



**Moving Public Transportation
Into the Future**

Fundamental FTA Grants Management Principles: Understanding Grants Management Requirements and Implementing the New Super Circular

December 5, 2018

Presented by

**Richard Garrity
RLS & Associates, Inc.**

Workshop Content – Day One



Role of OMB in Grants Management



General Overview of the “Super Circular”



Cost Allowability Principles



Documentation Requirements Under Federal Awards



Concepts of Direct and Indirect Costs/Indirect Cost Allocation Plans



Local Match Requirements Under FTA Grants



Treatment of Contract Revenues Under FTA Grants

Workshop Content – Day Two



Use of Contributions and Donations in Federal Awards



Program Income Under FTA Awards



The Chart of Accounts, Accounting Systems, and Internal Controls



Best Practices in Cash Management



Requirements of Auditees Under the Single Audit



Monitoring of Lower Tier Subrecipients



Questions and Answers

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- ◆ **Password: December2018**



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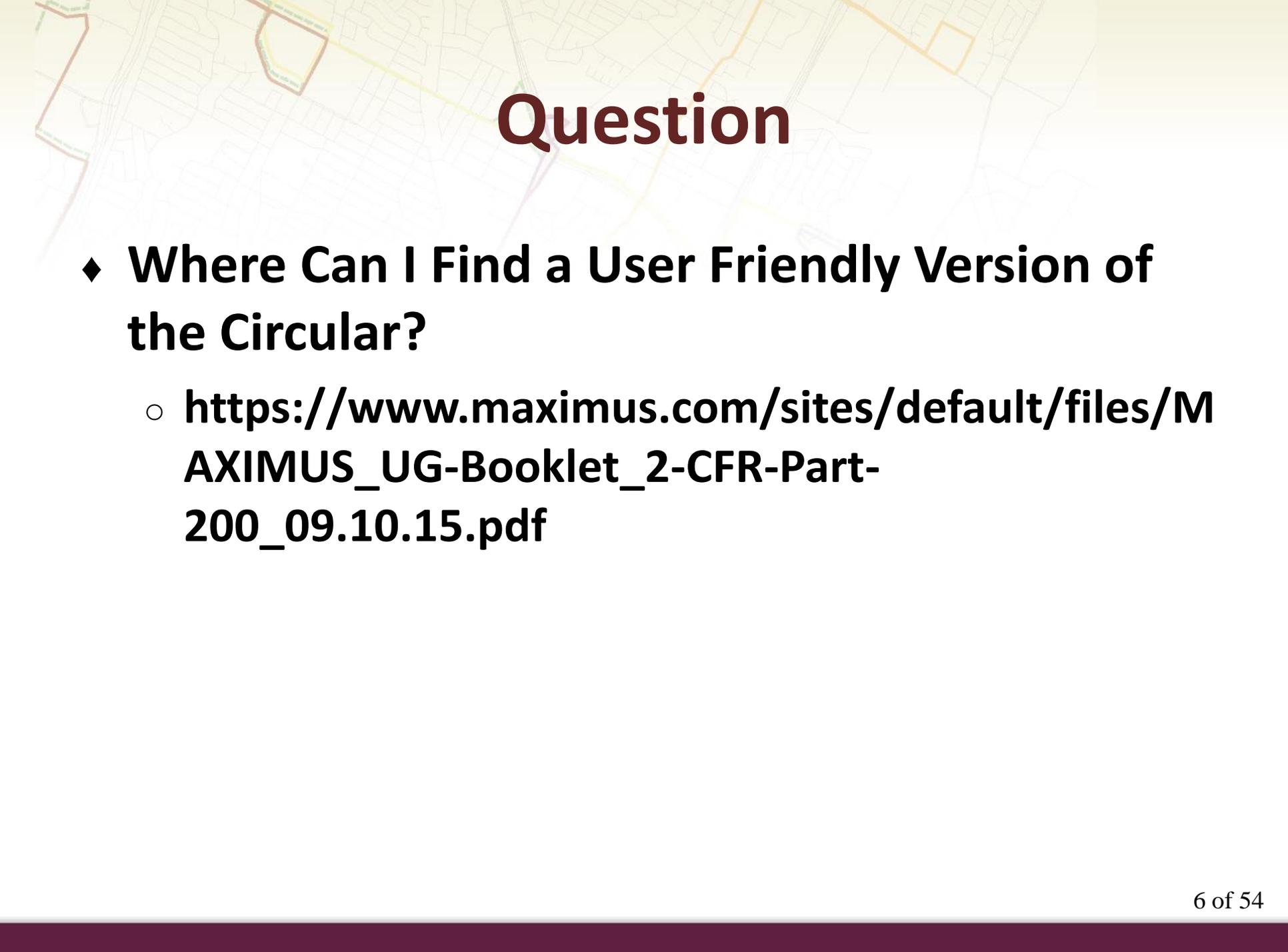
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Question

- ◆ **Where Can I Find a User Friendly Version of the Circular?**
 - **https://www.maximus.com/sites/default/files/MAXIMUS_UG-Booklet_2-CFR-Part-200_09.10.15.pdf**



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**Code of Federal Regulations
Title 2: Grants and Agreements PART 200
UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES,
AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS**

Stay up-to-date on the changes and impacts of OMB Uniform Guidance for Federal Awards by visiting the MAXIMUS Higher Education Practice website!

www.maximus.com/higher-education/omb-uniform-guidance



Wall of Shame

Thursday, December 08, 2016 7:29 PM

FOR IMMEDIATE RELEASE

Monday, May 16, 2016

Former CEO of Virginia Regional Transit Pleads Guilty to Bribery

ALEXANDRIA, Va. – Mark W. McGregor, 63, of Charles Town, West Virginia, pleaded guilty today to bribery concerning federal program funds for his role in a bribery scheme that caused \$380,000 in losses to the U.S. government. According to the statement of facts filed with the plea agreement, McGregor served as the chief executive officer of Virginia Regional Transit (VRT), a not for profit 501(c)(3) organization that provides transportation services throughout Northern Virginia. VRT is funded by a combination of federal, state and local grants, including from the U.S. Department of Transportation. McGregor engaged in a bribe scheme with co-conspirator Thomas Ahalt, then President of Mobile Auto Truck Repair (Mobile Auto), an automotive repair business in Purcellville, since 2007. Mobile Auto provided automotive repair services to VRT.

According to plea papers, from January 2007 through December 2015, Mobile Auto submitted—and McGregor caused to be approved—false invoices for additional weekly labor charges. McGregor approved and VRT paid to Mobile Auto approximately \$380,000 in fraudulent additional weekly labor charges. A portion of the monies VRT paid to Mobile Auto were federal program funds originating from the Federal Transit Administration, an agency within the U.S. Department of Transportation. In exchange, McGregor received regular kickback payments from Ahalt and others associated with Mobile Auto totaling half of the additional weekly labor charges. In total, McGregor received approximately \$190,000 in kickback payments.

On April 6, 2016, Ahalt pleaded guilty to conspiracy to commit bribery concerning federal program funds for his role in the scheme. He is scheduled to be sentenced on June 2, and McGregor is scheduled to be sentenced on September 9.

Pasted from <<https://www.justice.gov/usao-edva/pr/former-ceo-virginia-regional-transit-pleads-guilty-bribery>>

September 9, 2016

Former CEO of Virginia Regional Transit Sentenced to Jail and Ordered To Pay Over \$800,000 Related to Bribery Scheme

Summary

On September 9, 2016, Mark W. McGregor, of Charles Town, West Virginia, was sentenced in U.S. District Court, Alexandria, Virginia, for his role in a bribery scheme that caused \$380,000 in losses to the U.S. Government. He was sentenced to 18 months' incarceration and 24 months' supervised release, and was ordered to pay \$380,000 in restitution, \$380,000 in forfeiture, and a \$50,000 fine. He previously pleaded guilty to bribery in May 2016.

According to court documents, McGregor served as the chief executive officer of Virginia Regional Transit (VRT), a nonprofit organization that provides transportation services throughout Northern Virginia. VRT is funded by a combination of Federal, State and local grants, including DOT funds. McGregor engaged in a bribery scheme with coconspirator Thomas Ahalt, then president of Mobile Auto Truck Repair (Mobile Auto), Purcellville, Virginia, which provided automotive repair services to VRT.

From January 2007 through December 2015, Mobile Auto submitted—and McGregor caused to be approved—false invoices for additional weekly labor charges. McGregor then approved and VRT paid to Mobile Auto approximately \$380,000 for those fraudulent labor charges. A portion of the monies VRT paid to Mobile Auto were Federal funds from the Federal Transit Administration. In exchange, McGregor received regular kickback payments from Ahalt and others associated with Mobile Auto, totaling approximately \$190,000.

DOT-OIG conducted this investigation with the FBI.

Pasted from <<https://www.oig.dot.gov/library-item/33715>>

Geauga County Transit director removed after funds go missing

By [Devon Turchan](#), The News-Herald

Posted: 03/05/14, 12:23 AM EST | Updated: on 03/05/2014

[1](#)
Geauga County commissioners voted March 4 to remove the director of Geauga County Transit. Although no charges have been filed against Christina [Reider](#), Geauga County Commissioner Mary E. Samide said "with the kinds of things that went on" the commissioners decided to oust her. The transit agency, out of Munson Township, was raided 10 a.m. Feb. 28.

"Not a big (financial) loss to the county but it's a big loss of trust," Samide said.
"It was caught very early on due to the vigilance of our treasurer's department and those that look over the money."

[Reider](#) worked as an at-will employee, making it possible to remove her with no restrictions. The three other employees who might have been involved hold classified status, therefore due process is required before termination.

"We want to make sure we have all of our ducks in a row," Samide said.

"At this point we know for certain of a small amount of money (that was stolen)," Geauga County Prosecutor Jim Flaiz said.

He said far less than \$1,000 is known to be missing.

"However, she was using (transit) department funds to loan herself money. That's all been paid back, but obviously that's a problem," Flaiz said.

"We know that it's been going on since at least last summer (2013) so that's when our investigation started."

Former Executive Director of an Ohio Transportation Nonprofit Indicted for Theft

Summary

On July 12, 2016, Denise L. [Birt](#), former Executive Director of Tri-County Community Action Commission (TCCAC), was indicted on multiple theft charges by the Logan County Prosecutor's Office, Bellefontaine, OH. [Birt](#) was charged with securing writings by deception, theft, falsification, tampering with records, and grand theft.

TCCAC is a nonprofit organization that provides transportation services in Shelby, Champaign, and Logan Counties of Ohio. The Ohio Department of Transportation was the recipient of approximately \$2,720,658 of the Federal Transit Administration's American Recovery and Reinvestment Act grant funds earmarked to TCCAC. The funds were used to purchase and renovate an administrative and maintenance facility located at 315 W. Auburn Ave., Bellefontaine, OH.

On October 30, 2012, [Birt](#) and Robert [Notestine](#), Board Chairman, TCCAC, obtained a \$275,000 mortgage loan from Liberty National Bank (Liberty), which was secured by a mortgage lien on the transportation building. [Birt](#) obtained the mortgage from Liberty by misrepresenting the title of record to the property and provided an erroneous deed. Subsequently, TCCAC defaulted on the loan, and Liberty filed a lawsuit to foreclose on the property.

DOT-OIG is conducting this investigation jointly with the Logan County, OH, Prosecutor's Office and the Office of the Ohio State Auditor.

Pasted from <<https://www.oig.dot.gov/library-item/33542>>

BREAKING NEWS: [Birt](#) indicted on

Former President of Massachusetts Transit Authority Operator and Companies Suspended

Summary

On September 2, 2014, John George, Jr. of North Dartmouth, Massachusetts; Union Street Bus Company, Inc. (USBC); and Trans-AG Management, Inc. were suspended by the Federal Transit Administration. The suspension was based on the August 5, 2014, indictment of George and his companies.

The indictment alleged that from approximately December 2007 to October 2011, Southeastern Regional Transit Authority (SRTA) paid USBC over \$1 million to manage and operate the public bus transit service. These funds were used to pay USBC salaries, benefits, and other expenses. The investigation disclosed that George misused federal funds by directing several employees to perform work on his personally owned produce farm during regular working hours. George also caused USBC to pay approximately \$10,000 to a contractor for performing personal construction work, including remodeling a kitchen at his residence. In approximately 2010, George also inflated his salary by approximately \$200,000 (from \$75,000 to \$275,000) in an attempt to boost his yearly pension payment from SRTA.

Pasted from <<https://www.oig.dot.gov/library-item/32260>>

Former Chicago PACE Transit Manager Suspended by FTA

Summary

On August 31, 2015, the Federal Transit Administration suspended Rajinder Sachdeva from federal contracting. Previously, in July 2015, he was indicted in U.S. District Court, Chicago, Illinois, on five counts of theft. He is a former Department Manager at PACE suburban bus service, a division of Chicago's Regional Transit Administration.

Between 2010 to 2014, Sachdeva allegedly accepted over \$280,000 in kickbacks and gratuities in exchange for the influence he exerted in placing information technology (IT) contractors at PACE. He concealed the payments either by obtaining the money through a company his wife possessed an interest in, or by receiving payments directly from the IT contractors.

Sachdeva allegedly told a cooperating witness that he wanted his share for placing people at PACE and that it was through his influence that the IT contractors obtained employment. Additionally, he directed a former PACE employee and current contractor at PACE to submit invoices for PACE IT work to his wife's company by using a false name.

We are conducting this investigation jointly with the Federal Bureau of Investigation.

Maine Man Pleads Guilty to \$900,000 Embezzlement from a Federally Funded Program

Summary

On July 31, 2012, Thomas Nelson, former Chief Executive Officer of York County Community Action Corporation (YCCAC), pled guilty in United States District Court, Portland, Maine, to conspiracy, embezzlement from a federally-funded program, tax evasion and signing false tax return charges. Some of the monies were funded through the American Recovery and Reinvestment Act of 2009 (ARRA). YCCAC provides social service, health, educational, and transportation-related assistance to York County individuals and families living in poverty. From 2006 to 2010, YCCAC received in excess of \$30,000,000 in federal funds to be used for those purposes, including approximately \$7 million in Federal Transit Administration (FTA) grants. Some of the FTA grants, including those for the rural transit assistance program and urban transit assistance program, were authorized by ARRA.

The investigation disclosed that from 2004 to 2010, Mr. Nelson embezzled approximately \$900,000 from YCCAC. He diverted \$413,000 in funds to a consulting company that had only submitted one invoice for \$8,700. In exchange for the fraudulent payments, the consulting company paid more than \$20,000 of Mr. Nelson's personal expenses, including his home mortgage and also provided Mr. Nelson with a cash kick-back. From 2004 to 2009, Mr. Nelson diverted more than \$400,000 in YCCAC funds to a defunct non-profit entity, New England Community Action Agency (NECAA), and recorded those payments as

dispatching rides as "unknown" riders. The value of services stolen is estimated at over \$4,200.

Former Pennsylvania Transit Director Debarred for his Role in Grant Fraud Scheme

Summary

On April 5, 2016, FTA debarred Stanley Strelish, the former Executive Director of Luzerne County Transportation Authority (LCTA), for a period of 3 years related to his plea and State conviction for tampering with public records. Strelish admitted to submitting false ridership data to PennDOT in order to obtain increased grant monies. Strelish instructed LCTA employees to record senior citizen trips that did not occur. PennDOT estimated that LCTA inflated the number of free senior citizen bus trips it provided by approximately 3 million trips between 2005 and 2011.

