federal award from which the subaward is made. The requirements for a subaward, no matter when made, flow from the requirements of the original Federal award from the Federal awarding agency.
- Subpart F, Audit requirements, applies to audits of non-Federal entity fiscal years beginning on or after December 26, 2014. The revised audit requirements are not applicable to fiscal years beginning before that date.

OMB provided additional guidance on the effective dates in its Frequently Asked Questions updated November 2014:

Q.110-13 (Previously Q II-2) Effective Dates and Federal Awards Made Previously

Will this apply only to awards made after the effective date, or does it apply to awards made earlier?

- Once the Uniform Guidance goes into effect for non-Federal entities, it will apply to Federal awards or funding increments after that date, in cases where the Federal agency considers funding increments to be an opportunity to modify the terms and conditions

of the Federal award. It will not retroactively change the terms and conditions for funds a non-Federal entity has already received.

•We would anticipate that for many of the changes, non-Federal entities with both old and new awards may make changes to their entity-wide policies (for example to payroll or procurement systems). Practically speaking, these changes would impact their existing/older awards. Non-Federal entities wishing to implement entity-wide system changes to comply with the Uniform Guidance after the effective date of December 26, 2014 will not be penalized for doing so.

12. CONFORMING PROGRAM REGULATIONS AND GUIDANCE

HUD will publish conforming rule changes for its programs and will provide notification of these changes when they are made. These changes will update the program regulations to revise the sections that refer to the OMB Circulars and HUD regulations in 24 CFR parts 84 and 85, as well as to reflect the provisions of 2 CFR part 200 that are not applicable because they are inconsistent with a program statute or because OMB has given an exception to specific requirements.

HUD recognizes that there may be uncertainty pending publication of the conforming program regulations. The provisions of 2 CFR part 200 apply, consistent with the exceptions given to the HUD program for requirements which are detailed in the 2013 edition of the Code of Federal Regulations in 2 CFR parts 215, 220, 225, and 230, 24 CFR parts 84 and 85, and OMB Circulars. HUD will notify recipients through program regulations, grants or cooperative agreements, or other guidance, which subparts are applicable to specific programs.³

13. ADDITIONAL RESOURCE MATERIALS

Grant recipients are strongly encouraged to review this information to obtain a better understanding of the uniform guidance and its implications for their Federal awards. The Council on Financial Assistance Reform (COFAR) has provided additional tools to assist in the transition including:

- a. Frequently Asked Questions for New Uniform Guidance at 2 CFR 200:
[The FAQ For 2 CFR 200 \(https://cfo.gov/wp-content/uploads/2014/11/2014-11-26-Frequently-Asked-Questions.pdf\)](https://cfo.gov/wp-content/uploads/2014/11/2014-11-26-Frequently-Asked-Questions.pdf).
- b. Uniform Guidance Crosswalk from Existing Guidance to Final Guidance:
<http://www.whitehouse.gov/sites/default/files/omb/fedreg/2013/uniform-guidance-crosswalk-from-predominate-source-in-existing-guidance.pdf>.

³ Separate guidance will be issued as necessary to identify and clarify whether all provisions of part 200 apply to the Section 8 project-based and tenant-based programs, particularly with respect to financial management concerns and alternative requirements. This guidance will be based, in part, on the treatment of this assistance in CMS Contract Management Services et al v. Massachusetts Housing Finance Agency v. United States for which the Solicitor General has sought certiorari from the Supreme Court (745 F.3d 1379 (Fed. Cir. 2014)).

- c. COFAR Webcast Trainings & Slides:
 - i. Uniform Guidance 1-27-14 Training Webcast
COFAR Training Intro 1-27-14
<http://youtu.be/SOET4b-7my8>
 - ii. COFAR Training Administrative Requirements 1-27-14
<http://youtu.be/BP3I3PjI1JQ>
Link to the Training Webcast Presentation Slides
[COFAR Training Administrative Requirements 1-27-14 Slides](https://cfo.gov/wp-content/uploads/2014/01/COFAR-Uniform-Guidance-Training-Administrative-Requirements-Public.pptx)
<https://cfo.gov/wp-content/uploads/2014/01/COFAR-Uniform-Guidance-Training-Administrative-Requirements-Public.pptx>
 - iii. COFAR Training Cost Principles 1-27-14
<http://youtu.be/q0rWXdy2ICM>
Link to the Training Webcast Presentation Slides
[COFAR Training Cost Principles 1-27-14 Slides](https://cfo.gov/wp-content/uploads/2014/01/COFAR-Uniform-Guidance-Training-Cost-Principles-Public.pptx)
<https://cfo.gov/wp-content/uploads/2014/01/COFAR-Uniform-Guidance-Training-Cost-Principles-Public.pptx>
 - iv. COFAR Training Audit Requirements 1-27-14
<http://youtu.be/g-U8HGbbC-Y>
Link to the Training Webcast Presentation Slides
[COFAR Training Audit Requirements 1-27-14 Slides](https://cfo.gov/wp-content/uploads/2014/01/COFAR-Uniform-Guidance-Audit-Requirements-Public.pptx)
<https://cfo.gov/wp-content/uploads/2014/01/COFAR-Uniform-Guidance-Audit-Requirements-Public.pptx>
 - v. Uniform Guidance Implementation: A Conversation Presented by the Council on Financial Assistance Reform; October 2, 2014
<https://www.youtube.com/channel/UCL7wVVxWl4pRHL6cHgj0vVQ/videos>

14. UPCOMING TRAINING AND ADDITIONAL GUIDANCE

Additional upcoming training and/or guidance by COFAR will be publicized on its website; recipients of Federal financial assistance, and their subrecipients and contractors, are encouraged to periodically check <https://cfo.gov/cofar/>. HUD is also planning program-specific guidance and additional training, including an on-line financial management curriculum that integrates and highlights the requirements of 2 CFR part 200, and will provide notification of such when developed. In addition, we have established an internal Frequently Asked Questions (FAQ) Outlook mailbox in the Grants Management and Oversight Division of the Office of Strategic Planning and Management to which HUD employees may address implementation questions. Questions can be sent to the email address: **2 CFR 200 Administrative Requirements@hud.gov**.

15. CONTACTS FOR QUESTIONS

Questions from grant recipients, subrecipients and contractors should be directed to their HUD Headquarters or Field Office contacts, Government Technical Representatives (GTRs) or Government Technical Monitors (GTMs).

For HUD Headquarters and field office staff, operational questions should be directed to the Office of Strategic Planning and Management's Grants Management and Oversight Division at (202) 402-3964 (this is not a toll-free number), or Loyd.LaMois@hud.gov, and policy questions should be directed to the Office of the Chief Financial Officer's Financial Policy & Procedures Division at (202) 402-2277 or Scott.Moore@hud.gov. Persons with hearing or speech impairments may access the number above through TTY by calling the toll-free Federal Relay Services at (800) 877-8339.

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Uniform Guidance Crosswalk from Existing Guidance to Final Guidance

This crosswalk highlights policy changes, clarifications, and updates to policy provisions.

