

2 CFR 200 Updates

Office of Accountability



Illinois
Department of Commerce
& Economic Opportunity

Overview

- 2 CFR 200 Updates – for awards issued on/after October 1st, 2024
 - For full overview:
 - Overview of Updates to 2 CFR Part 200 – Uniform Guidance - Baker Tilly
 - <https://www.cfo.gov/assets/files/Uniform%20Guidance%20Reference%20Guides%20FINAL%204-2024.pdf>
 - <https://www.cfo.gov/assets/files/FY-2024-Revisions-to-2-CFR-Supplementary-Information-for-Federal-Agency-Implementation.pdf>



What is changing?

- Most significant update to the Uniform Guidance since it was released in 2013
- Significant changes made to 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards



When are changes effective?

- The revised guidance is effective for awards issued on or after Oct. 1, 2024, except for the revisions to Subpart F – Audit requirements, whose effective date is for fiscal years beginning on or after Oct. 1, 2024
 - For example:
 - To demonstrate the application of the guidance, assume a recipient has a fiscal year-end of June 30, 2025. In this case, the recipient will review their awards to determine which awards were issued on or after Oct. 1, 2024, and are therefore subject to the revisions in Subparts A – E*. However, the revisions in Subpart F, which are further detailed below, would not apply for the recipients June 30, 2025, year-end since their fiscal year began on July 1, 2024. As such, they would have to wait until June 30, 2026, year-end for the Subpart F provisions to apply.



Subpart A – Acronyms and definitions

– Section 200.1

- Definition

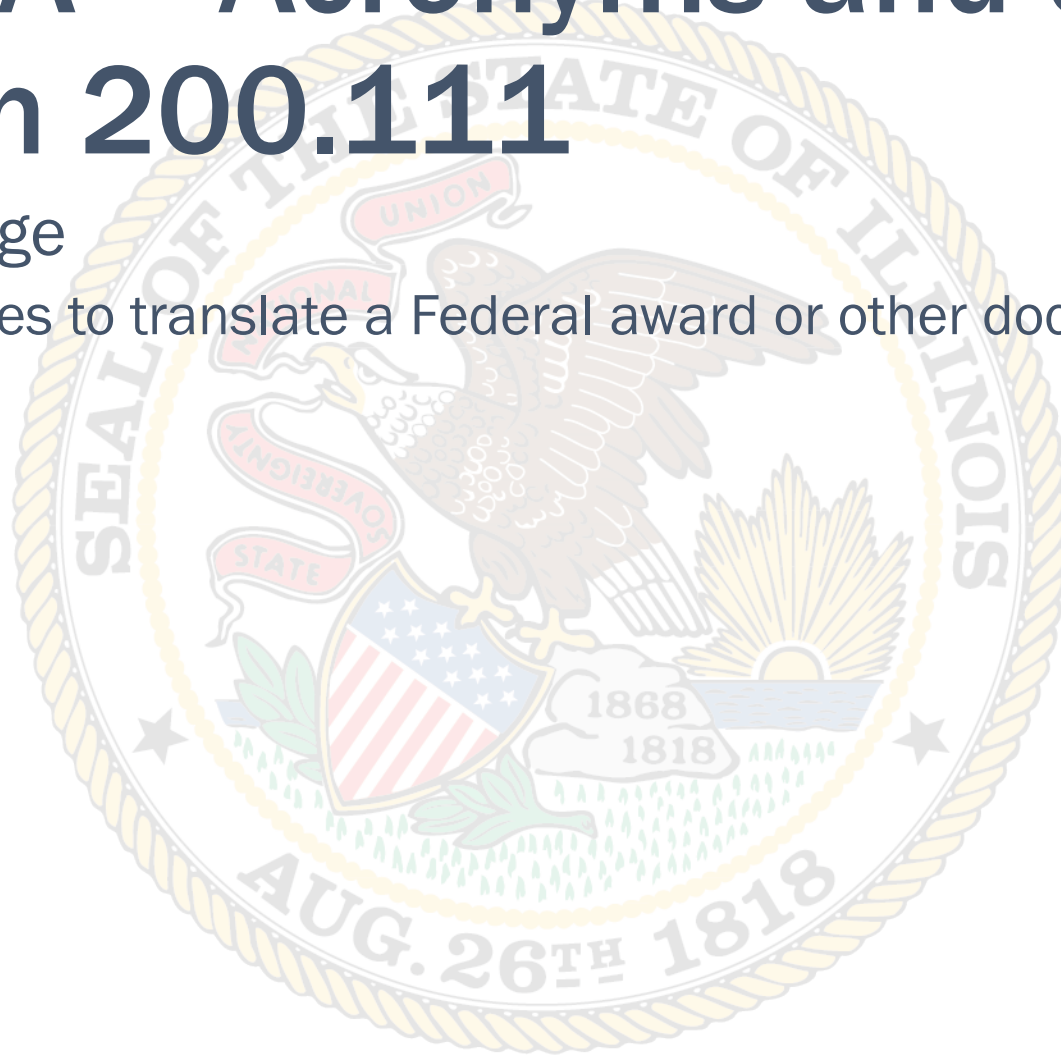
- Equipment – capitalization threshold increased from \$5,000 to \$10,000.
- Modified Total Direct Costs – increased definitional threshold for up to \$50,000 (previously \$25,000) of each subaward (regardless of the period of performance of the subaward under the award).
- Questioned costs – updated the definition to clarify and provide examples of what a questioned cost is/is not but no significant change from a policy perspective. The definitions of known and likely questioned costs were moved from 200.516 into 200.1.