In December 2015, the FTA suspended Strelish and Robb Alan Henderson, LCTA's former Operations Manager. In June 2014, the Pennsylvania State Attorney General's Office filed criminal complaints in Royalton, PA, charging Strelish and Henderson with falsely inflating senior citizen bus ridership data. In addition, the United States Attorney's Office requested that DOT-OIG review FTA data to determine if Federal dollars were affected by the scheme. FTA provided grant funds to LCTA to develop and maintain public transportation systems. After an extensive review of LCTA, FTA, and National Transit Database documents, the investigation revealed that only State funds were affected by this scheme.

On October 8, 2015, Strelish pleaded guilty to tampering with public records and was sentenced to 5 years of probation, a \$5,000 fine, and 100 hours of community service. The Henderson State criminal case is pending. PennDOT has reclaimed a total of \$3,158,825 from LCTA.

Pasted from <<https://www.oig.dot.gov/library-item/33164>>

PRESS RELEASE

FOR IMMEDIATE RELEASE
Wednesday, August 20, 2014
For Information Contact:
Public Affairs
(202) 252-6933
<http://www.justice.gov/usao/dc/index.html>

Washington Metropolitan Area Transit Authority Pays United States More Than \$4.2 Million to Resolve False Claims Act Allegations Whistleblower's Lawsuit Alleged Transit Agency Violated Federal Contracting Rules

WASHINGTON - The Washington Metropolitan Area Transit Authority (WMATA) has paid \$4,240,341 to resolve allegations that it filed false claims in connection with using federal funds to impermissibly award a contract for a financial management information technology project without using competitive procurement procedures.

The settlement, in a lawsuit filed in the U.S. District Court for the District of Columbia, was announced today by U.S. Attorney Ronald C. Machen Jr. and Kathryn Jones, Regional Special Agent-in-Charge of the U.S. Department of Transportation Office of Inspector General. The conduct at issue involves a contract that WMATA awarded on or around July 10, 2010, to Metaformers, Inc., a Virginia-based business, to integrate the Authority's financial and business systems. The total cost of this integration project was approximately \$14 million. WMATA funded the project with approximately \$9 million in grant funds from the Federal Transit Administration (FTA).

As a condition of receiving grant funds, WMATA certified that it would comply with statutes, regulations, and FTA rules mandating full and open competition when procuring goods and services using FTA grant funds. Also, as a condition of receiving the funds, WMATA certified that it would not award contracts in a manner that created a conflict of interest – for example, giving an unfair advantage to one bidder or contractor over others. WMATA allegedly

A faded, light-colored map of a city grid is visible in the upper portion of the slide. The map shows various streets and blocks, with some areas highlighted in different colors like red, green, and purple. The map is semi-transparent and serves as a background for the text.

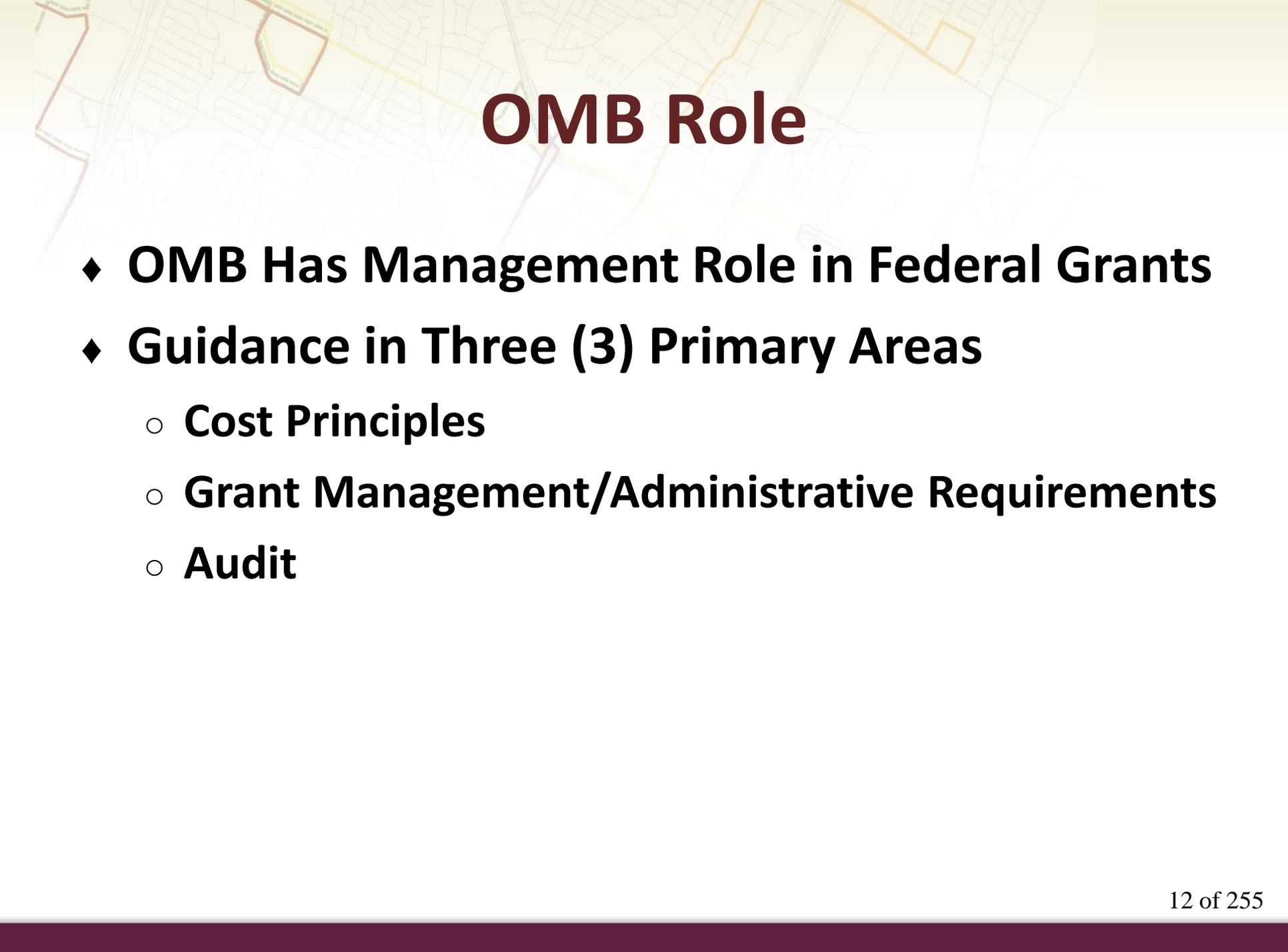
Module 1

ROLE OF OMB IN GRANTS MANAGEMENT AND OVERVIEW OF SUPER CIRCULAR

OMB Role

- ◆ **Office of Management and Budget (OMB)**
 - **Predominant Mission Is to Assist the President in Overseeing the Preparation of the Federal Budget and to Supervise Its Administration in Executive Branch Agencies**





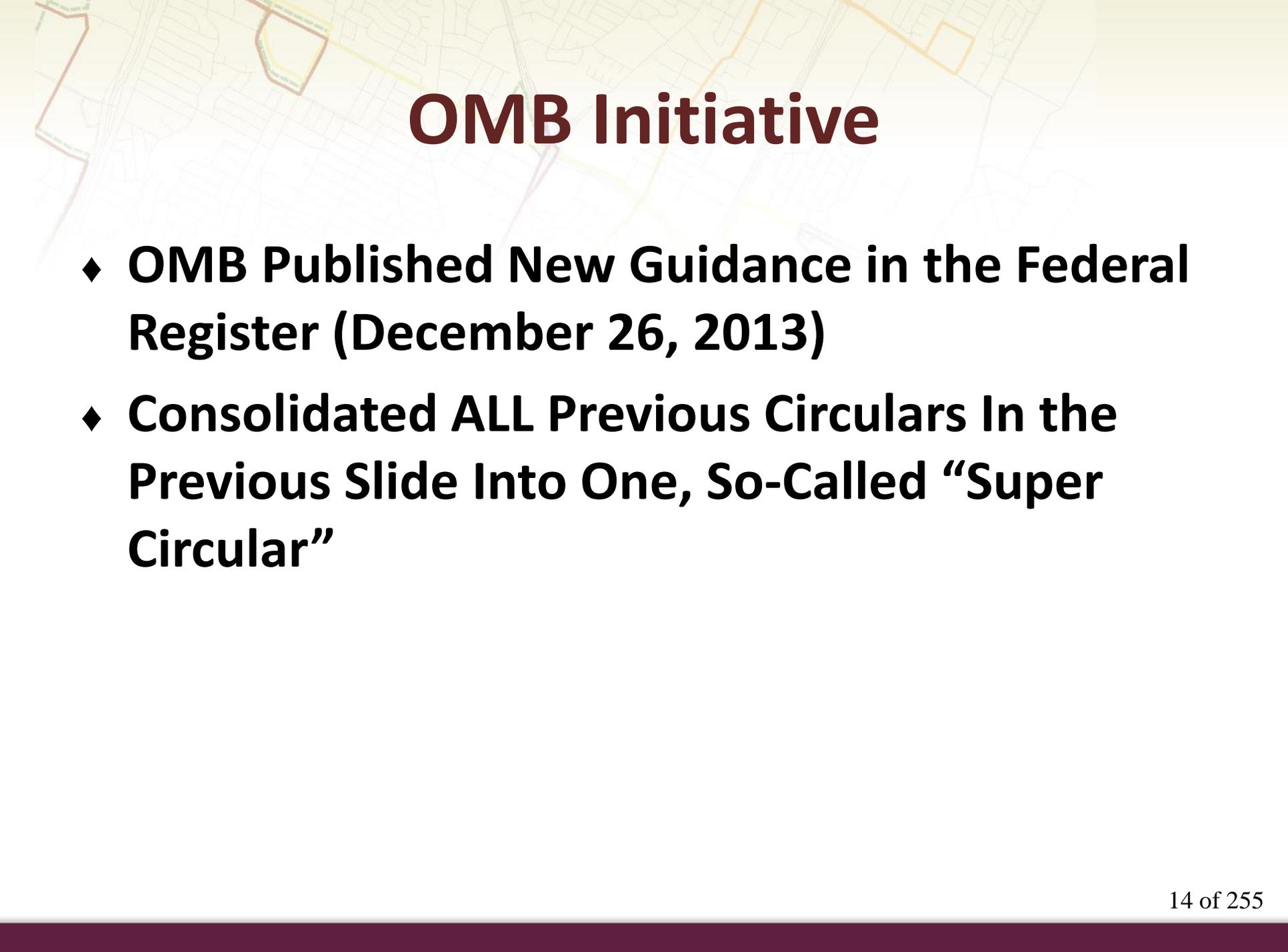
OMB Role

- ◆ **OMB Has Management Role in Federal Grants**
- ◆ **Guidance in Three (3) Primary Areas**
 - **Cost Principles**
 - **Grant Management/Administrative Requirements**
 - **Audit**

Previous OMB Circulars

Area	Local & State Government	Education Institutions	Nonprofit Corporations
Cost Principles	A-87	A-21	A-122
Administrative Requirements	A-102 (49 CFR § 18)	A-110 (49 CFR § 19)	A-110 (49 CFR § 19)
Audit	A-133	A-133	A-133





OMB Initiative

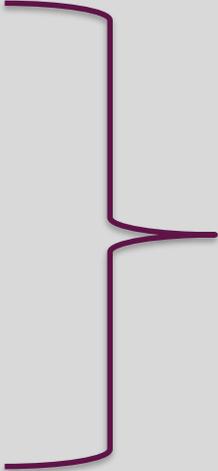
- ◆ **OMB Published New Guidance in the Federal Register (December 26, 2013)**
- ◆ **Consolidated ALL Previous Circulars In the Previous Slide Into One, So-Called “Super Circular”**

OMB Initiative

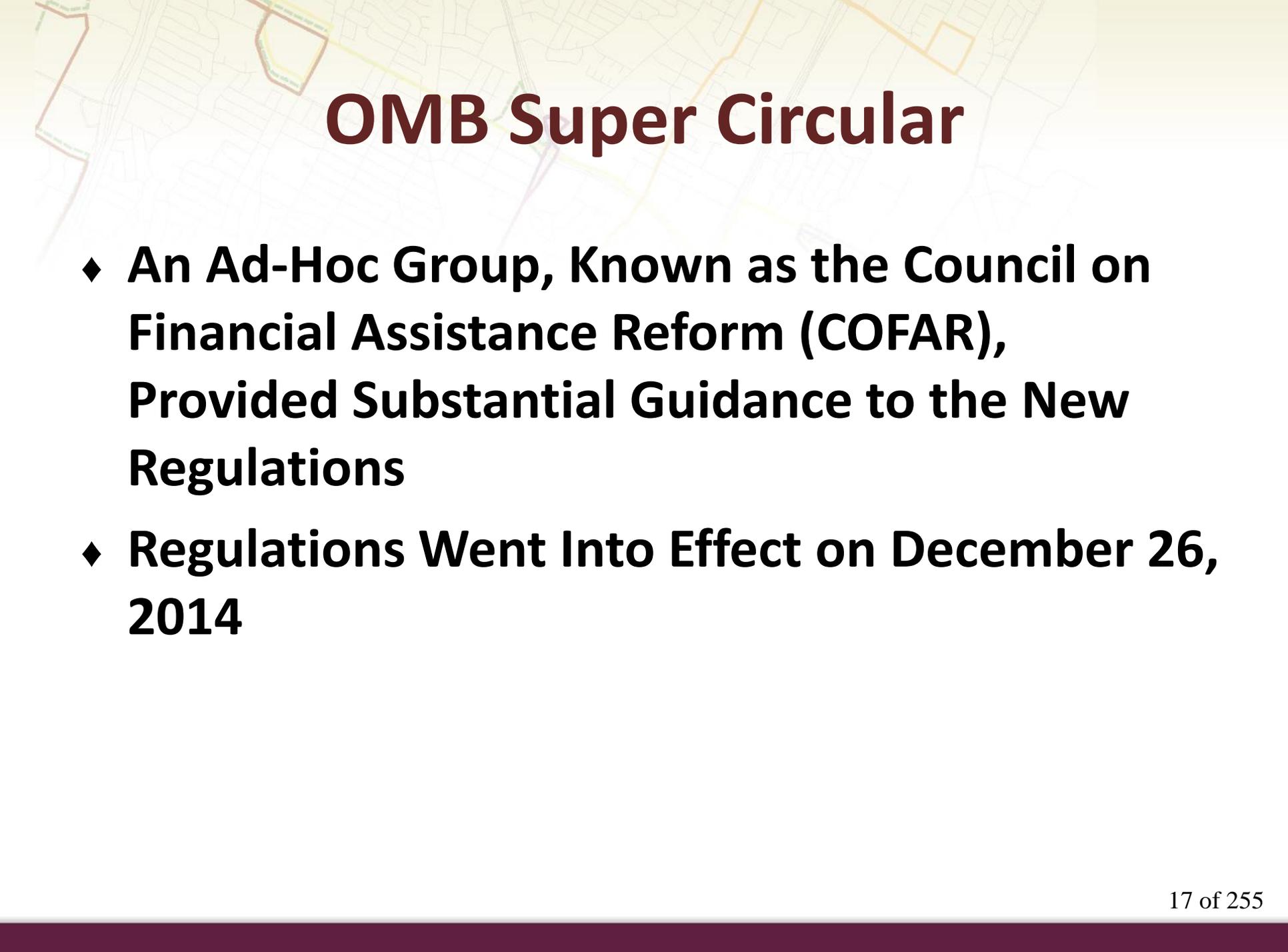
- ◆ **“Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards”**
 - **Not Really a Circular**
 - **Codified at 2 CFR § 200**