Section in Previous Circular	Section in Uniform Guidance	Policy Changes and Updates
Uniform Administrative Requirements for Grants and Other Agreements with Institutions of Higher Education, Hospitals, and Other Nonprofit Organizations- A-110	OMB Uniform Guidance: Cost Principles, Audit, and Administrative Requirements for Federal Awards	Policy Changes and Updates <i>Unless otherwise noted in A-110 crosswalk, language adopted is from A-110</i>
	Subpart B - General Provisions	Explains general provisions for uniform standards, requirements, applicability, exceptions, authorities, responsibilities, and related information for all Federal grants and cooperative agreements.
___1 Purpose.	200.100 Purpose	Denotes uniform nature of standards and requirements for all Federal grants and cooperative agreements irrespective of entity type; removes explicit reference to Institutions of Higher Education (IHEs), hospitals, and other non-profit organizations.
___2 Definitions.	Subpart A - Definitions	Combines definitions from administrative requirements and cost principles circulars into a single list.
___3 Effect on other issuances.	200.105 Effect on Other Issuances	Language is updated.
___4 Deviations.	200.102 Exceptions	Exceptions note that on a cases-by-case basis OMB will waive certain requirements and approve new strategies for innovative program designs that draw on OMB guidance in M-13-17. Expands some authority to allow for blending of funds.
	200.107 OMB Requirements	Language is updated.
	200.108 Inquiries	Non-Federal entities should address their specific concerns to the Federal awarding agency, cognizant agency for indirect costs, or cognizant or oversight agency for audit.
	200.109 Review Date	Requires OMB review every five years.
	200.110 Effective Date	Plans for effective date across government.
200.5 Subawards.	200.101 Applicability	Adds explicit reference to ISDEAA for tribal entities.
Subpart B - Pre-Award Requirements	Subpart C - Pre-Federal Award Requirements and Contents of	Merges remaining sections from A-110 and A-102. Distinguishes merit-based selection criteria from eligibility criteria

Uniform Guidance Crosswalk from Existing Guidance to Final Guidance

This crosswalk highlights policy changes, clarifications, and updates to policy provisions.

Section in Previous Circular	Section in Uniform Guidance	Policy Changes and Updates
	Federal Awards	for applicants for Federal awards. Requires Federal agency publication of certain information in announcements of funding opportunities and notices of awards. Requires Federal agencies to publish terms and conditions of grants and to be responsible for informing recipients of national policy requirements as applicable, including those required by FFATA and implementing regulation.
__.10 Purpose. __.11 Pre-award policies.	200.200 Purpose	Language is updated.
	200.201 Use of Grant Awards, (Including Fixed Amount Awards), Cooperative Agreements, and Contracts	To facilitate implementation of M-13-17, a recently published policy encouraging evidence-based programs, and drawing on existing policies and practices from several Federal agencies, new language has been added to the final guidance to allow for “Fixed amount” awards that rely more on performance than compliance for accountability. Includes Notification of Criteria for Transparent Selection and Review process (based on current policy issued at 68 FR 37370, referenced in M-03-16).
	200.202 Requirement to Provide Public Notice of Federal Financial Assistance Programs	Provides a standard format for announcements of intended priorities and funding opportunities, which includes requirement to state all criteria used in evaluation of applications and how they will be used. This section includes the existing requirement for Federal agencies to include in the Catalog of Federal Domestic Assistance whether or not the particular program is subject to Single Audit Requirements.
	200.203 Notices of Funding Opportunities	200.203 Notices Of Funding Opportunities provides a standard set of data elements to be provided in all Federal notices of funding opportunities. Standardizes information announced for funding opportunity, requires Federal agencies to leave notices open for at least 30 days.

Uniform Guidance Crosswalk from Existing Guidance to Final Guidance

This crosswalk highlights policy changes, clarifications, and updates to policy provisions.

Section in Previous Circular	Section in Uniform Guidance	Policy Changes and Updates
	200.204 Federal Awarding Agency Review of Merit Proposals	Sections 200.204 Federal Awarding Agency Review of Merit of Proposals and 200.205 Federal Awarding Agency Review of Risk Posed by Applicants combined with section 200.207 Specific Conditions require Federal awarding agencies to evaluate the merit and risks associated with a potential Federal award and to impose specific conditions where necessary to mitigate potential risks of waste, fraud, and abuse, before the money is spent. A-110 section .29 on conditional exemptions is moved to Subpart B - General Provisions. Revised list of special conditions.
	200.205 Federal Awarding Agency Review of Risk Posed by Applicants	
	200.207 Special Conditions	
	200.210 Information Contained in Federal Awards	
	Appendix I - Full Text of Notice of Funding Opportunity.	Incorporates guidance published in 41 U.S.C. § 1908, Equal Employment Opportunity (41 C.F.R. Part 60), Davis-Bacon Act, as amended (40 U.S.C. §§ 3141-3148), Contract Work Hours and Safety Standards Act (40 U.S.C. § 3701-3708), 37 C.F.R. Part 401, Clean Air Act (42 U.S.C. § 7401-7671q.), Federal Water Pollution Control Act as amended (33 U.S.C. § 1251-1387), Energy Policy and Conservation Act (42 U.S.C. § 6201), Debarment and Suspension (Executive Orders 12549 and 12689), Byrd Anti-Lobbying Amendment (31 U.S.C. § 1352).
___.12 Forms for applying for Federal assistance.	200.206 Standard Application Requirements	200.206 Standard Application Requirements require Federal awarding agencies to consistently use OMB-approved standard information collections in their management of Federal awards. Requires Federal agencies not to add additional application requirements beyond OMB approved data elements (through Paperwork Reduction Act (PRA) process). Circular guidance does

Uniform Guidance Crosswalk from Existing Guidance to Final Guidance

This crosswalk highlights policy changes, clarifications, and updates to policy provisions.

Section in Previous Circular	Section in Uniform Guidance	Policy Changes and Updates
		not list specific forms for applications, reporting, and requests; entities should continue to make use of standard approved collections (forms) wherever possible to encourage broader goals of data standardization across government.
__.13 Debarment and suspension.	200.203 Notices of Funding Opportunities	200.203 Notices Of Funding Opportunities provides a standard set of data elements to be provided in all Federal notices of funding opportunities. Standardizes information announced for funding opportunity, requires Federal agencies to leave notices open for at least 30 days.
__.14 Special award conditions.	200.207 Special Conditions	200.207 Specific Conditions require Federal awarding agencies to evaluate the merit and risks associated with a potential Federal award and to impose specific conditions where necessary to mitigate potential risks of waste, fraud, and abuse, before the money is spent. A-110 section .29 on conditional exemptions is moved to Subpart B - General Provisions. Revised list of special conditions.
__.15 Metric system of measurement.	Not included	Not included - Federal agencies should inform recipients of appropriate national policy requirements.
__.16 Resource Conservation and Recovery Act.	Not included	Not included - Federal agencies should inform recipients of appropriate national policy requirements.
__.17 Certifications and representations.	200.208 Certifications and Representations	Authorizes Federal agencies to require recipients to submit certifications and representations required.
Subpart C - Post-Award Requirements	Subpart D - Post Federal Award Requirements	
	Subrecipient Monitoring and Management	Moves determination criteria and pass-through responsibilities from audit to administrative requirements from A-133 200.210 (b), (c) and 200.400 (d). Adds subrecipient monitoring tools currently in the Compliance Supplement. Incorporates and combines subrecipient monitoring guidance - includes that PTEs must pass on either a negotiated or minimum 10% of MTDC indirect cost rate

Uniform Guidance Crosswalk from Existing Guidance to Final Guidance

This crosswalk highlights policy changes, clarifications, and updates to policy provisions.