Subpart A – Acronyms and definitions

– Section 200.111

- English language
 - Allows agencies to translate a Federal award or other documents into another language.



Subpart B – General provisions – Section 200.113

- Mandatory Disclosures
 - Modifications were made to the mandatory disclosure requirements. Previously, an entity was required to report violations of Federal criminal law involving fraud, bribery or gratuity violations. As revised, the requirement now reads that an applicant, recipient or sub-recipient of a federal award must promptly disclose whenever it has credible evidence of a commission of a violation of Federal criminal law involving fraud, conflict of interest, bribery, or gratuity violations under the false claims act.



Subpart C – Pre-Federal Award requirements and contents of Federal Awards – Section 200.201

- Use of grants, cooperative agreements, fixed amount subawards and contracts
 - Expanded guidance to clarify certain requirements for fixed amount subawards. Examples include clarifying that unexpended funds may be retained if the program objectives and milestones have been achieved. Other minor revisions were made that do not have a significant impact on applicability or implementation.



Subpart C – Pre-Federal Award requirements and contents of Federal Awards – Section 200.202

- Program planning and design
 - Expanded guidance to clarify that program design must be “To encourage applicants to engage, when practicable, during the design phase, members of the community that will benefit from or be impacted by a program. (b) Federal agencies should develop programs in consultation with communities benefiting from or impacted by the program.



Subpart C - Pre-Federal Award requirements and contents of Federal Awards – Section 200.204

- Notice of funding opportunities
 - This section contained several changes to align with OMB's objective of reducing administrative burden on recipients. For example, the Notice of Funding Opportunity (NOFO) must include:
 - an executive summary
 - concise and use plain language per the guidance at [PlainLanguage.gov](https://www.plainlanguage.gov) wherever possible
 - identify eligible applicants
 - a limit on the length of the published NOFO



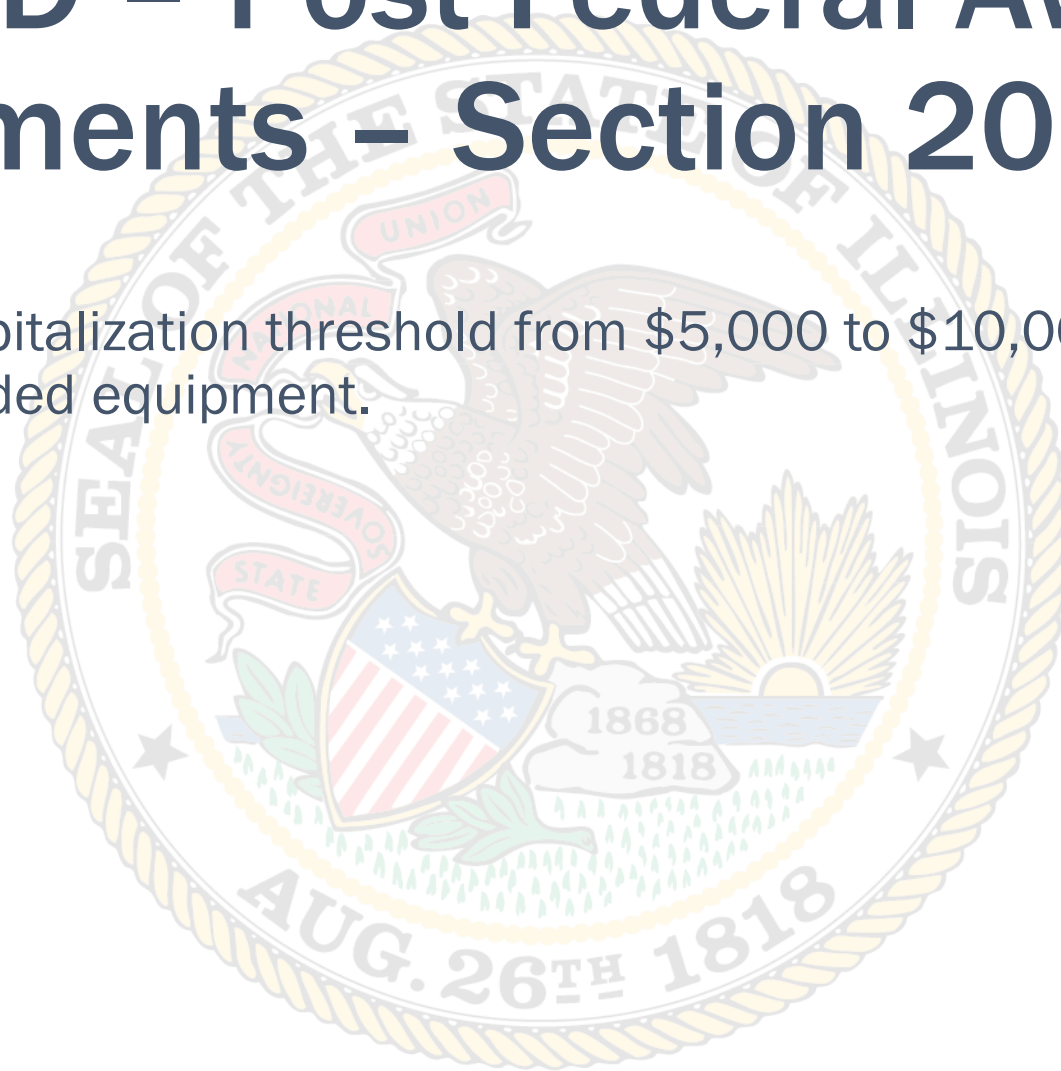
Subpart D – Post Federal Award Requirements – Section 200.303

- Internal controls
 - The section was updated with plain English changes, including the replacement of non-federal entity with recipient and subrecipient, thereby confirming the potential applicability to for-profit and foreign recipients and subrecipients.
 - Additionally, 200.303(e) added a requirement that a recipient/subrecipient take “reasonable cybersecurity and other measures to safeguard information including protected personally identifiable information (PII) and other types of information”. OMB did not provide a relevant framework for “cybersecurity and other measures” as was suggested in various comments on this revision. OMB indicated that they would consider the need to implement a government-wide specific framework in the future but in the interim, will leave it to the Federal agencies to consider providing more specific guidance on the topic, as appropriate.