Scope of OMB Circulars - 2015

Area	Local & State Government	Education Institutions	Nonprofit Corporations
Cost Principles		2 CFR § 200	
Administrative Requirements			
Audit			





OMB Super Circular

- ◆ **An Ad-Hoc Group, Known as the Council on Financial Assistance Reform (COFAR), Provided Substantial Guidance to the New Regulations**
- ◆ **Regulations Went Into Effect on December 26, 2014**

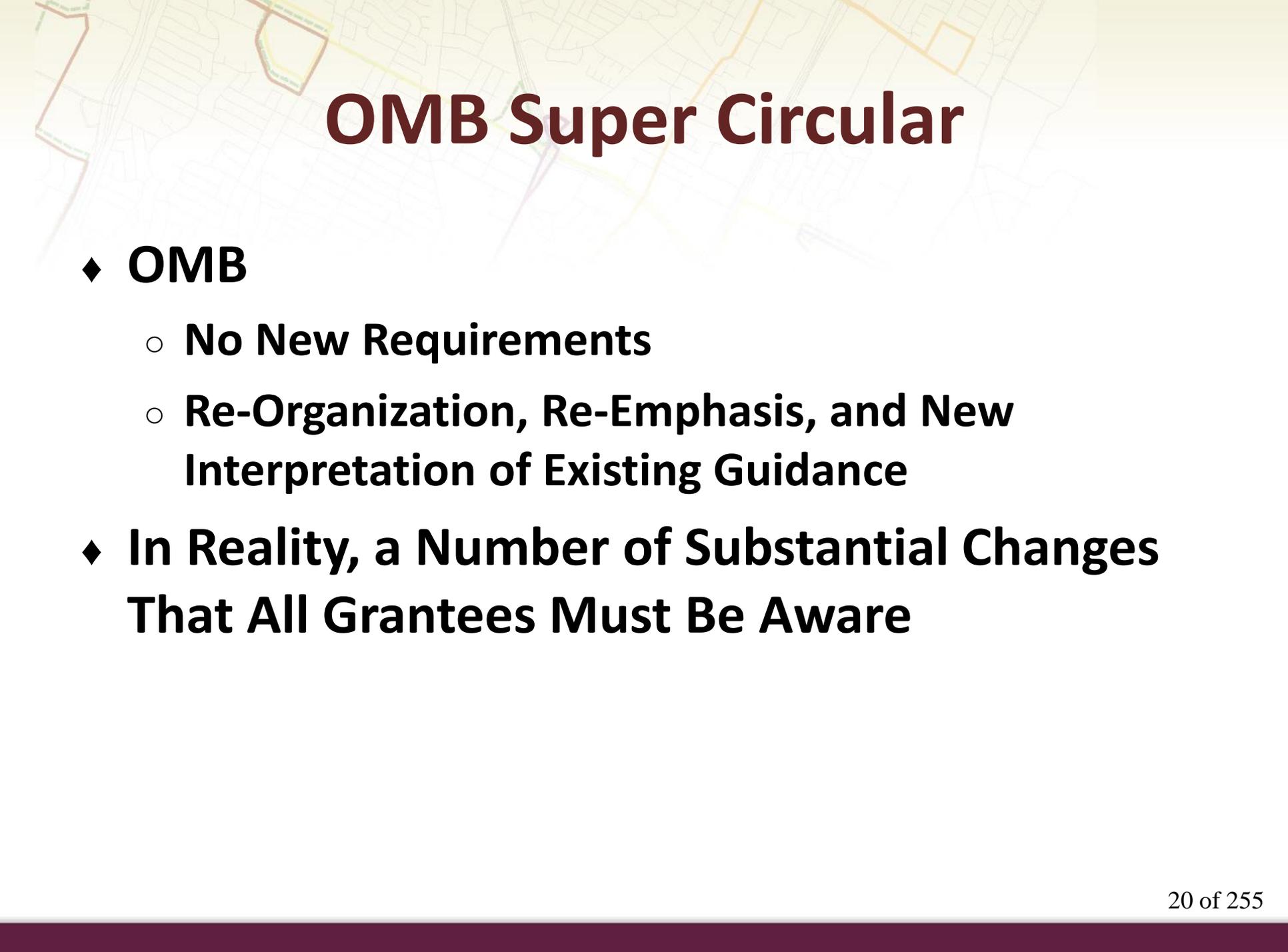
OMB Super Circular

- ◆ **Federal Agencies Had Six Months to Develop Draft Implementing Guidelines**
- ◆ **Most Published Guidance on December 19, 2014**
- ◆ **USDOT Guidance**
 - **49 CFR § 18/ § 19 Cancelled**
 - **Now Codified at 2 CFR § 1201**
 - **About One Page**
 - **Some Emphasis on Modal Administrations**

A faded map of a residential area with various colored overlays: a red outline on the left, a yellow outline in the upper center, a purple outline in the center, and an orange outline on the right. A yellow line runs diagonally across the map.

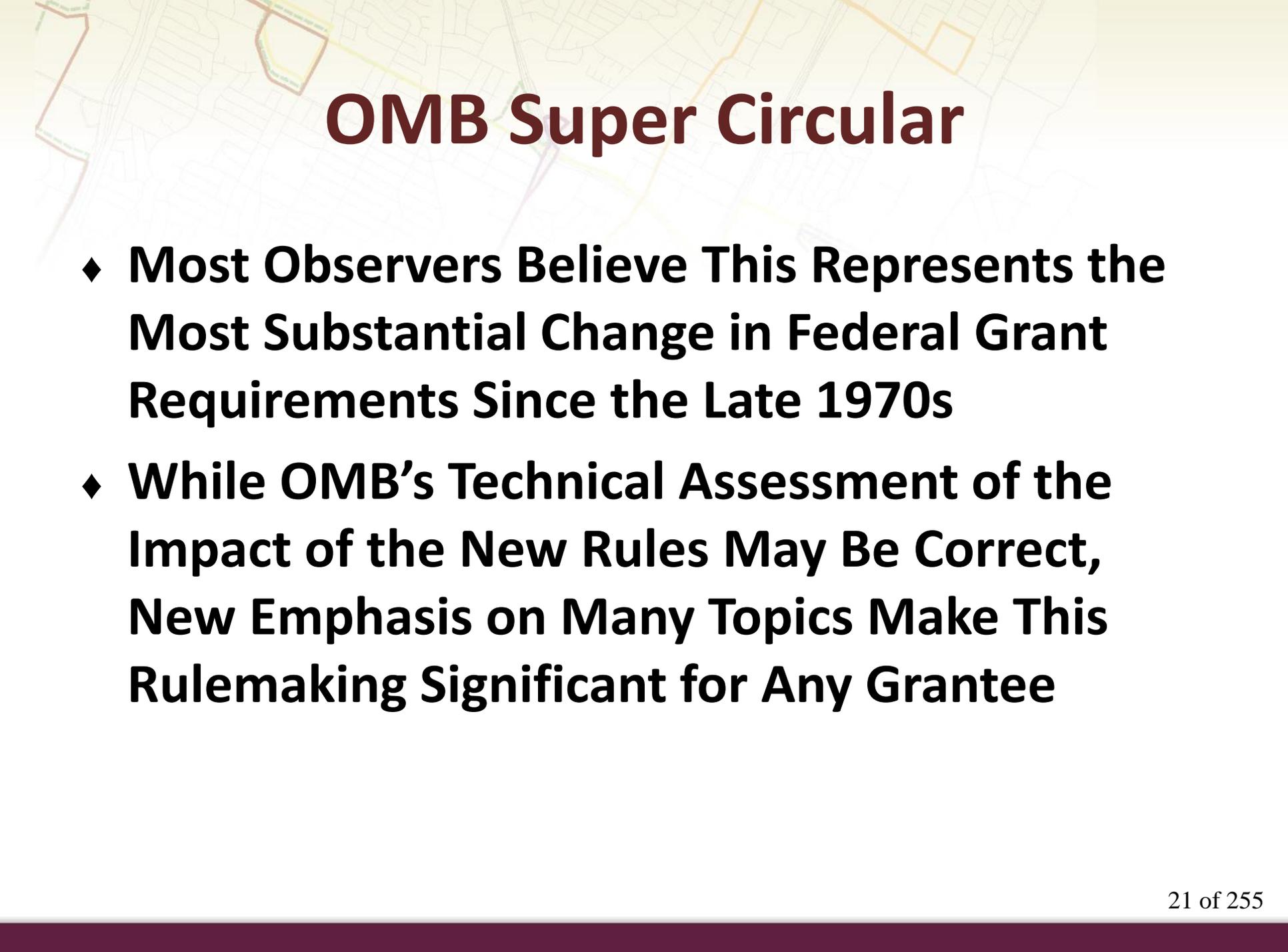
Module 2

2 CFR § 200 OVERVIEW



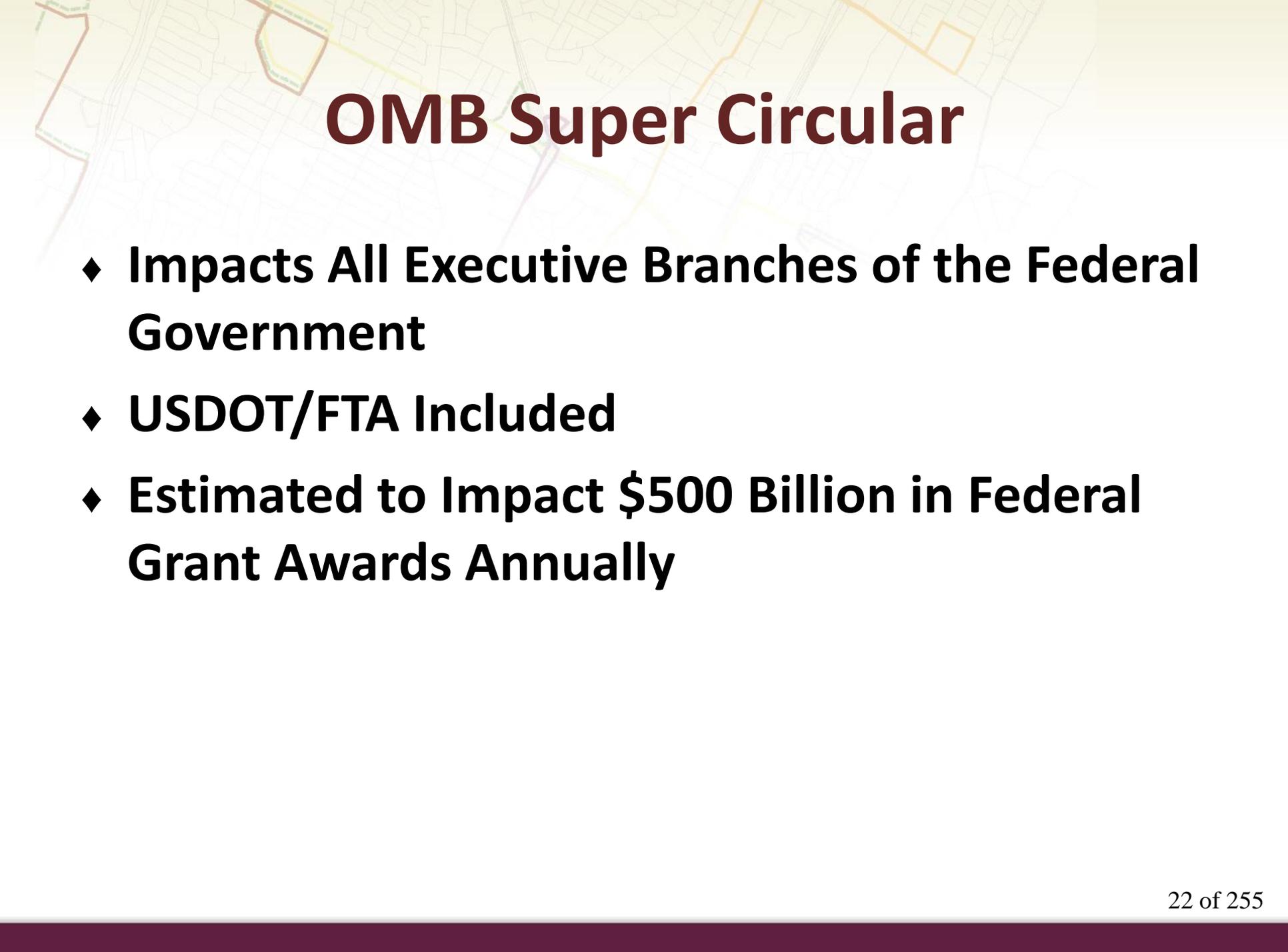
OMB Super Circular

- ◆ **OMB**
 - **No New Requirements**
 - **Re-Organization, Re-Emphasis, and New Interpretation of Existing Guidance**
- ◆ **In Reality, a Number of Substantial Changes That All Grantees Must Be Aware**



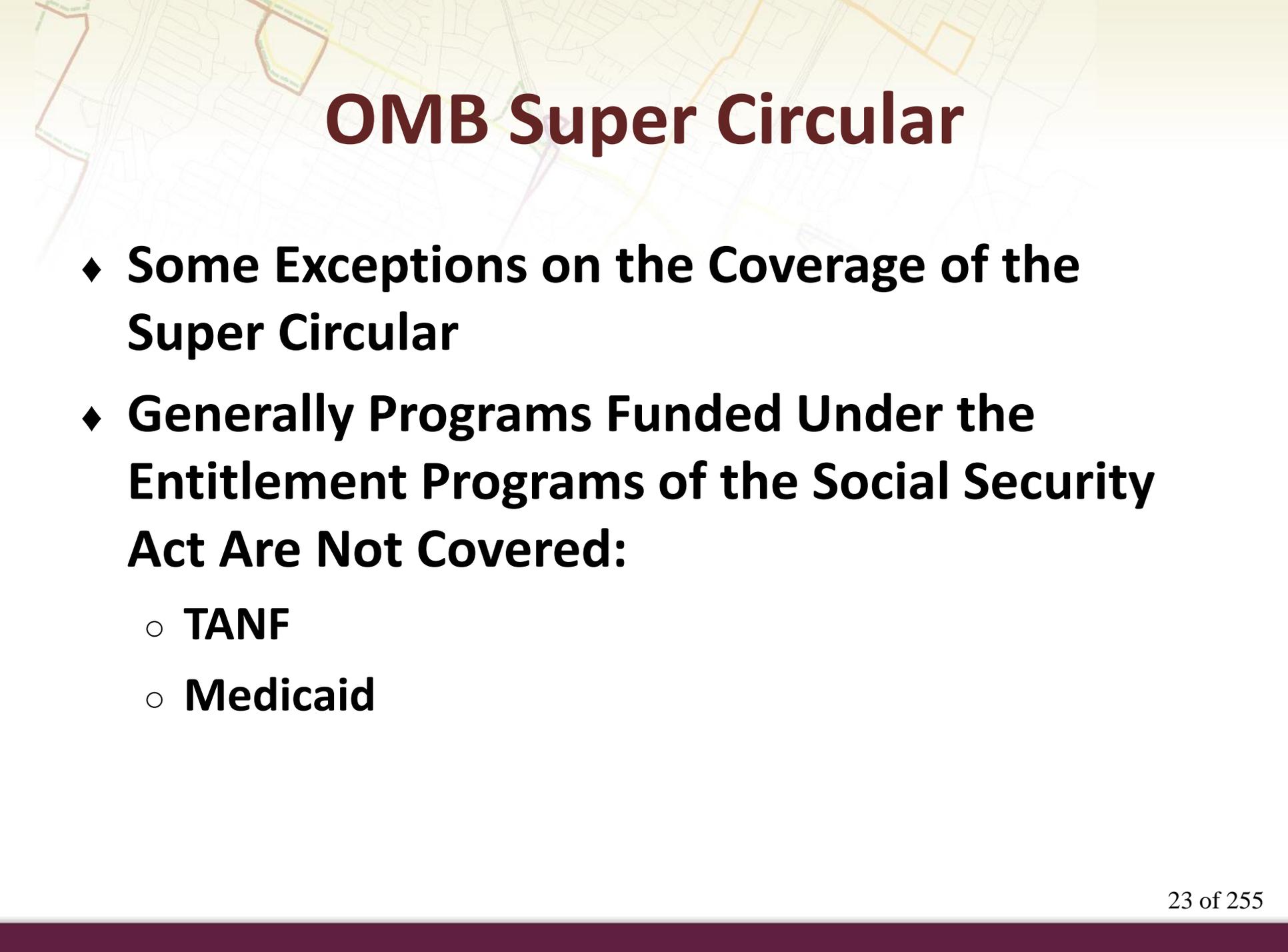
OMB Super Circular

- ◆ **Most Observers Believe This Represents the Most Substantial Change in Federal Grant Requirements Since the Late 1970s**
- ◆ **While OMB's Technical Assessment of the Impact of the New Rules May Be Correct, New Emphasis on Many Topics Make This Rulemaking Significant for Any Grantee**