Section in Previous Circular	Section in Uniform Guidance	Policy Changes and Updates
		to subrecipients.
	200.330 Subrecipient and Contractor Determinations	
	200.331 Requirements For Pass-Through Entities	Requires pass-through entities to honor the indirect cost rates negotiated at the Federal level, negotiate a rate in accordance with Federal guidelines, or provide the minimum flat rate.
	200.332 Fixed Amount Subawards	
Financial and Program Management	Standards for Financial and Program Management	Closes loopholes that allow Federal agencies to use additional forms for application and reporting requirements beyond the standard forms designated by OMB unless they have specific OMB approval to do so (and this approval will be limited). Contains requirements from A-133 section 200.501 Audit requirements.
	200.300 Statutory and National Policy Requirements	
	200.301 Performance Measurement	Provides more robust 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. The Federal awarding agency is required to provide recipients with clear performance goals, indicators, and milestones.
	200.302 Financial Management	200.302 Financial Management is primarily adapted from both A-110 section .20 Standards for financial management systems and A-102 section .20 Standards for financial management systems. Refers to government-wide OMB approved information collections and data elements instead of specific forms.
	200.303 Internal Controls	200.303 Internal Controls requires non-Federal entities to take reasonable measures to safeguard protected personally identifiable information as well as any information that the Federal awarding agency or pass-through entity designates as sensitive.

Uniform Guidance Crosswalk from Existing Guidance to Final Guidance

This crosswalk highlights policy changes, clarifications, and updates to policy provisions.

Section in Previous Circular	Section in Uniform Guidance	Policy Changes and Updates
	200.304 Bonds	
	200.305 Payment	200.305 clarifies meaning of project costs and extends to non-Federal entities previously covered by OMB Circular A-102 the existing flexibility in OMB Circular A-110 to pay interest earned on Federal funds annually to the Department of Health and Human Services, rather than “promptly” to each Federal awarding agency. Also from A-102, .24 Matching or cost sharing, (b)(2) General Revenue sharing is added, as is (7)(ii) on third party in-kind contributions. Updated amounts for interest-bearing accounts in 200.305 Payment (9) from \$250 to \$500 as the amount the best interest-bearing account might be expected to earn and the amount of interest that could be retained by the recipient for administrative expenses.
	200.306 Cost Sharing Or Matching	200.306 Cost Sharing Or Matching clarifies policies on voluntary committed cost sharing to ensure that such cost sharing is only solicited for research proposals when required by regulation and transparent in the notice of funding opportunity. Notes that voluntary committed cost sharing is prohibited for Federal research proposals except where otherwise required by statute.
	200.307 Program Income	A-110 section .24 on program income is replaced by A-102 section .25 on program income.
	200.308 Revision of Budget and Program Plans	A-110 section .27 on allowable costs is replaced by A-102 section .22 on allowable costs.
	200.309 Period of Performance	
Property Standards	Property Standards	
	200.310 Insurance Coverage	
	200.311 Real Property	A-110 section .32 on real property is replaced by A-102 section .31 on real property.

Uniform Guidance Crosswalk from Existing Guidance to Final Guidance

This crosswalk highlights policy changes, clarifications, and updates to policy provisions.

Section in Previous Circular	Section in Uniform Guidance	Policy Changes and Updates
	200.312 Federally Exempt Real Property	
	200.313 Equipment	A-110 section .34 on equipment is replaced by A-102 section .32 on equipment though part (f) Federal equipment is struck.
	200.314 Supplies	
	200.315 Intangible Property	Defines intangible property in 200.315 Intangible Property
	200.316 Property Trust Relationship	
Procurement Standards	Procurement Standards	Takes the majority of the language from OMB Circular A-102 because it considered this language to be better able to mitigate the risk of waste, fraud, and abuse.
	200.317 Procurements by States	
	200.318 General Procurement	Paragraphs (d), (e), and (f) require non-Federal entity's procurement procedures to avoid duplicative purchases and encourage non-Federal entities to enter into inter-entity agreements for shared goods and services. Raises the threshold for small purchase procedures to \$150,000 to be consistent with the simplified acquisition threshold in the Federal Acquisition Regulation (FAR). All A-110 language on procurement is replaced by A-102 section .36 Procurement, with the exception of A-102 section .36 (3) on Codes of conduct which is replaced by A-110 section .42 Codes of conduct.
	200.319 Competition	Where there is a conflict between state or tribal law and this guidance as implemented in regulation with respect to the administration of a Federal award, this Federal guidance prevails.
	200.320 Methods of Procurement to be Followed	Language made inclusive enough to account for varied purchases.
	200.321 Contracting With Small and Minority Business, Women's Business Enterprises, And Labor	

Uniform Guidance Crosswalk from Existing Guidance to Final Guidance

This crosswalk highlights policy changes, clarifications, and updates to policy provisions.

Section in Previous Circular	Section in Uniform Guidance	Policy Changes and Updates
	Surplus Area Firms	
	200.322 Procurement of Recovered Materials	Reiterates non-Federal entities' obligations under section 6002 of the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act.
	200.323 Contract Cost and Price	
	200.324 Federal Awarding Agency or Pass-Through Entity Review	
	200.325 Bonding Requirements	
	200.326 Contract Provisions	
Reports and Records	Performance and Financial Monitoring and Reporting	Requires reporting of performance information particularly monitoring and measurement information as outlined in OMB Circular A-11. Requires Federal awarding agencies to consistently use OMB-approved standard information collections in their management of Federal awards.
	200.327 Financial Reporting	A-110 section .52 Financial reporting is adapted from A-102 section .41 Financial reporting
	200.328 Monitoring and Reporting Performance	All language under A-110 section .50 through section .51 is replaced by A-102 section .40, Monitoring and reporting program performance.
	200.329 Reporting on Real Property	Updates reporting requirements for Real Property 200.333 Record Retention and Access (c).
	Record Retention and Access	Elaborates requirements on reports and records, remedies and termination, and after the award requirements.
	200.333 Record Retention and Access	The final guidance maintains and clarifies the existing requirement that records be retained for three years from the date of submission of the final expenditure report. A-110 section .53 Retention and access requirements for records is replaced by A-102 section .42 Retention and access requirements for records.
	200.334 Requests for Transfer of	

Uniform Guidance Crosswalk from Existing Guidance to Final Guidance

This crosswalk highlights policy changes, clarifications, and updates to policy provisions.

Section in Previous Circular	Section in Uniform Guidance	Policy Changes and Updates
	Records	
	200.335 Methods of Collection, Transmission and Storage of Information	Incorporates language from the May 2013 Executive Order on Making Open and Machine Readable the New Default for Government Information. The new paragraph (c) adds language on methods for the collection, transmission, and storage of information, which combines language that had been previously scattered throughout the guidance to make clear that electronic, open, machine readable information is preferable to paper, as long as there are appropriate and reasonable internal controls in place to safeguard against any inappropriate alteration of records.
	200.336 Access to Records	
	200.337 Restrictions on Public Access to Records	
Termination and Enforcement	Remedies for Noncompliance	
	200.338 Remedies for Noncompliance	Section expanded to more accurately describe the actions that could be taken under enforcement.
	200.339 Termination	Clarifies Federal agencies' right to terminate awards for convenience without recipient consent
	200.340 Notification of Termination Requirement	Notification requirement is new requirement for Federal agencies, 200.340 Notification of Termination Requirement
	200.341 Hearings and Appeals	
	200.342 Effects of Suspension and Termination	
Subpart D - After-The-Award Requirements	Subpart D - Post Federal Award Requirements	Includes after the award requirements based on the grants community recommendations. Name changed to "Closeout".
___70 Purpose.	200.343 Closeout	Language modified to extend the closeout period for an award from 180 days to one year, in addition to the clarifying language that non-Federal entities have 90 days from the end date of the period

Uniform Guidance Crosswalk from Existing Guidance to Final Guidance

This crosswalk highlights policy changes, clarifications, and updates to policy provisions.