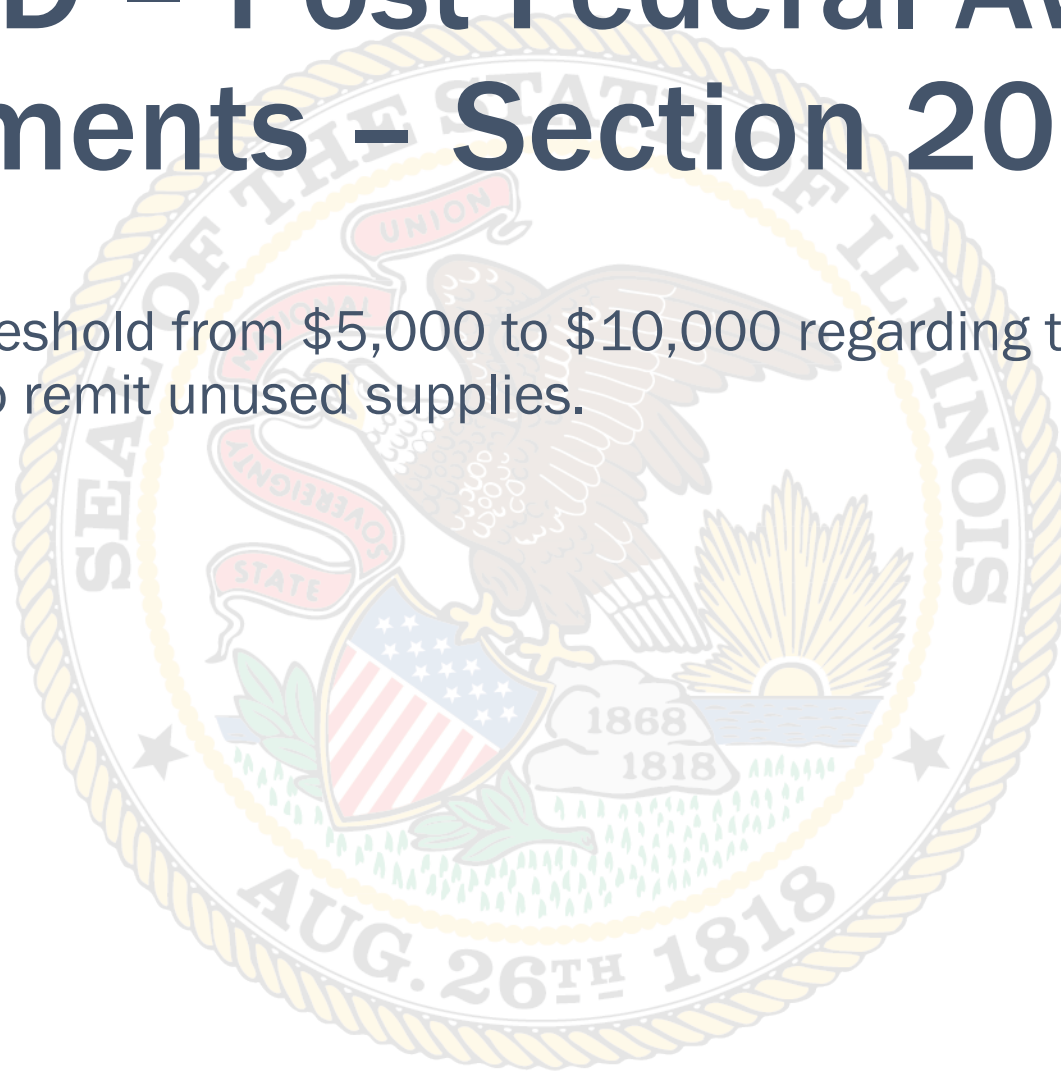
Subpart D – Post Federal Award Requirements – Section 200.313

- Equipment
 - Increased capitalization threshold from \$5,000 to \$10,000 minimum for Federally funded equipment.



Subpart D – Post Federal Award Requirements – Section 200.314

- Supplies
 - Increased threshold from \$5,000 to \$10,000 regarding the requirement in 200.314(a) to remit unused supplies.



Subpart D – Post Federal Award Requirements – Section 200.317

- Procurements by States and Indian Tribes
 - In recognition of Tribal sovereignty, revision to permit Indian Tribes to be treated the same as States, thereby allowing them to follow their own procurement policies and procedures as opposed to those in section 200.318 – 200.327, with noted exceptions related to a requirement to comply with 200.321, 200.322, 200.323 and 200.327, as applicable.