OMB Super Circular

- ◆ **Impacts All Executive Branches of the Federal Government**
- ◆ **USDOT/FTA Included**
- ◆ **Estimated to Impact \$500 Billion in Federal Grant Awards Annually**



OMB Super Circular

- ◆ **Some Exceptions on the Coverage of the Super Circular**
- ◆ **Generally Programs Funded Under the Entitlement Programs of the Social Security Act Are Not Covered:**
 - **TANF**
 - **Medicaid**



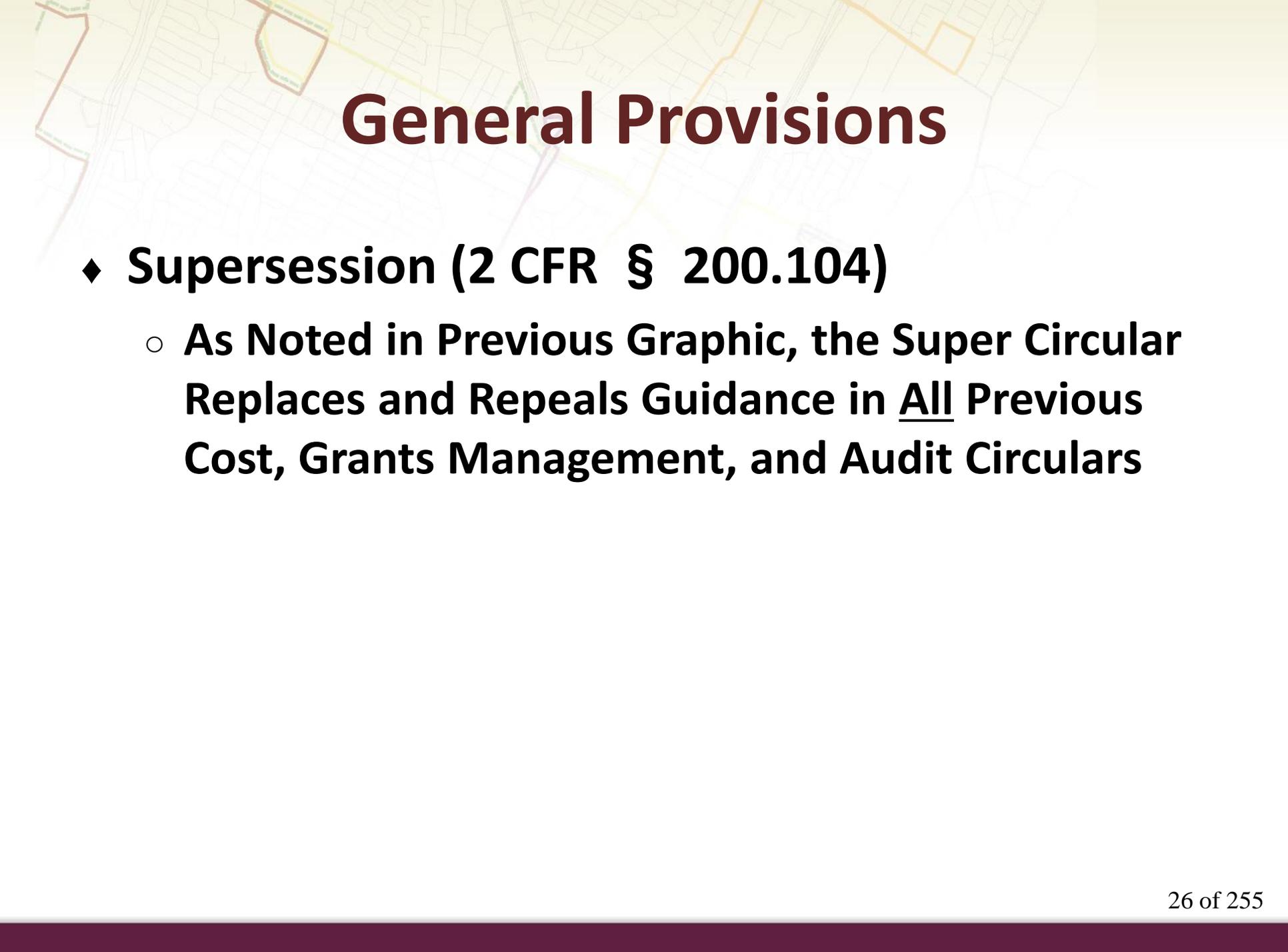
General Provisions

- ◆ **Clarification of “Flow-Down” Requirements**
 - **Recipients**
 - **Subrecipients**
 - **Lower Tier Subrecipients**
- ◆ **Requirements Apply to Lower Tier “Pass-Through” Subrecipients and Lower Tier Subrecipients**
- ◆ **New Guidance Distinguishes Between Contractor vs. Subrecipient**



General Provisions

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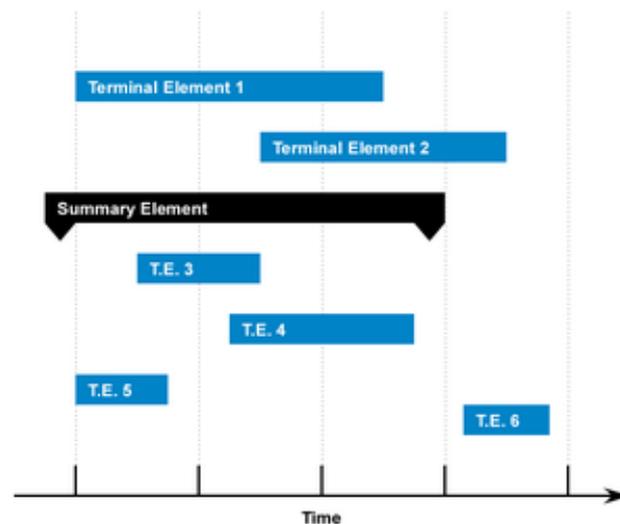


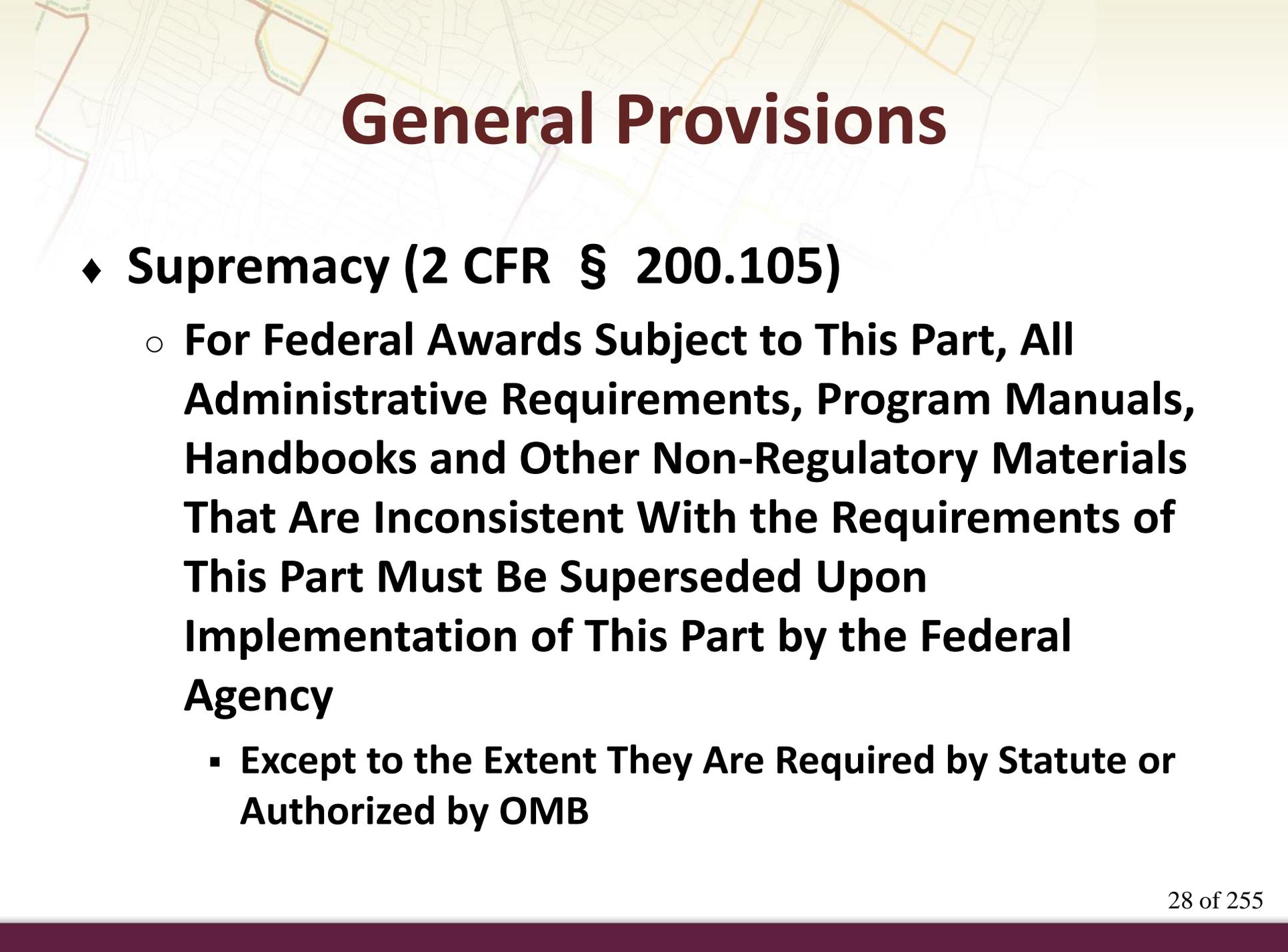
General Provisions

- ◆ **Supersession (2 CFR § 200.104)**
 - **As Noted in Previous Graphic, the Super Circular Replaces and Repeals Guidance in All Previous Cost, Grants Management, and Audit Circulars**

General Provisions

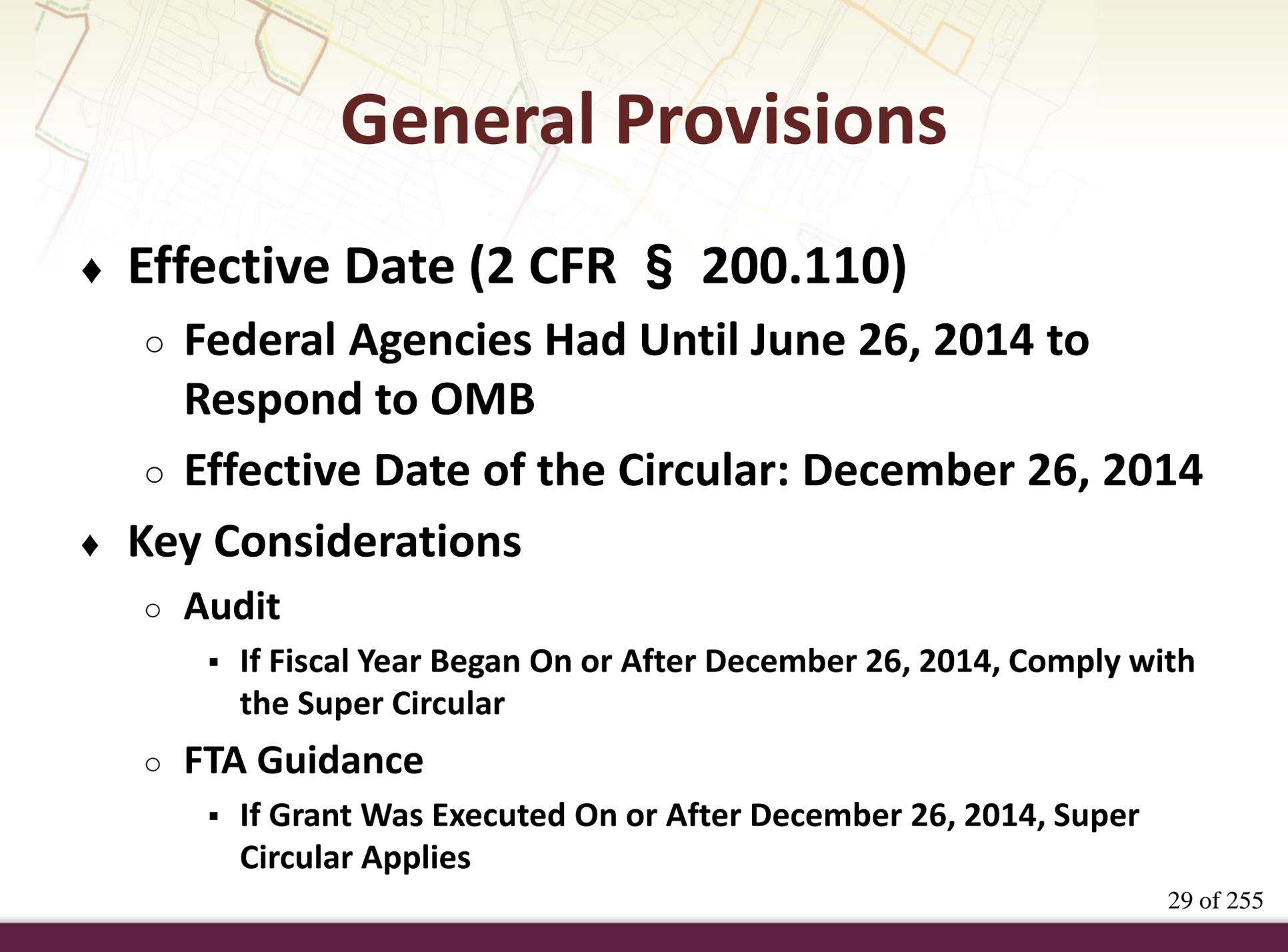
- ◆ Establishes Implementation Milestones
- ◆ More Transparency Through Public Notice of All Awards