Section in Previous Circular	Section in Uniform Guidance	Policy Changes and Updates
		of performance to submit all final reports, and also to clarify that the one-year period begins once final reports have been received from the non-Federal entity.
___.71 Closeout procedures.	200.343 Closeout	Section .501_ Subrecipient Monitoring and Management includes requirement for recipient to inform subrecipients of closeout procedures. Also, see language above.
___.72 Subsequent adjustments and continuing responsibilities.	200.344 Post-Closeout Adjustments and Continuing Responsibilities	Language added to limit the period when Federal agencies may disallow costs to within the three-year record retention period required under section 506 Record Retention and Access
___.73 Collection of amounts due.	200.345 Collection of Amounts Due	A-110 Section .73 Collection of amounts due is replaced by A-102 section .52 Collection of amounts due. Collection of amounts due "reasonable period" specified as 90 days.
Appendix A - Contract Provisions	Appendix II - Contract Provisions for Non-Federal Entity Contracts Under Federal Awards	In addition to other provisions required by the Federal agency or non-Federal entity, all contracts made by the non-Federal entity under the Federal award must contain provisions covering the guidance, statutes and regulations provided in this appendix.
Grants and Cooperative Agreements with State and Local Governments (Administrative Procedures)- A-102		Policy Changes and Updates <i>Unless otherwise noted in A-110 crosswalk, language adopted is from A-110</i>
Subpart A - General	Subpart B – General Provisions.	Merges with A-110 and makes the same policy changes as are listed for A-110 provisions
Subpart B - Pre-Award Requirements	Subpart C - Pre-Federal Award Requirements and Contents of Federal Awards	Merges with A-110 and makes the same policy changes as are listed for A-110 provisions
Subpart C - Post-Award Requirements	Subpart D- Post Federal Award Requirements.	Merges with A-110 and makes the same policy changes as are listed for A-110 provisions
Subpart D -After-the-Grant Requirements	Subpart D- Post Federal Award Requirements.	Merges with A-110 and makes the same policy changes as are listed for A-110 provisions

Uniform Guidance Crosswalk from Existing Guidance to Final Guidance

This crosswalk highlights policy changes, clarifications, and updates to policy provisions.

Section in Previous Circular	Section in Uniform Guidance	Policy Changes and Updates
Federal Domestic Assistance Program Information- A-89		Policy Changes
1. Purpose	200.202 Requirement to Provide Public Notice of Federal Financial Assistance Programs	Provides a standard format for announcements of intended priorities and funding opportunities, which includes requirement to state all criteria used in evaluation of applications and how they will be used. This section includes the existing requirement for Federal agencies to include in the Catalog of Federal Domestic Assistance whether or not the particular program is subject to Single Audit Requirements.
2. Rescissions	200.104 Supersession	Language is updated.
3. Authority	200.103 Authorities.	Language is updated.
4. Background	200.202 Requirement to Provide Public Notice of Federal Financial Assistance Programs	Language is updated, see above.
5. Policy	200.202 Requirement to Provide Public Notice of Federal Financial Assistance Programs	Language is updated, see above.
6. Definitions	Subpart A - Definitions	Combines definitions from administrative requirements, cost principles, and audit circulars into a single list.
7. Action Requirements	200.202 Requirement to Provide Public Notice of Federal Financial Assistance Programs	Language is updated, see above.
8. OMB Responsibilities	200.107 OMB Requirements	Language is updated
9. Information Contact	200.108 Inquiries	Non-Federal entities should address their specific concerns to the Federal awarding agency, cognizant agency for indirect costs, or cognizant or oversight agency for audit.
10. Sunset Review Date	200.109 Review Date	Requires OMB review every five years.
Principles for Determining Costs Applicable to Grants, Contracts, And Other		Policy Changes and Updates

Uniform Guidance Crosswalk from Existing Guidance to Final Guidance

This crosswalk highlights policy changes, clarifications, and updates to policy provisions.

Section in Previous Circular	Section in Uniform Guidance	Policy Changes and Updates
Agreements with Educational Institutions -A-21		
	Subchapter E - Cost Principles	Consolidates cost principles into a single document, with limited variations by type of entity.
A. Purpose and scope	General Provisions.	Merges and clarifies language from A-87, A-21, and A-122.
	200.400 Policy guide	Expressly prohibits the non-Federal entity from earning or keeping profit resulting from Federal financial assistance unless expressly authorized by the terms and conditions of the Federal award.
	200.401 Application	Includes additional language to clarify that when a non-Federal entity has a Cost Accounting Standards (CAS) covered contract subject to the requirements of 48 CFR 995, those requirements do not automatically extend beyond the covered contract to other awards, though the non-Federal entity is required to maintain consistent application of cost accounting standards.
B. Definition of terms	Subpart A - Definitions	Combines definitions from administrative requirements, cost principles, and audit circulars into a single list.
C. Basic considerations	Basic Considerations	
	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 Written Approval)	A list of instances of sections that discuss conditions under which prior approval is required is included to ensure that these requirements are transparent and to reduce burden by providing

Uniform Guidance Crosswalk from Existing Guidance to Final Guidance

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Section in Previous Circular	Section in Uniform Guidance	Policy Changes and Updates
		both Federal agencies and non-Federal entities a complete listing of where all these types of requirements may be found.
	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	
D. Direct costs	Direct and Indirect (F&A) costs	Reiterates the principle that all work that is directly allocable to one award may be charged to that award, regardless of the type of task.
	200.413 Direct Costs	Makes consistent the guidance that administrative costs may be treated as direct costs when they meet certain conditions to demonstrate that they are directly allocable to a Federal award.
	200.414 Indirect (F&A) costs	Includes provisions that: (1) Provide a de minimis indirect cost rate of 10% of MTDC to those non-Federal entities who have never had a negotiated indirect cost rate, thereby eliminating a potential administrative barrier to receiving and effectively implementing Federal financial assistance (sections 200.210 Information Contained in a Federal award, 200.331 Requirements for Pass-through entities, and 200.510 Financial Statements all require documentation of usage of this rate to allow for future evaluation of its effectiveness); (2) Require Federal agencies to accept negotiated indirect cost rates unless an exception is required by statute or regulation, or approved by a Federal awarding agency head or delegate based on publicly

Uniform Guidance Crosswalk from Existing Guidance to Final Guidance

This crosswalk highlights policy changes, clarifications, and updates to policy provisions.