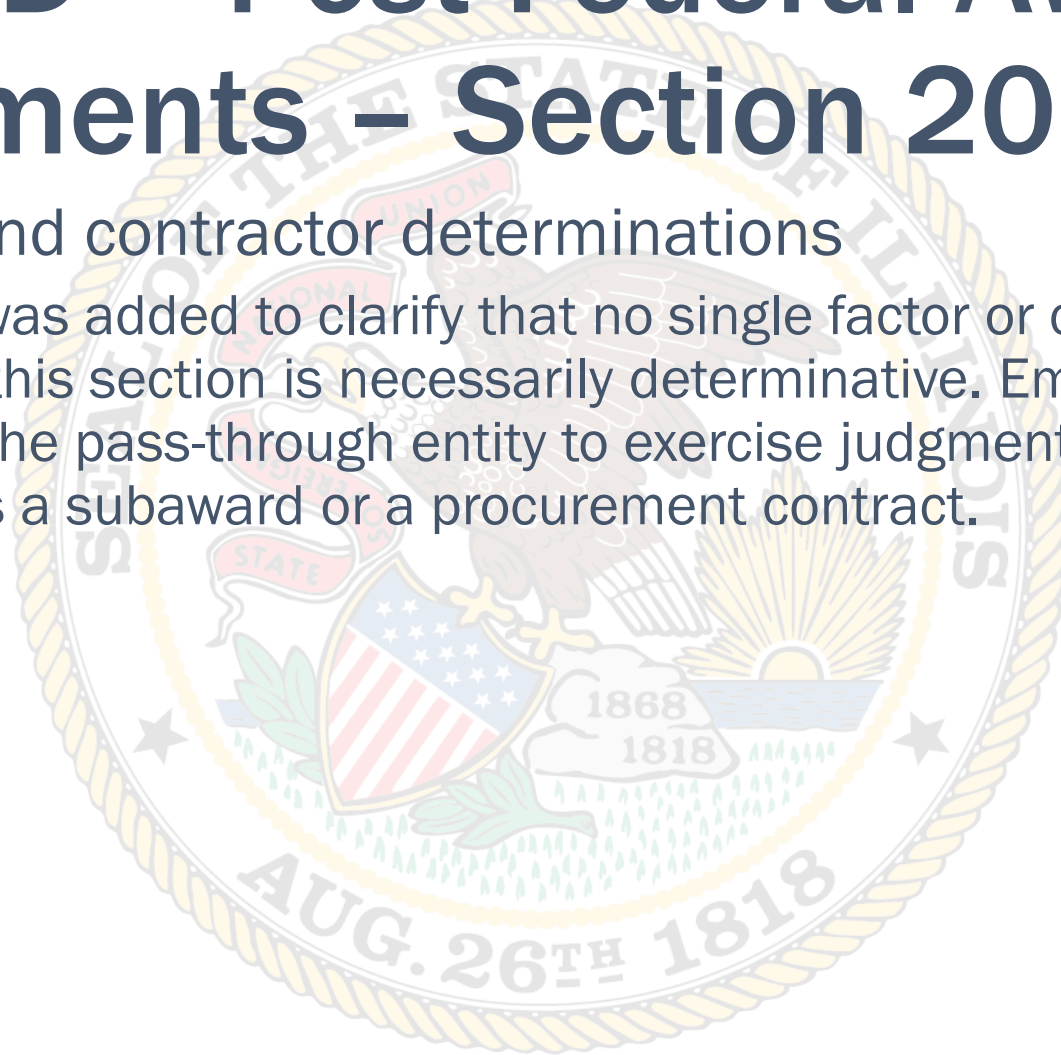
Subpart D – Post Federal Award Requirements – Section 200.320

- Procurement methods
 - Change in terminology to be consistent with standard terminology to change “small purchases” to “simplified acquisitions”. Clarification that “micro-purchases” and “simplified acquisitions” are types of “informal procurement methods for small purchases.”
 - 2 CFR 200.320(a)(2)(i) – includes slight revisions to include “the recipient or subrecipient may exercise judgment in determining what number is adequate” when referring to the number of rate quotations to be obtained.