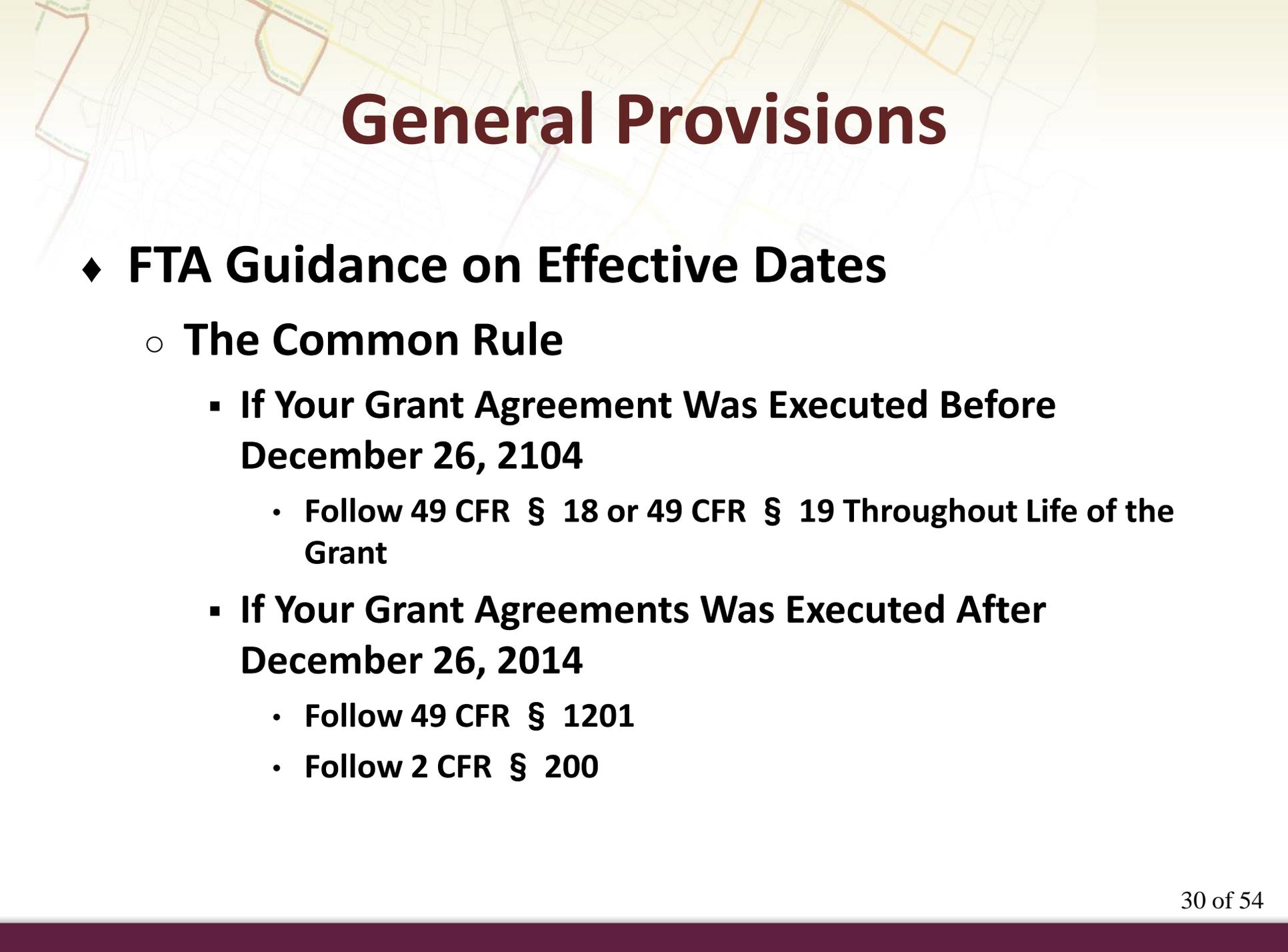
General Provisions

- ◆ **Supremacy (2 CFR § 200.105)**
 - **For Federal Awards Subject to This Part, All Administrative Requirements, Program Manuals, Handbooks and Other Non-Regulatory Materials That Are Inconsistent With the Requirements of This Part Must Be Superseded Upon Implementation of This Part by the Federal Agency**
 - **Except to the Extent They Are Required by Statute or Authorized by OMB**



General Provisions

- ◆ **Effective Date (2 CFR § 200.110)**
 - **Federal Agencies Had Until June 26, 2014 to Respond to OMB**
 - **Effective Date of the Circular: December 26, 2014**
- ◆ **Key Considerations**
 - **Audit**
 - **If Fiscal Year Began On or After December 26, 2014, Comply with the Super Circular**
 - **FTA Guidance**
 - **If Grant Was Executed On or After December 26, 2014, Super Circular Applies**



General Provisions

◆ FTA Guidance on Effective Dates

○ The Common Rule

- **If Your Grant Agreement Was Executed Before December 26, 2014**
 - Follow 49 CFR § 18 or 49 CFR § 19 Throughout Life of the Grant
- **If Your Grant Agreements Was Executed After December 26, 2014**
 - Follow 49 CFR § 1201
 - Follow 2 CFR § 200

Super Circular Organization

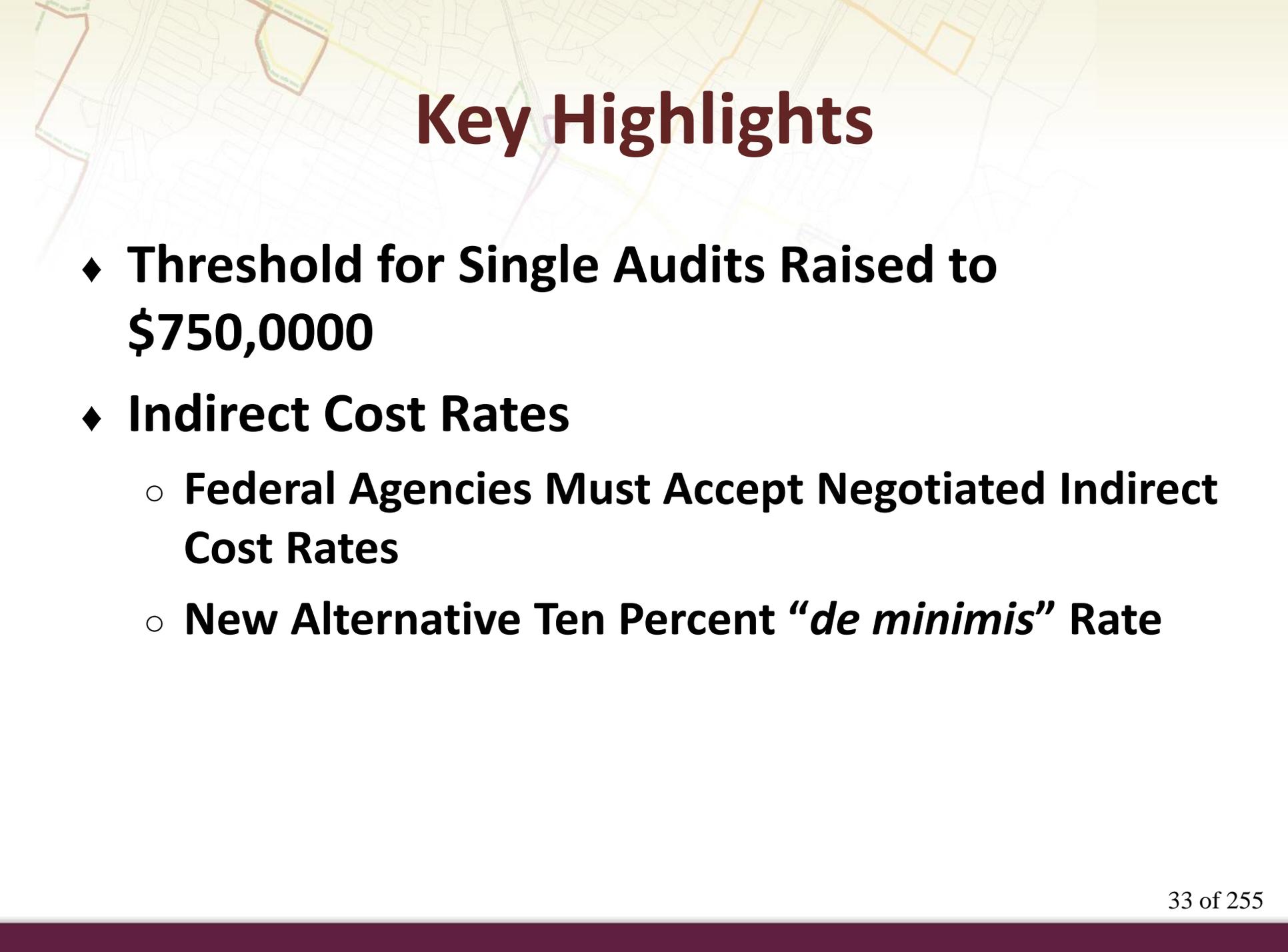
◆ Organization

- **Sub § A – Acronyms and Definitions (200.01 – 200.99)**
- **Sub § B – General Provisions (200.100 – 200.113)**
- **Sub § C – Pre-Federal Award Requirements and Contents of Federal Awards (200.200 – 200.211)**

Super Circular Organization

◆ Organization

- **Sub § D – Post Federal Award Requirements (200.300 – 200.345)**
- **Sub § E – Cost Principles (200.400 – 200.475)**
- **Sub § F – Audit Requirements (200.500 – 200.521)**
- **Eleven Appendices**



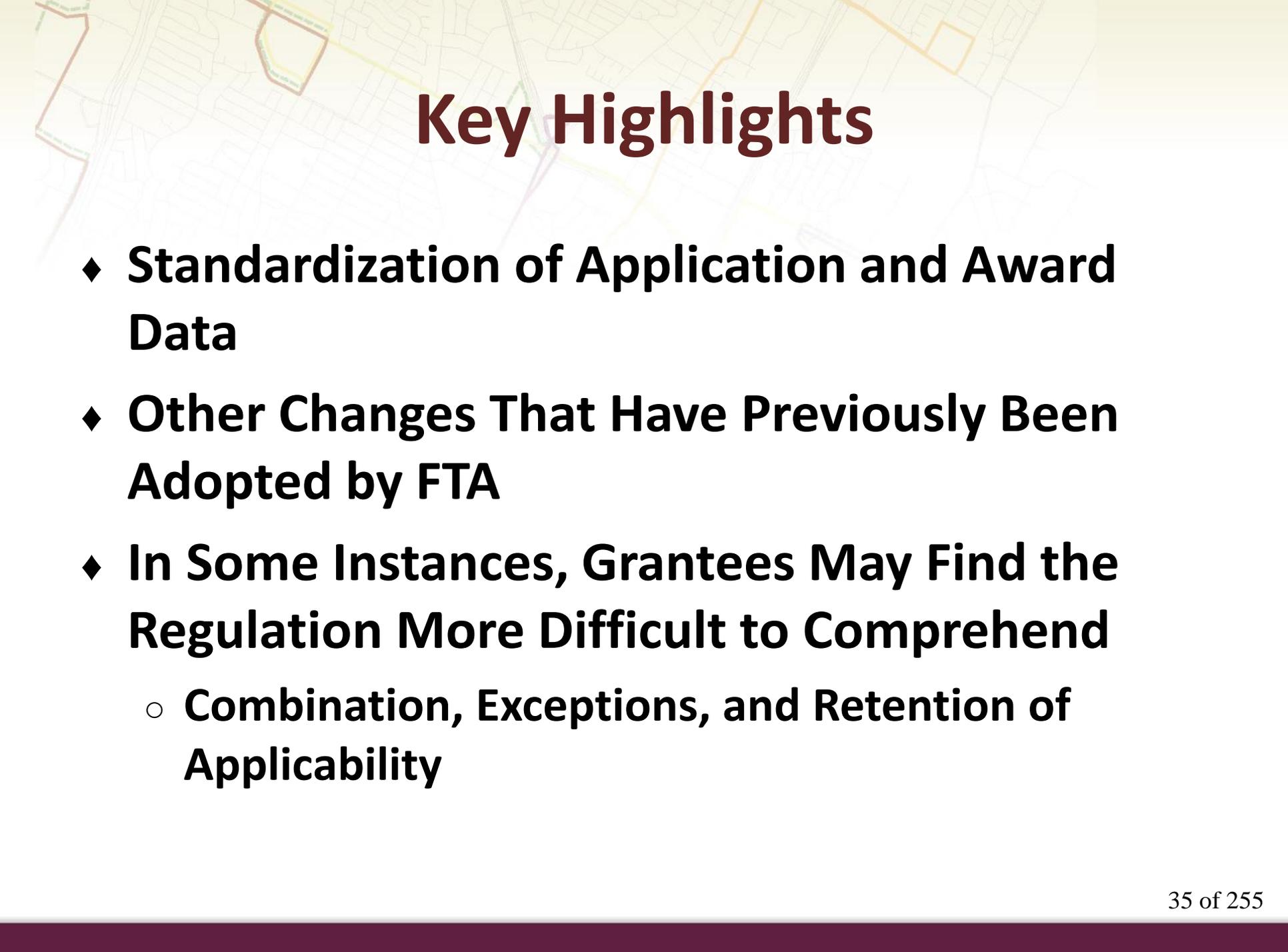
Key Highlights

- ◆ **Threshold for Single Audits Raised to \$750,000**
- ◆ **Indirect Cost Rates**
 - **Federal Agencies Must Accept Negotiated Indirect Cost Rates**
 - **New Alternative Ten Percent “*de minimis*” Rate**



Key Highlights

- ◆ **Internal Controls Burden Shifted From Audit to Grants Management Function**
- ◆ **Changes to Personnel Documentation**
- ◆ **New Standards for Conflict of Interest (COI)**
- ◆ **Emphasis on Performance Rather Than Compliance**