Section in Previous Circular	Section in Uniform Guidance	Policy Changes and Updates
		documented justification; (3) Allow for a one-time extension without further negotiation of a federally approved negotiated indirect cost rate for a period of up to 4 years.
	200.415 Required Certifications	Strengthens non-Federal entity accountability by providing explicit and consistent language for required certifications that include awareness of potential penalties under the False Claims Act.
E. F&A costs	Special Considerations for State, Local and Indian Tribal Governments	Merges and clarifies language primarily from A-87 and A-22. Language removed from guidance. Guidance on elimination of CASB requirements applies only to grants and cooperative agreements.
	200.416 Cost Allocation Plans and Indirect Cost Proposals	
	200.417 Interagency Service Special Considerations for Institutions of Higher Education	Eliminates the Cost Accounting Standards Board's (CASB) Cost Accounting Standards and CASB's Disclosure Statement requirements (Attachment A and B in A-21) for Institutions of Higher Education (IHEs).
	200.418 Costs incurred by State and Local Governments	
F. Identification and assignment of F&A costs	Appendix III - Indirect (F&A) Costs Identification and Assignment, and Rate Determination for Institutions of Higher Education (IHEs)	Includes provisions that extend to all IHEs the provisions previously extended only to a few that allow for recovery of increased utility costs associated with research. While charges to utility cost adjustment should be based on actual costs, the amount recoverable should be limited to an amount equal to 1.3% of the IHE's indirect cost rate until such time as OMB and Federal agencies can better understand the cost implications of full reimbursement of actual costs and the potential implication for Federal programs.
G. Determination and application of F&A cost rate or rates	Appendix III - Indirect (F&A) Costs Identification and Assignment, and	Merges and clarifies language primarily from A-87.

Uniform Guidance Crosswalk from Existing Guidance to Final Guidance

This crosswalk highlights policy changes, clarifications, and updates to policy provisions.

Section in Previous Circular	Section in Uniform Guidance	Policy Changes and Updates
	Rate Determination for Institutions of Higher Education (IHEs)	
H. Simplified method for small institutions	Appendix III - Indirect (F&A) Costs Identification and Assignment, and Rate Determination for Institutions of Higher Education (IHEs)	Merges and clarifies language primarily from A-87.
J. General Provisions for Selected Items of Cost	General Provisions for Selected Items of Cost	
	200.420 Considerations for Selected Items of Costs	
__1 Advertising and Public Relations	200.421 Advertising and Public Relations	Allows for costs of advertising program outreach and other specific costs necessary to meet the requirements of the federal award.
__2 Advisory Councils	200.422 Advisory Councils	Language clarified.
__3 Alcoholic Beverages	200.423 Alcoholic Beverages	
__4 Alumni/ae Activities	200.424 Alumni/ae Activities	
__5 Audit Services	200.425 Audit Services	Clarified to include reference to a non-Federal entity's fiscal year in noting that when Federal awards total less than \$750,000 the non-Federal entity is exempted from having a single audit.
__6 Bad Debts	200.426 Bad Debts	Language clarified.
__7 Bonding Costs	200.427 Bonding Costs	Applies to all.
__8 Collections of Improper Payments	200.428 Collections of Improper Payments	Allows recipients to be reimbursed for expenses associated with the effort to collect improper payment recoveries or related activities; these costs may be considered either indirect or direct costs.
__9 Commencement and Convocation Costs	200.429 Commencement and Convocation Costs	
__10 Compensation - Personal Services	200.430 Compensation - Personal Services	Strengthens the requirements for non-Federal entities to maintain high standards for internal controls over salaries and wages while allowing for additional flexibility in how non-Federal entities implement processes to meet those standards.
__11 Compensation - Fringe	200.431 Compensation - Fringe	

Uniform Guidance Crosswalk from Existing Guidance to Final Guidance

This crosswalk highlights policy changes, clarifications, and updates to policy provisions.

Section in Previous Circular	Section in Uniform Guidance	Policy Changes and Updates
Benefits	Benefits	
___.12 Conferences	200.432 Conferences	Provides that, for hosts of conferences, the costs of identifying (but not providing) locally available child-care resources are allowable.
___.13 Contingency Provisions	200.433 Contingency Provisions	Updates and clarifies language
___.14 Contributions and donations	200.434 Contributions and donations	Updates and clarifies language
___.15 Defense and Prosecution of Criminal and Civil Proceedings, Claims, Appeals and Patent Infringements	200.435 Defense and Prosecution of Criminal and Civil Proceedings, Claims, Appeals and Patent Infringements	Applies to all.
___.16 Depreciation	200.436 Depreciation	Eliminates restrictions on use of indirect costs recovered for depreciation or use allowances.
___.17 Employee Health and Welfare Costs	200.437 Employee Health and Welfare Costs	
___.18 Entertainment costs	200.438 Entertainment costs	Clarifies that any exceptions require a programmatic purpose as well as written prior approval from the Federal awarding agency.
___.19 Equipment and Other Capital Expenditures	200.439 Equipment and Other Capital Expenditures	Expands provision allowing equipment to be replaced as trade-in to all.
___.20 Exchange Rate	200.440 Exchange Rate	
___.21 Fines, Penalties, Damages and Other Settlements	200.441 Fines, Penalties, Damages and Other Settlements	List of laws under which failure to comply could result in costs of fines and other penalties include Tribal law.
___.22 Fund Raising and Investment Management Costs	200.442 Fund Raising and Investment Management Costs	
___.23 Gains and Losses on Disposition of Depreciable Assets	200.443 Gains and Losses on Disposition of Depreciable Assets	
___.24 General Government Expenses	200.444 General Government Expenses	Includes language that allows up to 50% of the portion of salaries and wages for the chief executive and his or her staff supporting Federal awards for Indian Tribes and Councils of Government to be allowable as indirect costs without further justification.
___.25 Goods or Services for	200.445 Goods or Services for	Expands provision allowing equipment to be replaced as trade-in to

Uniform Guidance Crosswalk from Existing Guidance to Final Guidance

This crosswalk highlights policy changes, clarifications, and updates to policy provisions.

Section in Previous Circular	Section in Uniform Guidance	Policy Changes and Updates
Personal Use	Personal Use	all.
___.26 Idle Facilities and Idle Capacity	200.446 Idle Facilities and Idle Capacity	Allows for the costs of idle facilities when they are necessary to meet fluctuations in workload, such as those which may be typical of developing shared service arrangements.
___.27 Insurance and Indemnification	200.447 Insurance and Indemnification	Deleted policy that the Federal government will participate in actual losses of a self-insurance fund that are in excess of the reserves, to protect the Federal government from inappropriate exposure to these types of costs. Language on fees paid to or on behalf of employees or former employees for worker's compensation, unemployment compensation, moved to the section on fringe benefits.
___.28 Intellectual Property	200.448 Intellectual Property	Patents and royalties, based on A-122.
___.29 Interest	200.449 Interest	Allows non-Federal entities to be reimbursed for financing costs associated with patents and computer software capitalized in accordance with GAAP after January 1, 2016. Eliminates requirements for Institutions of Higher Education (IHEs), and other entities where appropriate, to conduct a lease-purchase analysis to justify interest costs and to notify the cognizant agency prior to relocating federally sponsored activities from a facility financed by debt; language not included in guidance. Includes the costs of certain computing devices as allowable direct cost supplies, 200.453 Material and Supplies Costs, Including Costs of Computing Devices, (1), (4).
___.30 Lobbying	200.450 Lobbying	Clarified what was meant by "substantially engaged in lobbying" and adding a citation to section 200.450 Lobbying to clarify.
___.31 Losses on other Federal Awards or Contracts	200.451 Losses on other Federal Awards or Contracts	
___.32 Maintenance and Repair Costs	200.452 Maintenance and Repair Costs	
___.33 Material and Supplies	200.453 Material and Supplies	Clarifies that \$5,000 is the threshold for an allowable maximum

Uniform Guidance Crosswalk from Existing Guidance to Final Guidance

This crosswalk highlights policy changes, clarifications, and updates to policy provisions.