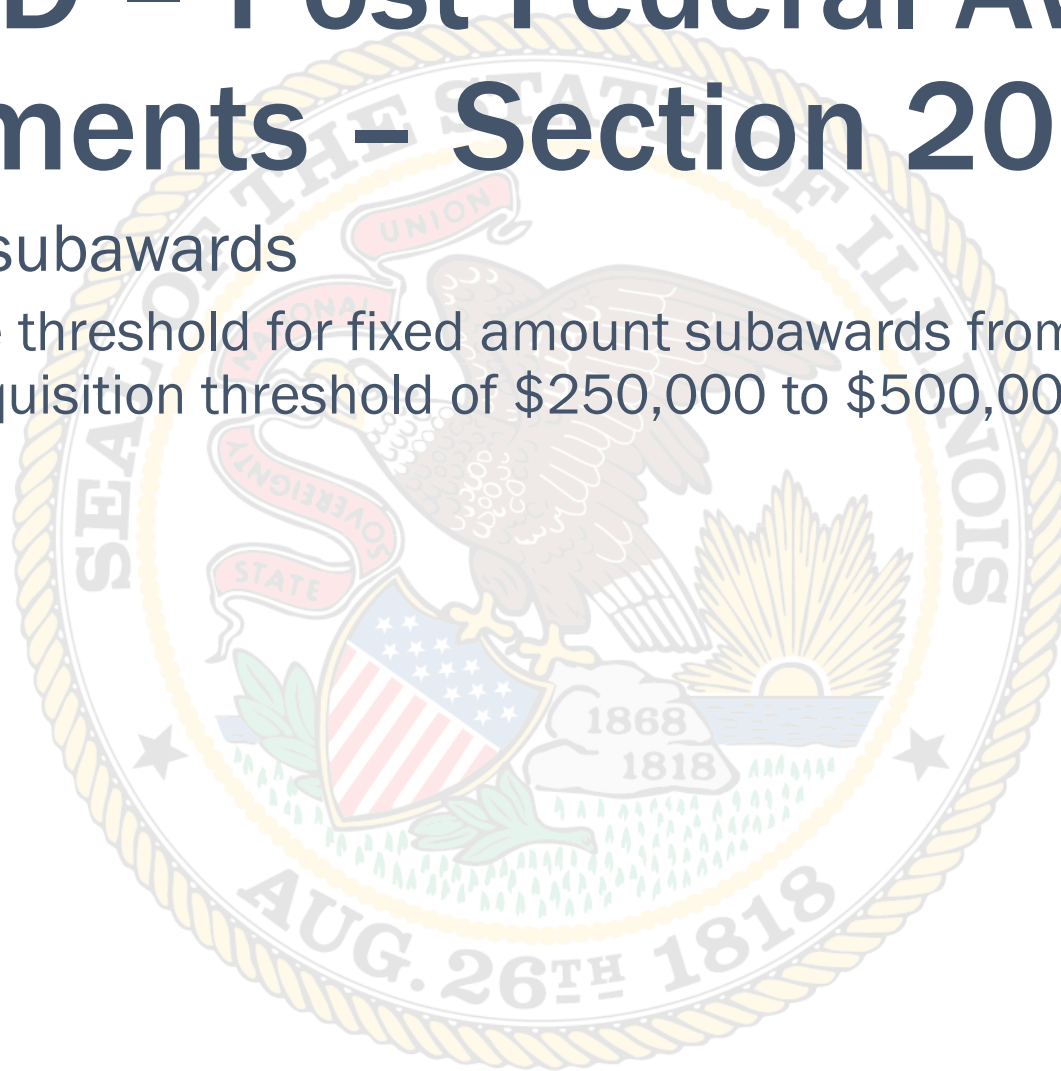
Subpart D – Post Federal Award Requirements – Section 200.331

- Subrecipient and contractor determinations
 - Clarification was added to clarify that no single factor or combination of factors contained in this section is necessarily determinative. Emphasis was noted on the need for the pass-through entity to exercise judgment in classifying each agreement as a subaward or a procurement contract.



Subpart D – Post Federal Award Requirements – Section 200.333

- Fixed amount subawards
 - Increased the threshold for fixed amount subawards from the previous simplified acquisition threshold of \$250,000 to \$500,000.



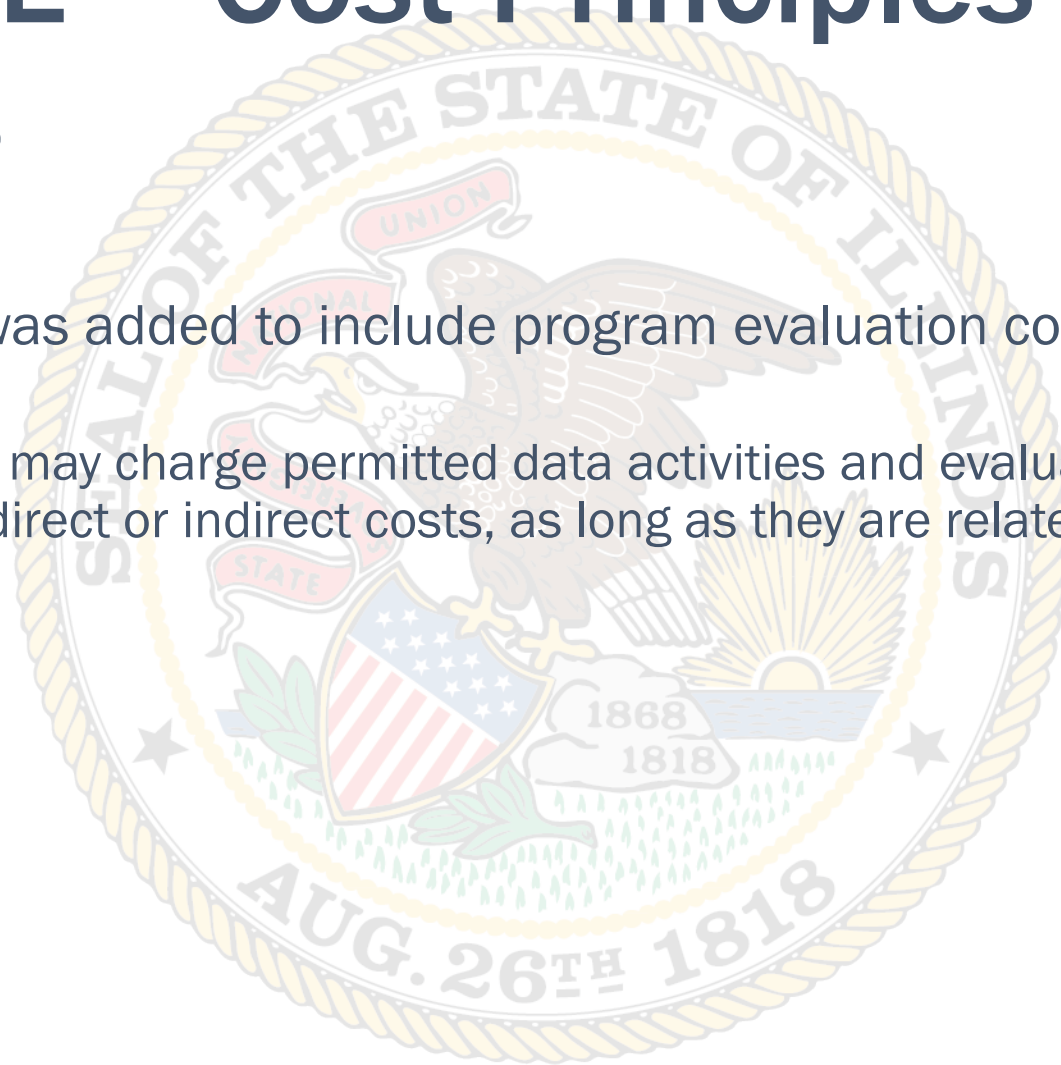
Subpart E – Cost Principles – Section 200.407

- Prior written approval
 - Removal of nine categories from the list referencing prior written approval requirements.