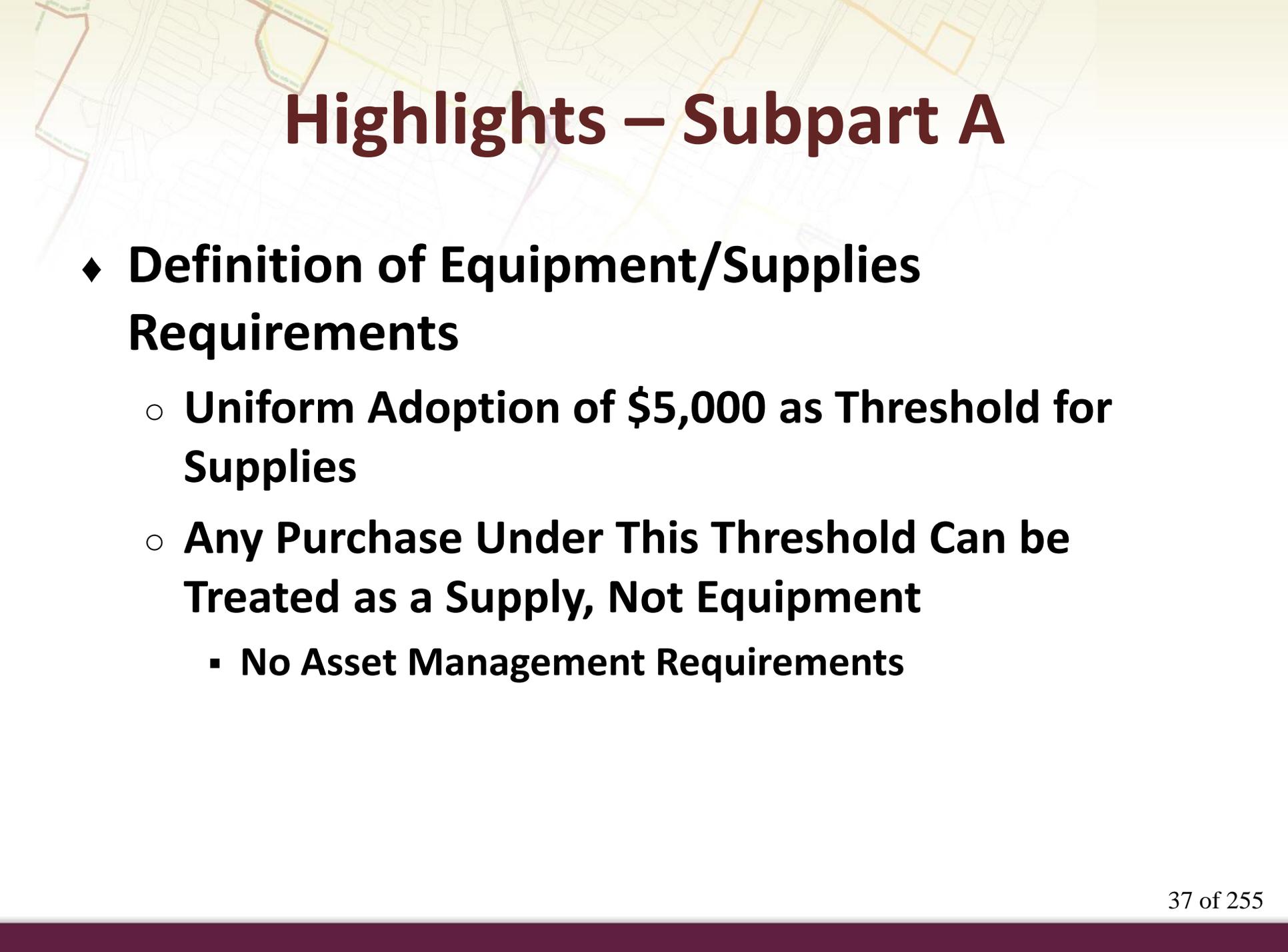
Key Highlights

- ◆ **Standardization of Application and Award Data**
- ◆ **Other Changes That Have Previously Been Adopted by FTA**
- ◆ **In Some Instances, Grantees May Find the Regulation More Difficult to Comprehend**
 - **Combination, Exceptions, and Retention of Applicability**



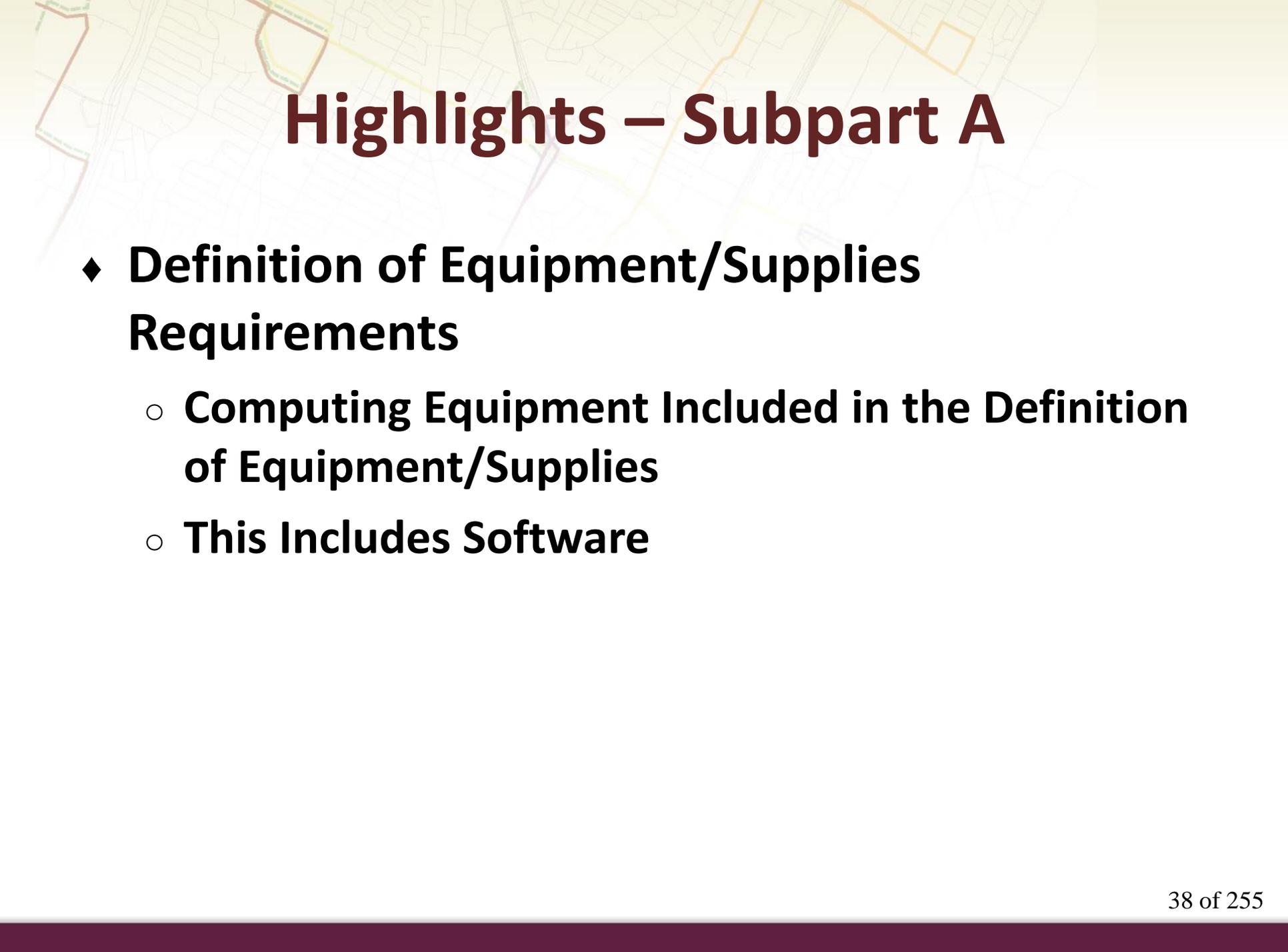
Highlights – Subpart A

- ◆ **Common Definitions to Be Employed Across All Federal Grants**
 - **Will Be Useful to Multi-Purpose Agencies and Entities That Receive Multiple Federal Awards to Support the Transit Program**



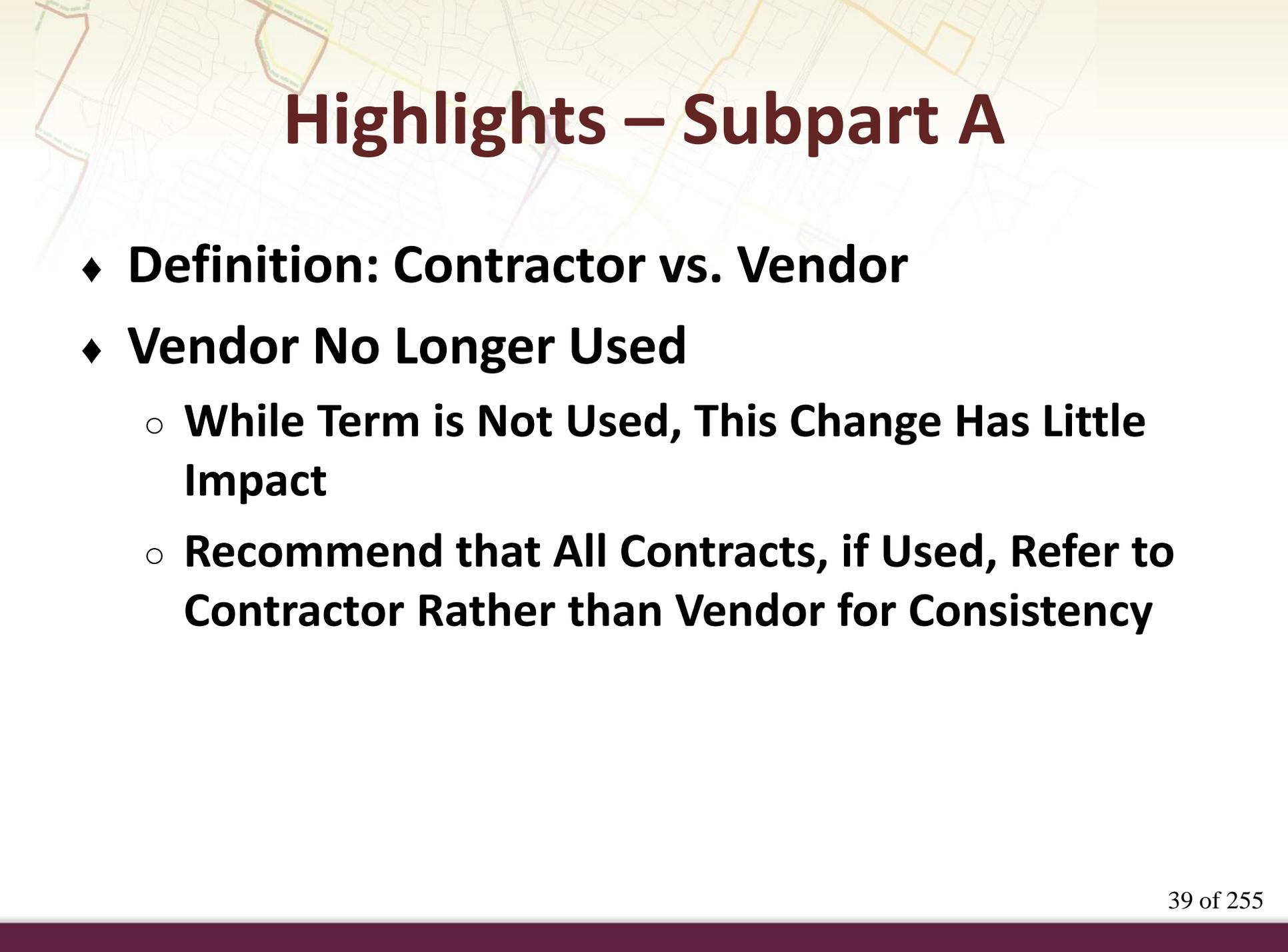
Highlights – Subpart A

- ◆ **Definition of Equipment/Supplies Requirements**
 - **Uniform Adoption of \$5,000 as Threshold for Supplies**
 - **Any Purchase Under This Threshold Can be Treated as a Supply, Not Equipment**
 - **No Asset Management Requirements**

A background map showing a street grid with several areas highlighted in different colors: red, green, and orange. The title 'Highlights – Subpart A' is centered over the map.

Highlights – Subpart A

- ◆ **Definition of Equipment/Supplies Requirements**
 - **Computing Equipment Included in the Definition of Equipment/Supplies**
 - **This Includes Software**



Highlights – Subpart A

- ◆ **Definition: Contractor vs. Vendor**
- ◆ **Vendor No Longer Used**
 - **While Term is Not Used, This Change Has Little Impact**
 - **Recommend that All Contracts, if Used, Refer to Contractor Rather than Vendor for Consistency**



Highlights – Subpart A

- ◆ **Indian Tribal Governments Now Defined Separately From State Governments**



Highlights – Subpart B

- ◆ **Clarification of “Flow-Down” Requirements**
 - **Recipients**
 - **Subrecipients**
 - **Lower Tier Subrecipients**
- ◆ **Requirements Apply to Lower Tier “Pass-Through” Subrecipients and Lower Tier Subrecipients**
- ◆ **New Guidance Distinguishes Between Contractor vs. Subrecipient**



Highlights – Subpart B

- ◆ **Establishes Implementation Milestones**
- ◆ **More Transparency Through Public Notice of All Awards**



Highlights – Subpart C

- ◆ **New Requirements for Federal Agency to Make Risk Assessment in Federal Awards**
 - **Financial Stability**
 - **Quality of Management Systems**
 - **History of Performance**
 - **Single Audit Results**
 - **Ability to Effectively Implement Statutory, Regulatory Requirements**



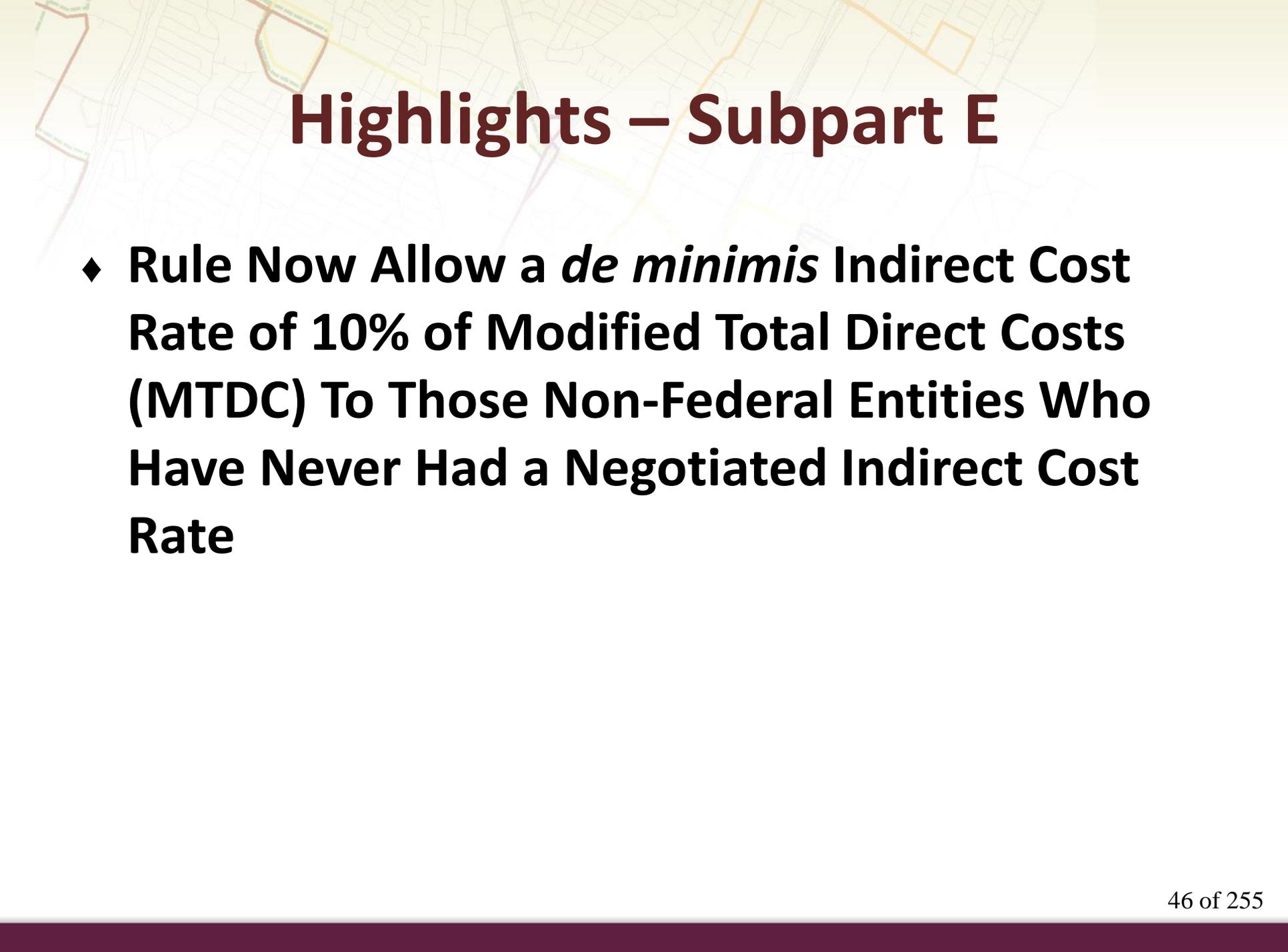
Highlights – Subpart D

- ◆ **Establish and Maintain Effective Internal Control Over the Federal Award That Provides Reasonable Assurance That the Non-Federal Entity Is Managing the Federal Award In Compliance With Federal Statutes, Regulations, and the Terms and Conditions of the Federal Award**