Section in Previous Circular	Section in Uniform Guidance	Policy Changes and Updates
Costs, Including Costs of Computing Devices	Costs, Including Costs of Computing Devices	residual inventory of unused supplies. Moved the definition of supplies to the definition section.
___.34 Memberships, Subscriptions, and Professional Activity Costs	200.454 Memberships, Subscriptions, and Professional Activity Costs	Clarified what was meant by “substantially engaged in lobbying” and adding a citation to section 200.450 Lobbying to clarify.
___.35 Organization Costs	200.455 Organization Costs	recommended parity in application of this item across types of non-Federal entities.
___.36 Participant Support Costs	200.456 Participant Support Costs	Expands participant support cost language from A-122 to all entities.
___.37 Plant and Security Costs	200.457 Plant and Security Costs	
___.38 Pre-award Costs	200.458 Pre-award Costs	
___.39 Professional Service Costs	200.459 Professional Service Costs	
___.40 Proposal Costs	200.460 Proposal Costs	Deleted language allowing for other than indirect treatment with prior Federal agency approval.
___.41 Publication and Printing Costs	200.461 Publication and Printing Costs	Clarifies that non-Federal entities may charge the Federal award before closeout for the costs of publication or sharing of research results if the costs are not incurred during the period of performance of the Federal award.
___.42 Rearrangement and Reconversion Costs	200.462 Rearrangement and Reconversion Costs	Combines two previously separate items.
___.43 Recruiting Costs	200.463 Recruiting Costs	Eliminates requirements regarding printed "help-wanted" advertising. Costs associated with visas when critical skills are needed for a specific award may be proposed as a direct cost.
___.44 Relocation Costs of Employees	200.464 Relocation Costs of Employees	Costs of the ownership of the vacant former home after the settlement or lease date of the employees new permanent home should only be paid for up to 6 months to eliminate excessive charges to the Federal government.
___.45 Rental Costs of Real Property	200.465 Rental Costs of Real Property	Provisions of the General Accepted Accounting Principles should determine whether a lease is a capital lease or not.

Uniform Guidance Crosswalk from Existing Guidance to Final Guidance

This crosswalk highlights policy changes, clarifications, and updates to policy provisions.

Section in Previous Circular	Section in Uniform Guidance	Policy Changes and Updates
		Language added prohibiting the charge of home office space and utilities charged to a Federal award.
__.46 Scholarships and Student Aid Costs	200.466 Scholarships and Student Aid Costs	Clarifies that voluntary committed cost sharing should not be used as a factor in the review of applications. See section __.400 Policy Guide, and section 200.306 Cost Sharing Or Matching, respectively.
__.47 Selling and Marketing Costs	200.467 Selling and Marketing Costs	Cross-reference to 200.460 Proposal Costs added to the existing cross reference to 200.421 Advertising And Public Relations as allowable exceptions to the otherwise unallowable costs covered by this section.
__.48 Specialized Service Facilities	200.468 Specialized Service Facilities	
__.49 Student Activity Costs	200.469 Student Activity Costs	Expanded language to all entities to further mitigate risks of waste, fraud, and abuse.
__.50 Taxes (Including Value Added Tax)	200.470 Taxes (Including Value Added Tax)	
__.51 Termination Costs	200.471 Termination Costs	
__.52 Training and Education Costs	200.472 Training and Education Costs	
__.53 Transportation Costs	200.473 Transportation Costs	
__.54 Travel Costs	200.474 Travel Costs	Provides, under specific and limited circumstances, a family-friendly policy that should allow for individuals with dependent care responsibilities to better balance their responsibilities to both their families and the Federal award.
__.55 Trustees	200.475 Trustees	Costs for the nonprofit community and institutions are allowable, given those costs are also in line with section 200.474 Travel Costs.
K. Certification of charges	Appendix III - Indirect (F&A) Costs Identification and Assignment, and Rate Determination for Institutions of Higher Education (IHEs)	Language is updated.

Uniform Guidance Crosswalk from Existing Guidance to Final Guidance

This crosswalk highlights policy changes, clarifications, and updates to policy provisions.

Section in Previous Circular	Section in Uniform Guidance	Policy Changes and Updates
Exhibit A - List of Colleges and Universities Subject to Section J.12.h of Circular A 21	Deleted	No Changes.
Exhibit B - Listing of Institutions that are eligible for the utility cost adjustment	Deleted	Utility Cost Adjustment expanded to all schools, Appendix IV.
Exhibit C - Examples of "major project" where direct charging of administrative or clerical staff salaries may be appropriate	Deleted	Administrative costs allowed as direct charges when allocable to a specific award, 200.413 Direct Costs
Appendix A - CASB's Cost Accounting Standards (CAS)	Deleted	Cost Accounting Standards Section deleted
Appendix B - CASB's Disclosure Statement (DS 2)	Deleted	Eliminates requirement for Institutions of Higher Education (IHEs) to file a disclosure statement.
Appendix C - Documentation Requirements for Facilities and Administrative (F&A) Rate Proposals (21 pages, 39 kb)	Appendix III - Indirect (F&A) Costs Identification and Assignment, and Rate Determination for Institutions of Higher Education (IHEs)	Includes provisions that extend to all IHEs the provisions previously extended only to a few that allow for recovery of increased utility costs associated with research. While charges to utility cost adjustment should be based on actual costs, the amount recoverable should be limited to an amount equal to 1.3% of the IHE's indirect cost rate until such time as OMB and Federal agencies can better understand the cost implications of full reimbursement of actual costs and the potential implication for Federal programs.
Cost Principles for State, Local, and Indian Tribal Governments A-87		Policy Changes and Updates
A. Purpose and Scope	Direct and Indirect (F&A) costs	Merges language from A-87, A-21, and A-122. Policy changes, where applicable, are the same as those above for A-21.
B. Definitions	Subpart A - Definitions	Combines definitions from administrative requirements, cost

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Section in Previous Circular	Section in Uniform Guidance	Policy Changes and Updates
		principles, and audit circulars into a single list in Appendix I.
C. Basic Guidelines	Basic Considerations.	Policy changes, where applicable, are the same as those above for A-21.
D. Composition of Cost	200.402 Composition of Costs	Policy changes, where applicable, are the same as those above for A-21.
E. Direct Costs	200.413 Direct Costs	Policy changes, where applicable, are the same as those above for A-21.
F. Indirect Costs	200.414 Indirect (F&A) costs	Policy changes, where applicable, are the same as those above for A-21.
G. Interagency Services	200.417 Interagency Service	Policy changes, where applicable, are the same as those above for A-21.
H. Required Certifications	200.415 Required Certifications	Policy changes, where applicable, are the same as those above for A-21.
Attachment A General Principles for Determining Allowable Costs	Subpart E - Cost Principles	Policy changes, where applicable, are the same as those above for A-21.
Attachment B Selected Items of Cost	General Provisions for Selected Items of Cost.	Policy changes, where applicable, are the same as those above for A-21.
Attachment C State/Local Wide Central Service Cost Allocation Plans	Appendix V - State/Local Government and Indian Tribe - Wide Central Service Cost Allocation Plans	Defines "major local government" as one that receives \$100 million in direct Federal funds.
Attachment D Public Assistance Cost Allocation Plans	Appendix VI - Public Assistance Cost Allocation Plans	Language is updated.
Attachment E State and Local Indirect Cost Rate Proposals	Appendix VII - States and Local Government and Indian Tribe Indirect Cost Proposals	Language is updated.
Cost Principles for Non-Profit Organizations A-122		Policy Changes and Updates
Attachment A - General Principles	Subpart E - Cost Principles	Merges language from A-87, A-21, and A-122. Policy changes, where applicable, are the same as those above for A-21.