Subpart E – Cost Principles – Section 200.413

- Direct costs
 - Clarification was added to include program evaluation costs and integrated data systems.
 - Recipients may charge permitted data activities and evaluation activities to Federal grants as direct or indirect costs, as long as they are related to the Federal grant award.



Subpart E – Cost Principles – Section 200.414

- Indirect costs
 - Increase in de minimus rate to an amount “up to 15%”. An amount up to implies that an entity may not recover an amount greater than actual indirect costs incurred.
 - Clarification to the requirement that pass-through entities must accept all federally negotiated indirect cost rates for subrecipients (200.414(d)).
 - Clarification that a recipient or subrecipient may notify OMB of any disputes with Federal agencies regarding the application of a federally negotiated indirect cost rate. However, OMB clarified they will not be a formal arbitrator of indirect cost rate disputes.



Subpart E – Cost Principles – Section 200.415

- Required certifications
 - 200.415(b) added requirements for subrecipients to certify to the pass-through entity whenever applying for funds, requesting payment, and submitting reports: “I certify to the best of my knowledge and belief that the information provided herein is true, complete, and accurate. I am aware that the provision of false, fictitious, or fraudulent information, or the omission of any material fact, may subject me to criminal, civil, or administrative consequences including, but not limited to violations of U.S. Code Title 18, Sections 2, 1001, 1343 and Title 31, Sections 3729-3730 and 3801-3812.” Applies to all tiers of subrecipients.



Subpart E – Cost Principles – Section 200.419

- Cost accounting standards
 - Removed the requirement for an Institution of Higher Education (IHE) that receives an aggregate total of \$50 million or more in Federal awards and instruments subject to subpart E to submit a disclosure statement form (DS-2).



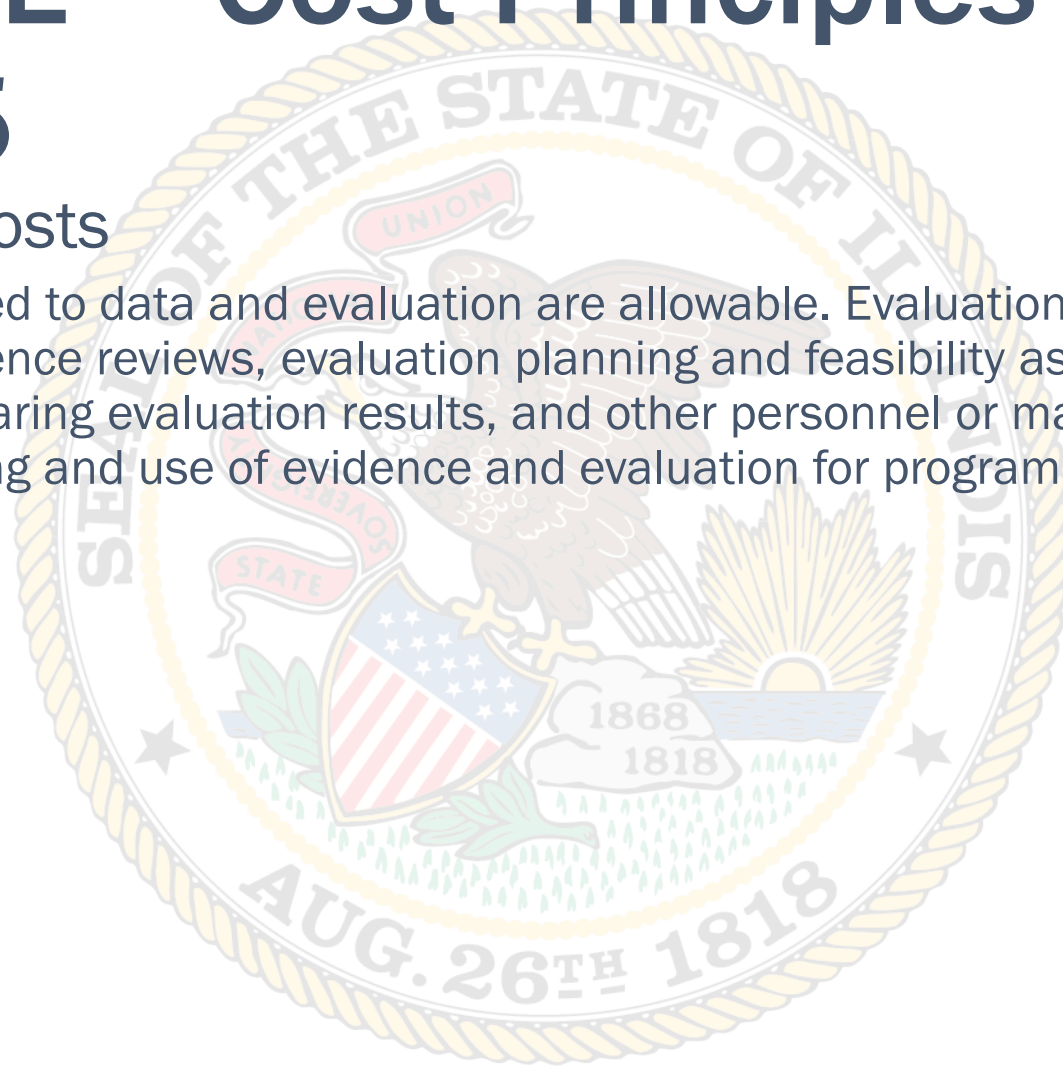
Subpart E – Cost Principles – Section 200.431