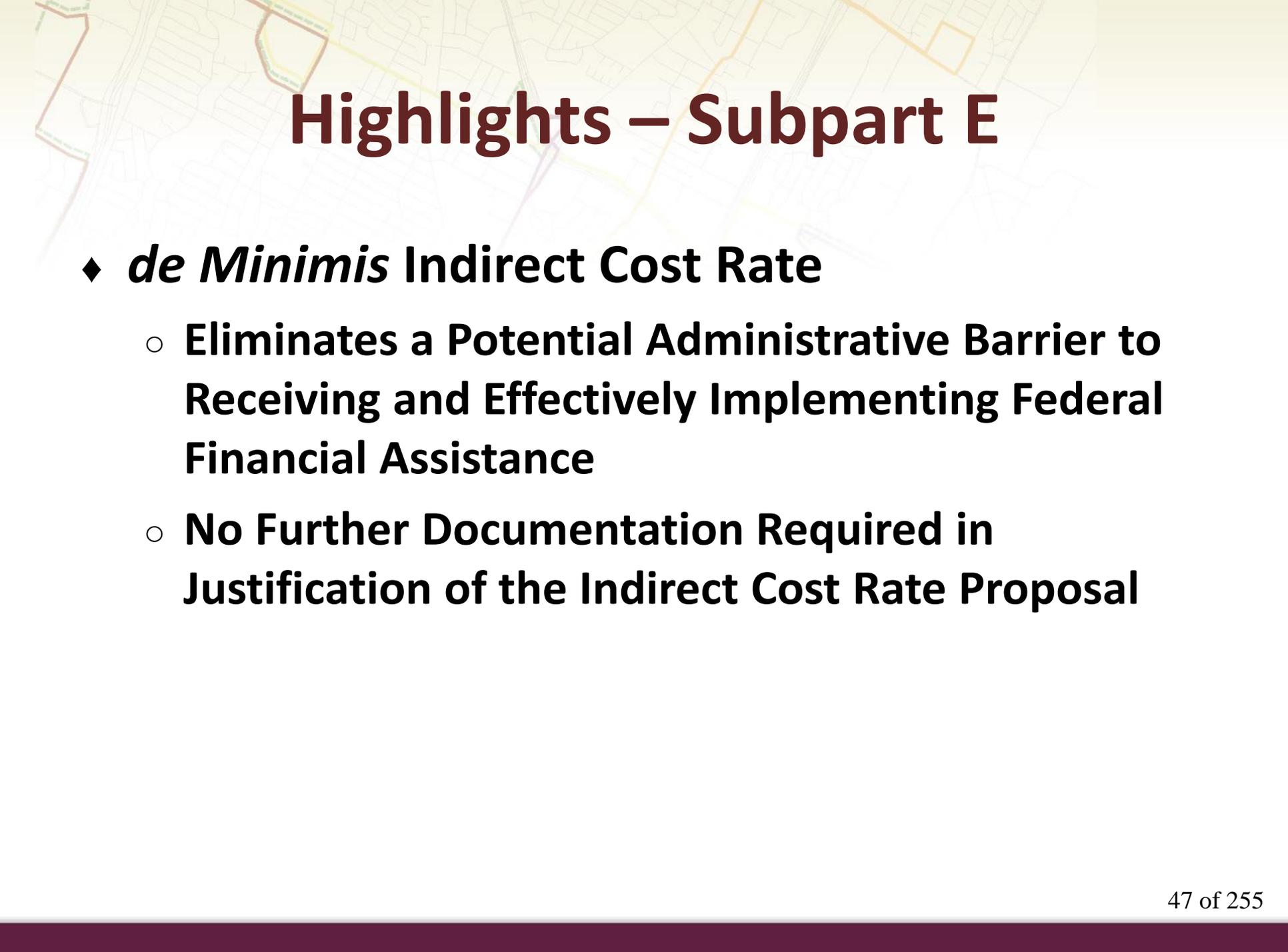
Highlights – Subpart E

- ◆ **Acceptance of Negotiated Indirect Cost Rates**
 - **When an Non-Federal Entity Has a Negotiated Rate With a Federal Entity, This Rate Must be Accepted by Other Federal Entities**
- ◆ **Rates May Cover a Multi-Year Period (*e.g.*, Four Years)**



Highlights – Subpart E

- ◆ **Rule Now Allow a *de minimis* Indirect Cost Rate of 10% of Modified Total Direct Costs (MTDC) To Those Non-Federal Entities Who Have Never Had a Negotiated Indirect Cost Rate**



Highlights – Subpart E

◆ *de Minimis* Indirect Cost Rate

- Eliminates a Potential Administrative Barrier to Receiving and Effectively Implementing Federal Financial Assistance
- No Further Documentation Required in Justification of the Indirect Cost Rate Proposal



Highlights – Subpart F

- ◆ **Single Audit Threshold**
 - **Now \$750,000**
 - **Effective for Grant Agreements Executed Between FTA and Primary Recipient After December 14, 2014**



Module 3

COST ALLOWABILITY PRINCIPLES



Allowability – Goals

- ◆ **Fundamental Element in Any Transit System's Financial Management Practices**
 - **Improve Accounting Efficiency**
 - **Reduce Delays in the Processing of Claims**
 - **Reduce Audit Exceptions**
 - **Eliminate Instances Where the Project Must Pay Back the Federal Government Previously Reimbursed Amounts**
 - **Reduce Federal and State Scrutiny**

Allowability – Basic Standards

- ◆ **Allowability Standards (2 CFR § 200.403)**
 - **Necessary and Reasonable/Allocable**
 - **Conform to Any Limitations or Exclusions Set Forth in the Federal Cost Principles, Federal Laws, Terms and Conditions of the Federal Award**
 - **Be Consistent With Policies and Procedures That Apply Uniformly to Both Federal Awards and Other Activities of the Non-Federal Entity**

Allowability – Basic Standards

- ◆ **Allowability Standards (2 CFR § 200.403)**
 - **Be Accorded Consistent Treatment**
 - **Be Determined in Accordance With Generally Accepted Accounting Principles (GAAP)**
 - **Not Be Included As a Cost or Used to Meet Cost Sharing or Matching Requirements of Any Other Federal Award**
 - **Must be Adequately Documented**

Allowability – Basic Standards

- ◆ **Allowability Standards (2 CFR § 200.403)**
 - **Necessary and Reasonable**
 - **Reasonable**
 - **A Cost, in Its Nature and Amount, Does Not Exceed That Which Would Be Incurred by a Prudent Person Under the Circumstances**
 - **Considerations**
 - » **Generally Recognized as Ordinary Expense**
 - » **Sound Business Practice**
 - » **Consistent with Market Prices**
 - » **Use of Standard Procurement Practices**

Allowability – Basic Standards

- ◆ **Allowability Standards (2 CFR § 200.403)**
 - **Necessary and Reasonable**
 - **Necessary**
 - **The Cost Claimed for a Good or Item Is Directly Related to the Administration, Operation, or Maintenance of a Public Transportation Program**
 - **The Cost Claimed Is Consistent With an Expense Category in a Standardized Transportation Chart of Accounts and Corresponding Account Definitions**
 - **The Type of Cost Is Incurred by Other Grantees**

Allowability – Basic Standards

- ◆ **Allowability Standards (2 CFR § 200.403)**
 - **Allocable**
 - **A Cost Is Allocable to a Particular Cost Objective If the Goods or Services Involved Are Chargeable or Assignable to That Cost Objective According to the Relative Benefits Received**
 - **All Activities Which Benefit From the Governmental Unit's Indirect Costs, Including Unallowable Activities and Services Donated to the Governmental Unit by Third Parties, Will Receive an Appropriate Allocation of Indirect Costs**

Allowability – Basic Standards

- ◆ **Allowability Standards (2 CFR § 200.403)**
 - **Conform to Limitations**
 - **2 CFR § 200.420 through 200.475**
 - **Selected Items of Cost**
 - » **This List Defines What Can, and What Cannot, Be Charged to Federal Grant Awards**
 - **Federal Transit Act**
 - **FTA Program Circulars**
 - **GDOT Limitations**

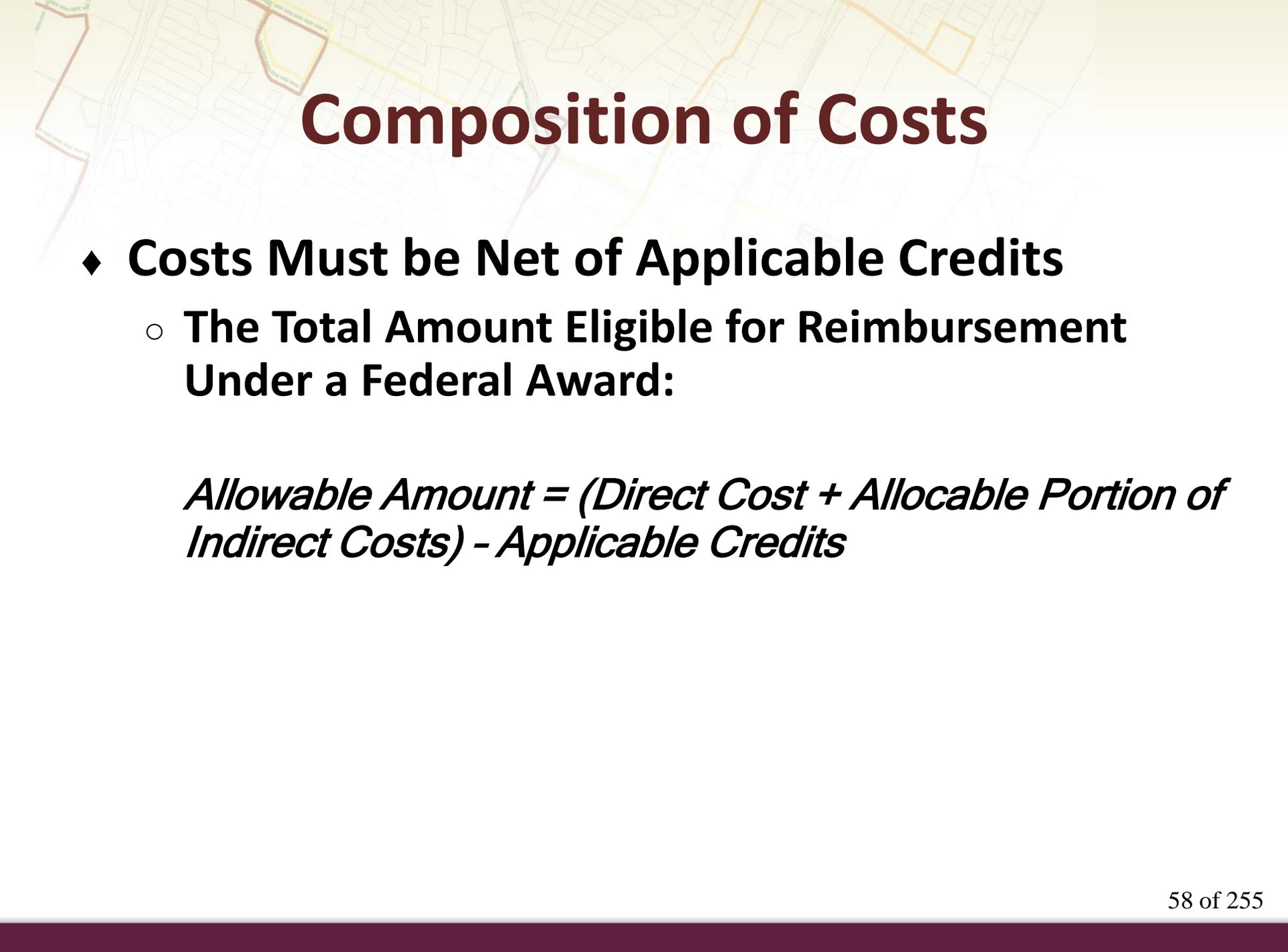
Standards - Detail

OMB – Uniform Guidance

FTA – Rules/Guidance

GDOT

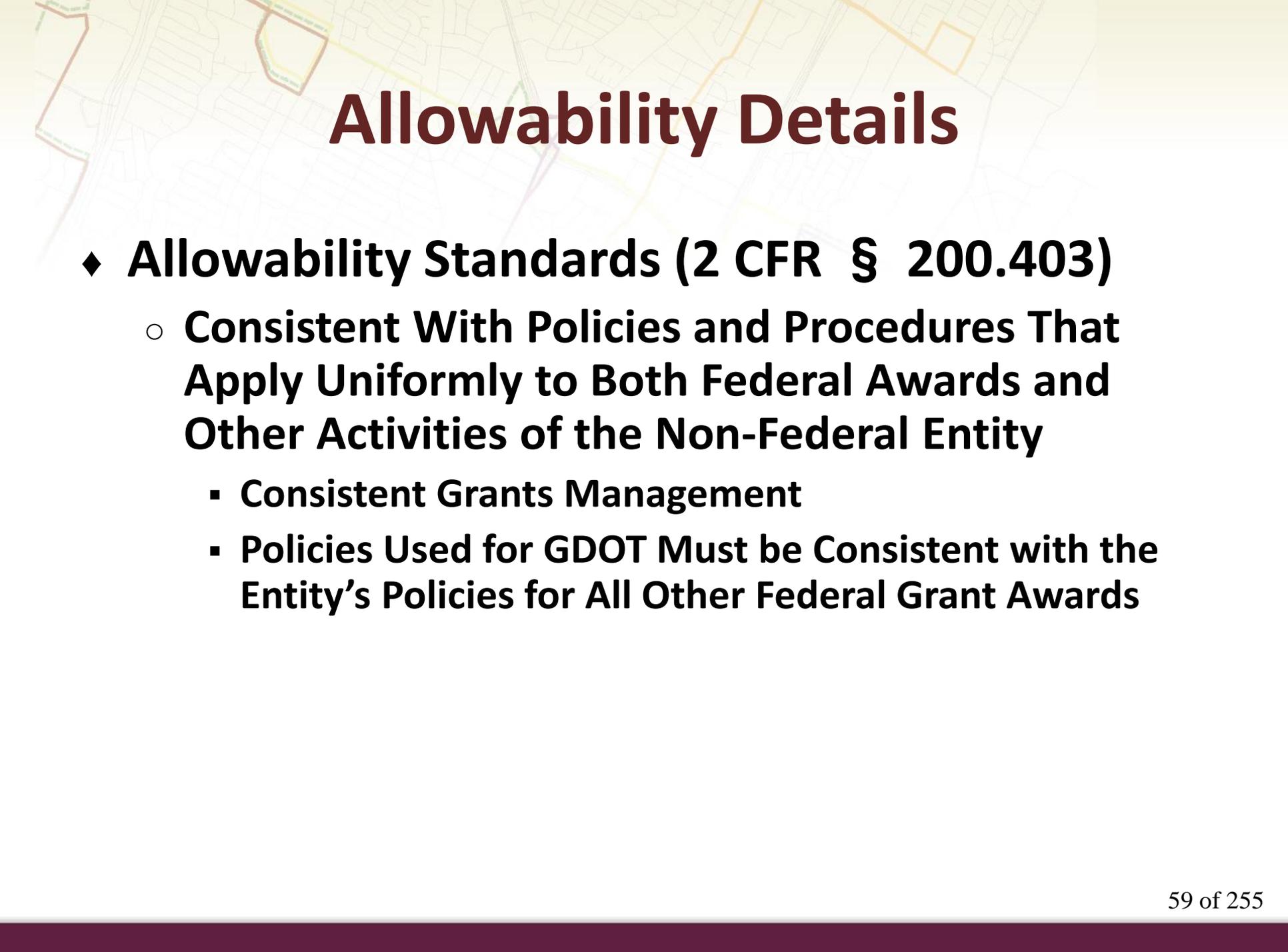
Transit
Agency



Composition of Costs

- ◆ **Costs Must be Net of Applicable Credits**
 - **The Total Amount Eligible for Reimbursement Under a Federal Award:**