Uniform Guidance Crosswalk from Existing Guidance to Final Guidance

This crosswalk highlights policy changes, clarifications, and updates to policy provisions.

Section in Previous Circular	Section in Uniform Guidance	Policy Changes and Updates
A. Basic Considerations	Basic Considerations.	Policy changes, where applicable, are the same as those above for A-21.
B. Direct Costs	200.413 Direct Costs	Policy changes, where applicable, are the same as those above for A-21.
C. Indirect Costs	200.414 Indirect (F&A) costs	Policy changes, where applicable, are the same as those above for A-21.
D. Allocation of Indirect Costs and Determination of Indirect Cost Rates	Appendix VII - States and Local Government and Indian Tribe Indirect Cost Proposals	Defines "major long term shift" for purposes of Federal agency cognizance as 3 years
E. Negotiation and Approval of Indirect Cost Rates	Appendix VII - States and Local Government and Indian Tribe Indirect Cost Proposals	Language is updated.
Attachment B - Selected Items of Cost	Subpart E - Cost Principles General Provisions for Selected Items of Cost	See above, General Provisions for Selected Items of Cost
Attachment C - Non-Profit Organizations Not Subject To This Circular	Appendix VIII - Nonprofit Organizations Exempted From Subpart E: Cost Principles	Language is updated.
Audits of States, Local Governments, and Non-Profit Organizations - A-133		Possible Policy Changes- see changes in crosswalk from new circular
Subpart A--General	General	Language is updated.
___.100 Purpose.	200.500 Purpose.	Language is updated.
___.105 Definitions.	Subpart A - Definitions	Combines definitions from administrative requirements, cost principles, and audit circulars into a single list.
Subpart B--Audits	Audits.	Changes to compliance supplement to reduce the number of compliance requirements to target waste, fraud, and abuse.
___.200 Audit requirements.	200.501 Audit requirements.	200.501 Audit Requirements raises the Single Audit threshold from \$500,000 in Federal awards per year to \$750,000 in Federal awards per year. This reduces the audit burden for approximately 5,000 non-Federal entities while maintaining Single Audit coverage over

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Section in Previous Circular	Section in Uniform Guidance	Policy Changes and Updates
		99% of the Federal dollars currently covered.
___.205 Basis for determining Federal awards expended.	200.502 Basis for Determining Federal Awards Expended.	Language is updated.
___.210 Subrecipient and vendor determinations.	Subrecipient Monitoring and Management with minor parts incorporated into .501	Language is updated.
___.215 Relation to other audit requirements.	200.503 Relation to Other Audit Requirements.	Explicitly requires Federal agencies or pass-through entities to review the Federal Audit Clearinghouse for existing audits submitted by the entities, and to rely on those to the extent possible prior to commencing an additional audit.
___.220 Frequency of audits.	200.504 Frequency of Audits.	Language is updated.
___.225 Sanctions.	200.505 Sanctions.	Language is updated.
___.230 Audit costs.	200.506 Audit Costs.	Language is updated.
___.235 Program-specific audits.	200.507 Program-Specific Audits.	A listing of current program-specific audit guides can be found in the compliance supplement beginning with the 2014 supplement including Federal awarding agency contact information and a website where a copy of the guide can be obtained.
Subpart C--Auditees	Auditees.	Language is updated.
___.300 Auditee responsibilities.	200.508 Auditee Responsibilities.	Removed Feds granting extensions to due date consistent with need for timely audits. Moved some auditee responsibility language to Standards for Financial and Program Management.
___.305 Auditor selection.	200.509 Auditor Selection.	Peer reviews added to the factors considered in selecting an auditor to strengthen audit quality and ensure that audit resources are used most effectively.
___.310 Financial statements.	200.510 Financial Statements.	Financial Statements all require documentation of usage of this rate to allow for future evaluation of its effectiveness. Schedule of expenditures of Federal awards must include the total Federal awards expended as determined in accordance with section 200.502 Basis for Determining Federal Awards Expended, and also

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This crosswalk highlights policy changes, clarifications, and updates to policy provisions.

Section in Previous Circular	Section in Uniform Guidance	Policy Changes and Updates
		that for clusters of programs, the schedule of expenditures of Federal awards should include the cluster name and also include the Federal awarding agency name with the list of programs within the cluster.
___.315 Audit findings follow-up.	200.511 Audit Findings Follow-up.	Restores existing language from OMB Circular A-133 that lists the valid reasons for considering an audit finding as not warranting further action.
___.320 Report submission.	200.512 Report Submission.	Requires publication of Single Audit Report Submission requires publication of Single Audit Reports online with safeguards for protected personally identifiable information and an exception for Indian tribes in order to reduce the administrative burden on non-Federal entities associated with transmitting these reports to all interested parties. Makes explicit that the Federal Audit Clearinghouse is the repository of record and authoritative source for single audit reports. Federal agencies, pass-through entities, and others interested should therefore obtain it by accessing the clearinghouse rather than requesting it directly from the non-Federal entity. Clarifies that if the due date falls on a Saturday, Sunday, or Federal legal holiday, the reporting package is due the next business day.
Subpart D--Federal Agencies and Pass-Through Entities	Federal Agencies and Pass-Through Entities.	Language is updated.
___.400 Responsibilities.	200.513 Responsibilities.	___.513 Responsibilities requires Federal awarding agencies to designate a Senior Accountable Official who will be responsible for overseeing effective use of the Single Audit tool and implementing metrics to evaluate audit follow-up. This section also encourages Federal awarding agencies to make effective use of cooperative audit resolution practices in order to reduce repeated audit findings.
200.405 Management decision.	Management Decision	

Uniform Guidance Crosswalk from Existing Guidance to Final Guidance

This crosswalk highlights policy changes, clarifications, and updates to policy provisions.

Section in Previous Circular	Section in Uniform Guidance	Policy Changes and Updates
	200.521 Management Decision.	Includes language to require auditees to initiate corrective action as rapidly as possible, and not wait until audit reports are submitted. The COFAR recommended the addition
Subpart E--Auditors	Auditors.	Language is updated.
___.500 Scope of audit.	200.514 Scope of Audit.	Single Audits shall be conducted in accordance with GAGAS.
___.505 Audit reporting.	200.515 Audit Reporting.	Updated to comply with changes in auditing standards.
___.510 Audit findings.	200.516 Audit Findings.	Raised the threshold for questioned costs to \$25,000.
___.515 Audit working papers.	200.517 Audit Documentation.	200.517 (a) sets standards for auditors to provide sufficient audit documentation
___.520 Major program determination.	200.518 Major Program Determination	Focuses audits on the areas with internal control deficiencies that have been identified as material weaknesses. Future updates to the Compliance Supplement will reflect this focus as well.
___.525 Criteria for Federal program risk.	200.519 Criteria for Federal Program Risk.	Language is updated.
___.530 Criteria for a low-risk auditee.	200.520 Criteria for a Low-Risk Auditee.	200.520 (a) clarification listed timely audit reporting as criteria for low risk auditee. Now in practice in compliance supplement, but since it is so important, need to emphasize here. Added going concern as criteria to be low risk auditee as this is a critical test and indicator of risk. Removed provision to allow entity with biennial audit to be low-risk with cog/oversight approval. Removed provision to allow entity with "unclean" audit to be low-risk with cog/oversight approval. Removed provision to allow entity with material weaknesses to be low-risk with cog/oversight approval. Added that auditor reporting going concern would preclude being low-risk auditee. Clarified audit finding consideration was at the major program level as reported in auditor's report.
Appendix A to Part __ - Data Collection Form (Form SF-SAC).	Appendix X - Data Collection Form (Form SF-SAC)	Language is updated.
Appendix B to Part __ - Circular	Appendix XI - Compliance	Language is updated.