- Compensation – fringe benefits
 - 200.431(b)(i) provided additional information related to cash basis payments for accrued leave.
 - 200.431(g)(6) provides clarification on two acceptable methods for computing pension costs, pay-as-you-go method (included in original guidance) or an actuarial cost method recognized by generally accepted accounting principles (GAAP) (new) and following the recipient or subrecipient’s established written policies. Not a significant change to recipients as this method was included as acceptable in the past so long as it was documented in their policies.
 - 200.431(g)(6)(v) (new) requires “Payments for unfunded pension costs must be charged in accordance with the allocation principles of this subpart. Specifically, the recipient or subrecipient may not charge unfunded pension costs directly to a federal award if those unfunded costs are not allocable to that award.” This requirement was scaled back from initial FR notice that garnered much feedback. As revised, this should not create a significant burden. OMB only sought to clarify that payments for unfunded pension costs must be charged in accordance with the allocation principles of subpart E. Specifically, the recipient or subrecipient may not charge unfunded pension costs directly to a Federal award if they are not allocable to that award (e.g., for employees that did not devote time/effort to the grant).



Subpart E – Cost Principles – Section 200.455

- Organization costs
 - The costs related to data and evaluation are allowable. Evaluation costs include (but are not limited to) evidence reviews, evaluation planning and feasibility assessment, conducting evaluations, sharing evaluation results, and other personnel or materials costs related to the effective building and use of evidence and evaluation for program design, administration, or improvement.



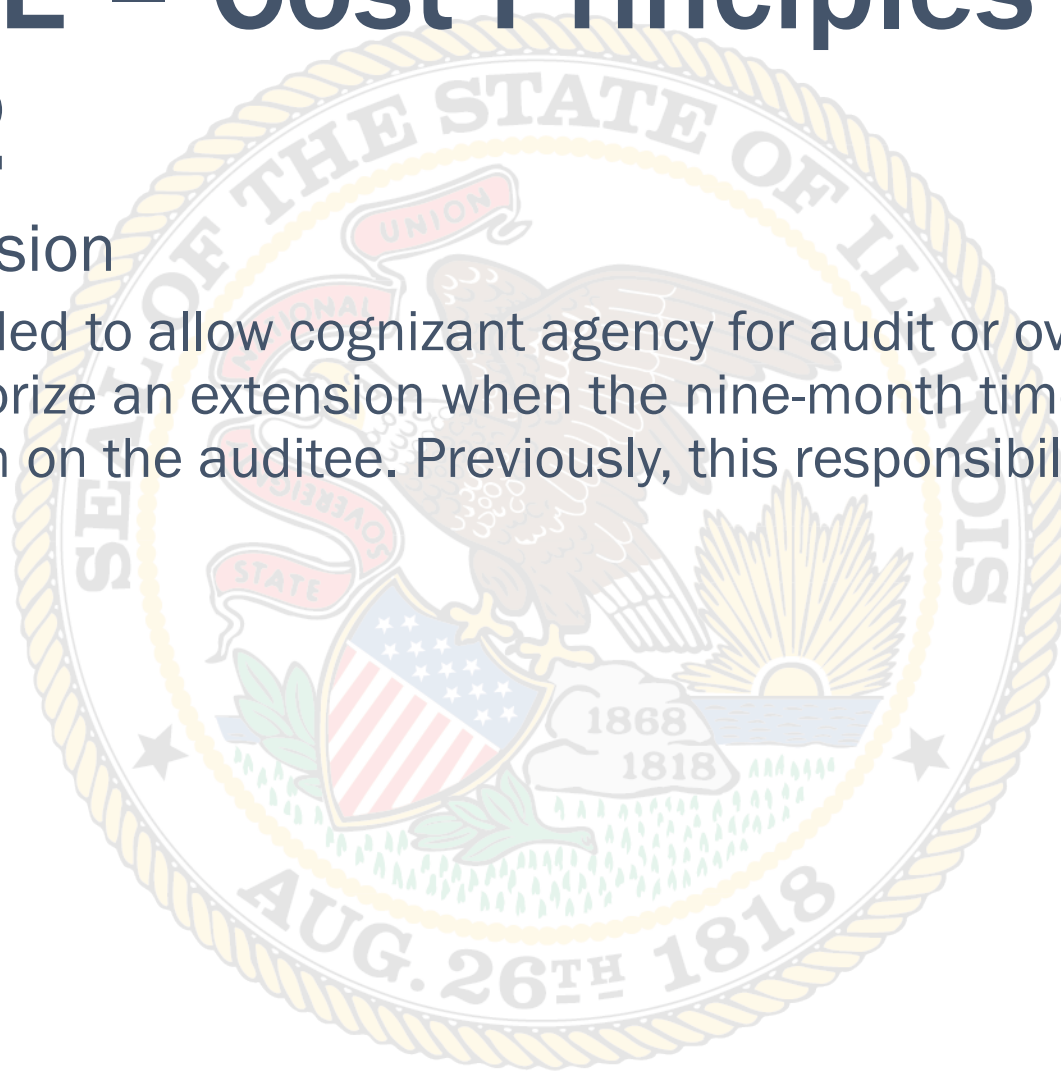
Subpart E – Cost Principles – Section 200.501

- Audit requirements
 - Effective for fiscal years beginning on or after October 1st, 2024
 - Increase the single audit threshold from \$750,000 to \$1,000,000.