Uniform Guidance Crosswalk from Existing Guidance to Final Guidance

This crosswalk highlights policy changes, clarifications, and updates to policy provisions.

Section in Previous Circular	Section in Uniform Guidance	Policy Changes and Updates
A-133 Compliance Supplement.	Supplement	
Audit Follow-Up A-50		Policy Changes and Updates
1. Purpose.	200.500 Purpose.	Policy changes, where applicable, are the same as those above for A-133.
2. Rescissions.	200.104 Supersession	Policy changes, where applicable, are the same as those above for A-133.
3. Authority.	200.103 Authorities.	Policy changes, where applicable, are the same as those above for A-133.
4. Background.	200.100 Purpose.	Policy changes, where applicable, are the same as those above for A-133.
5. Policy.	200.100 Purpose.	Policy changes, where applicable, are the same as those above for A-133.
6. Definitions.	Subpart A - Definitions	Combines definitions from administrative requirements, cost principles, and audit circulars into a single list in Appendix I.
7. Responsibilities.	200.513 Responsibilities.	Language is updated.
8. Action Requirements.	200.513 Responsibilities.	Requires agencies to designate a senior accountable official to be held accountable for effectiveness of audit resolution. Requires the use of audit metrics to evaluate the effectiveness of the process. Requires use of cooperative audit resolution mechanisms where appropriate to resolve underlying problems in programs as opposed to costly and lengthy finding-by-finding resolution techniques. Shortens audit resolution period from six months to three months.
b. Special Requirements. The following additional requirements apply to General Accounting Office reports:	Moved outside of new circular	Moved outside of new circular
9. Applicability to Regulatory Audits.	Moved outside of new circular	Moved outside of new circular
10. Applicability to Pre-award	Moved outside of new circular	Moved outside of new circular

Uniform Guidance Crosswalk from Existing Guidance to Final Guidance

This crosswalk highlights policy changes, clarifications, and updates to policy provisions.

Section in Previous Circular	Section in Uniform Guidance	Policy Changes and Updates
Contract Audits		
11. Accounting and Collection Controls.	Subpart G- Audit Requirements	Policy changes, where applicable, are the same as those above for A-133.
12. OMB Responsibility.	200.107 OMB Requirements	Policy changes, where applicable, are the same as those above for A-133.
13. Information Contact.	200.108 Inquiries	Policy changes, where applicable, are the same as those above for A-133.
14. Sunset Review Date.	200.109 Review Date	Policy changes, where applicable, are the same as those above for A-133.
Section in Previous Circular	Section in Uniform Guidance	Policy Changes and Updates
N/A - New Provision(s)	Subpart A – Acronyms and Definitions	Subpart A lists definitions and acronyms for key terms found throughout the document. Because these terms, like the rest of the guidance, originated in eight different sets of guidance, there are many conforming changes made to harmonize the definitions with the terms that are used throughout the guidance.
N/A - New Provision(s)	Subpart B – General Provisions	200.111 English Language. All Federal financial assistance announcements and Federal award information must be in the English language. Applications must be submitted in the English language and must be in the terms of U.S. dollars. 200.112 Conflict of Interest. The Federal awarding agency must establish conflict of interest policies for Federal awards. The non-Federal entity must disclose in writing any potential conflict of interest to the Federal awarding agency or pass-through entity in accordance with applicable Federal awarding agency policy. 200.113 Mandatory Disclosures. The non-Federal entity or applicant for a Federal award must disclose, in a timely manner, in writing to the Federal awarding agency or pass-through entity all violations of Federal criminal law involving fraud, bribery, or gratuity violations potentially affecting the Federal award.
N/A - New Provision(s)	Subpart C – Pre-Federal Award	Requirement to post grant decisions on a publicly available

Uniform Guidance Crosswalk from Existing Guidance to Final Guidance

This crosswalk highlights policy changes, clarifications, and updates to policy provisions.

Section in Previous Circular	Section in Uniform Guidance	Policy Changes and Updates
	Requirements and Contents of Federal Awards	<p>website. Includes requirement for standard award identification number. Adds language to standardize the format and content of Federal grant award notices. Requires the use of certain merit-based and other criteria in making award determinations, to include past performance and integrity and business ethics.</p> <p>200.209, for guidance on costs incurred by recipients prior to the award; see section 200.458 Pre-award Costs.</p> <p>200.211 Public Access To Federal Award Information (a) In accordance with FFATA, except as noted below, for Federal awards of \$25,000 or more the Federal awarding agency must announce all Federal awards publicly and publish the above listed information on a publicly available OMB-designated governmentwide website (at time of publication, www.USAspending.gov); (b) Nothing in this section may be construed as requiring the publication of information otherwise exempt under the Freedom of Information Act (5 U.S.C § 552), or controlled unclassified information pursuant to Executive Order 13556.</p>
N/A - New Provision(s)	Subpart D – Post Federal Award Requirements	<p>Requires inclusion of performance goals in award’s terms & conditions, as a programmatic requirement.</p> <p>Section 200.301 Performance Measurement includes requirement for Federal agencies to include performance goals aligned with A-11 Federal agency program goals in notice of award.</p> <p>Outlines categories of general terms and conditions, as defined by the grants community to include administrative policy, national policy, and programmatic requirements. Remedies for Noncompliance and Closeout, respectively, provide Federal agencies with clear tools to manage non-compliance and efficiently closeout Federal awards.</p> <p>Incorporates and combines subrecipient monitoring guidance from</p>

Uniform Guidance Crosswalk from Existing Guidance to Final Guidance

This crosswalk highlights policy changes, clarifications, and updates to policy provisions.

Section in Previous Circular	Section in Uniform Guidance	Policy Changes and Updates
		the following other sections: Section 402 in its entirety, Subsection 501(a) in its entirety, Subsection 507(h), Subsections 703(b) through (e), and Subsection 713(d) in its entirety. Section 200.331 Requirements for Pass-Through Entities provides a similar requirement for pass-through entities to consider risks associated with subawards combined with flexibility to adjust their oversight framework based on that consideration of risk.
N/A - New Provision(s)	Subpart E – Cost Principles	200.412 Classification Of Costs. 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 this subpart.
N/A - New Provision(s)	Appendix I Full Text of Notice of Funding Opportunity	The format is designed so that similar types of information will appear in the same sections in announcements of different Federal funding opportunities.
N/A - New Provision(s)	Appendix II Contract Provisions for Non-Federal Entity Contracts Under Federal Awards	In addition to other provisions required by the Federal agency or non-Federal entity, all contracts made by the non-Federal entity under the Federal award must contain provisions covering the guidance, statutes and regulations provided in this appendix.

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[Title 2](#) → [Subtitle A](#) → Chapter II

TITLE 2—Grants and Agreements

Subtitle A—OFFICE OF MANAGEMENT AND BUDGET GUIDANCE FOR GRANTS AND AGREEMENTS

CHAPTER II—OFFICE OF MANAGEMENT AND BUDGET GUIDANCE

Part	Table of Contents	Headings
200	200.0 to 200.521	UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS
201-299		[RESERVED]

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