Subpart E – Cost Principles – Section 200.512

- Report submission
 - Guidance added to allow cognizant agency for audit or oversight agency for audit to authorize an extension when the nine-month timeframe would place an undue burden on the auditee. Previously, this responsibility was solely held by OMB.



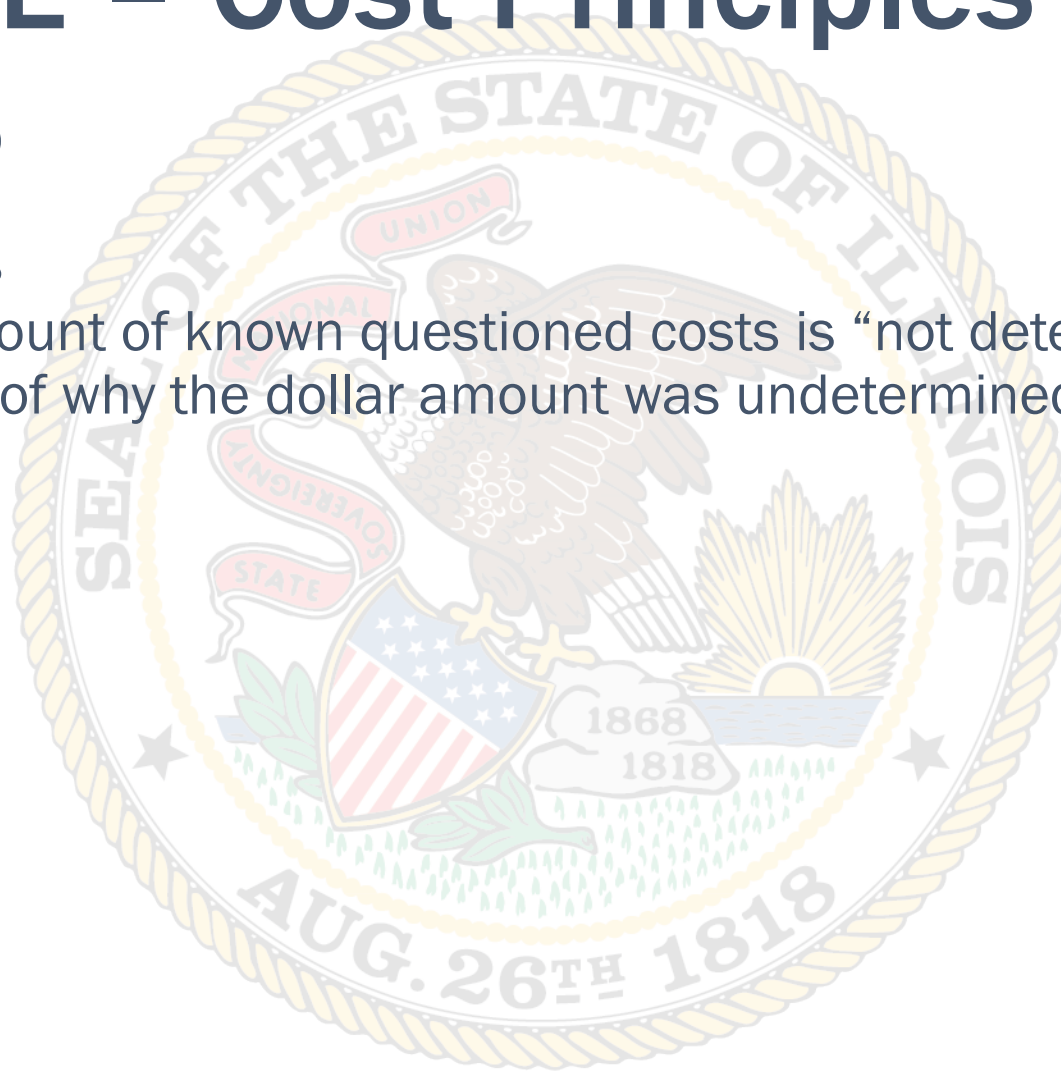
Subpart E – Cost Principles – Section 200.514

- Standards and scope of audit
 - Update to reflect that the Schedule of Expenditures of Federal Awards may be prepared in accordance with GAAP or another comprehensive basis of accounting (OCBOA).
 - A statement related to the requirement for compliance testing to include tests of transactions (or other auditing procedures) necessary to support the opinion on compliance.



Subpart E – Cost Principles – Section 200.516

- Audit reporting
 - When the amount of known questioned costs is “not determinable” or unknown, a description of why the dollar amount was undetermined must be reported.



Subpart E – Cost Principles – Section 200.518

- Major program determination
 - Increased the Type A threshold to \$1,000,000 while also increasing the amount of awards expended for which it applies (from \$25 million up to \$34 million).



What should I do?

- Understand the breadth of changes and the impact on existing policies and procedures will be critical to effective implementation
- Imperative that recipients ensure their policies and procedures have “written” or “documented” policies and procedures that address a specific requirement
- Understand the effective dates and implementation of specific provisions is necessary for maintaining compliance
- Collaborate with your auditor on the impact of these changes to ensure a smooth transition and avoid potential findings during your next Audit



Contact Us

Questions can be sent to
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