Allowable Amount = (Direct Cost + Allocable Portion of Indirect Costs) - Applicable Credits



Allowability Details

- ◆ **Allowability Standards (2 CFR § 200.403)**
 - **Consistent With Policies and Procedures That Apply Uniformly to Both Federal Awards and Other Activities of the Non-Federal Entity**
 - **Consistent Grants Management**
 - **Policies Used for GDOT Must be Consistent with the Entity's Policies for All Other Federal Grant Awards**

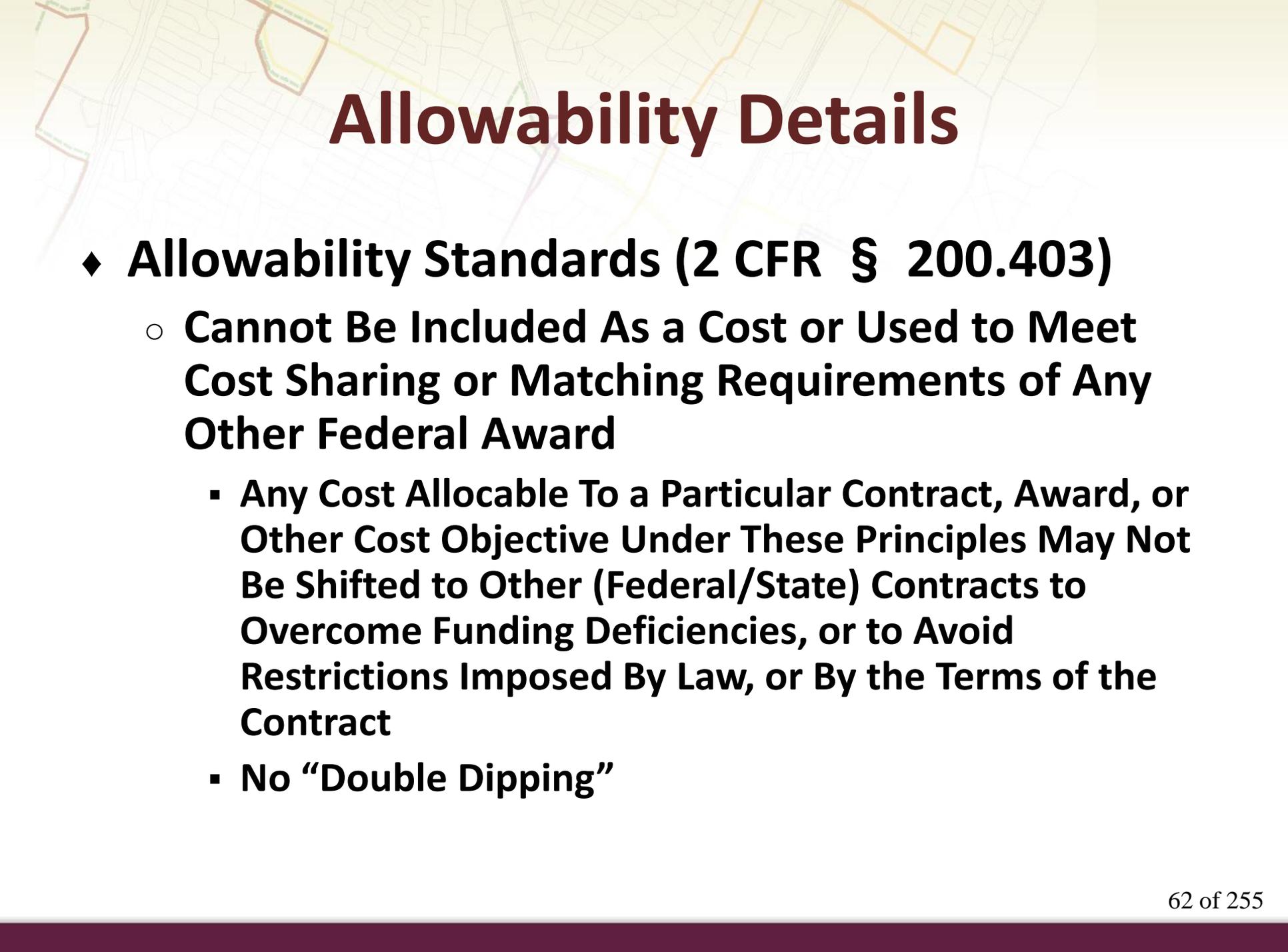


Allowability Details

- ◆ **Allowability Standards (2 CFR § 200.403)**
 - **Consistent Treatment**
 - **The Budgeting, Recording and Reporting of All Costs of a Particular Nature Must Be Done In the Same Manner Regardless of the Source of Funding (*i.e.*, Federal or Non-Federal) Associated With a Project or Activity**

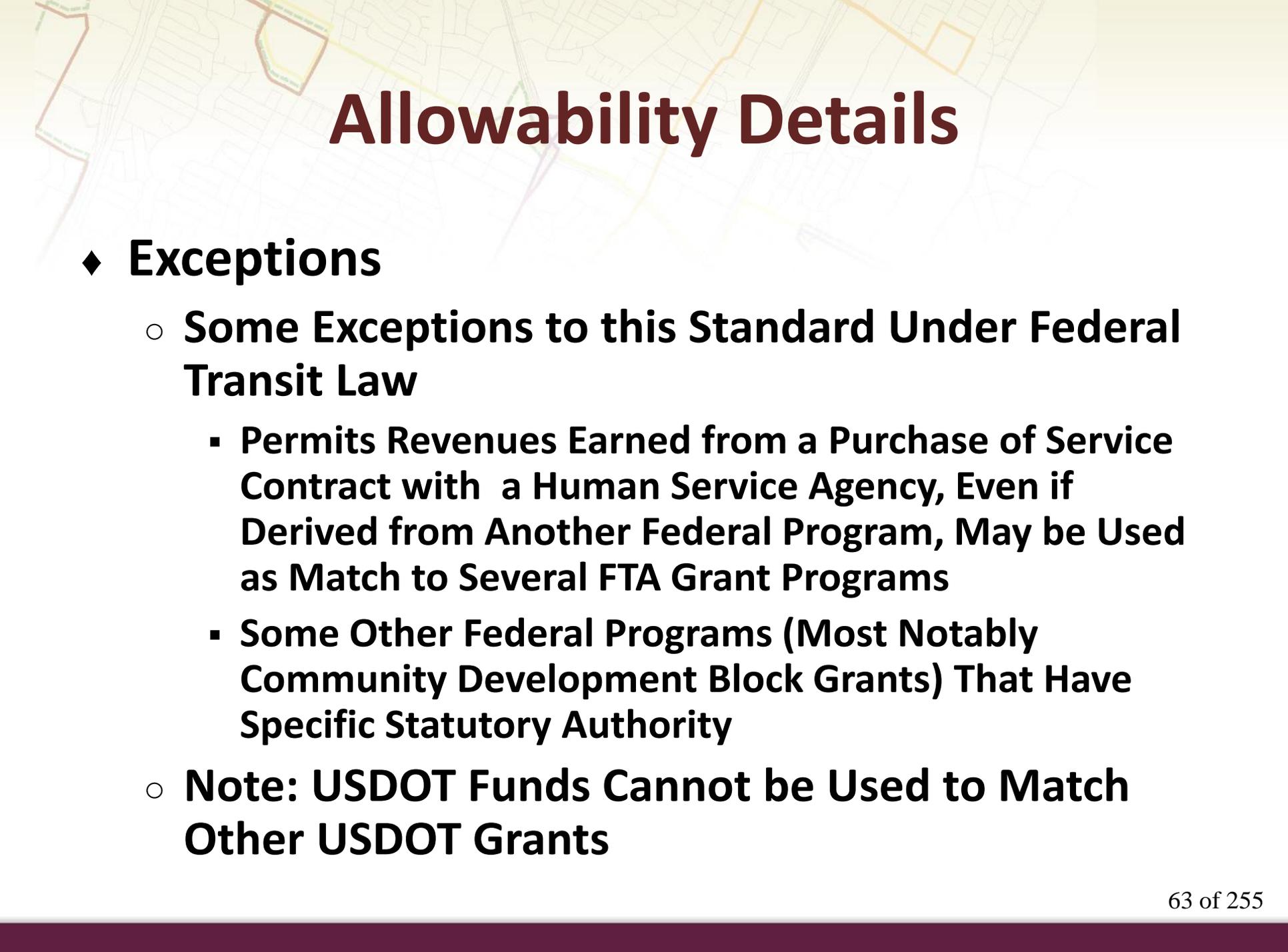
Allowability Details

- ◆ **Allowability Standards (2 CFR § 200.403)**
 - **Determined in Accordance With Generally Accepted Accounting Principles (GAAP)**
 - **These Are Standards and Guidelines Promulgated by the Financial Accounting Standards Board and the Governmental Accounting Standard Board, Depending Upon the Type of Organization Involved**
 - **These Principles Direct How and When They Should Recognize Costs on Accounting Records and Financial Statements**



Allowability Details

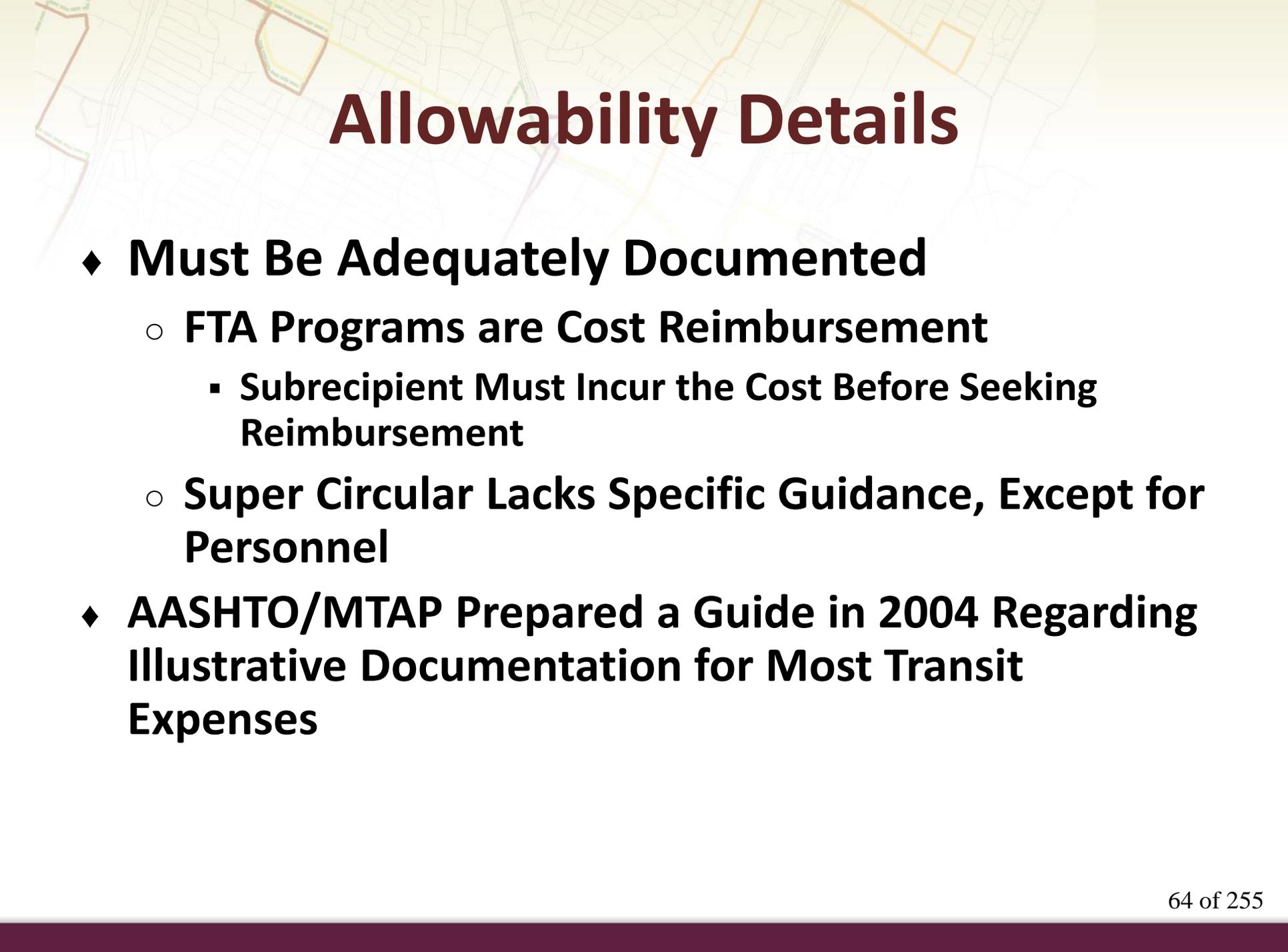
- ◆ **Allowability Standards (2 CFR § 200.403)**
 - **Cannot Be Included As a Cost or Used to Meet Cost Sharing or Matching Requirements of Any Other Federal Award**
 - **Any Cost Allocable To a Particular Contract, Award, or Other Cost Objective Under These Principles May Not Be Shifted to Other (Federal/State) Contracts to Overcome Funding Deficiencies, or to Avoid Restrictions Imposed By Law, or By the Terms of the Contract**
 - **No “Double Dipping”**



Allowability Details

◆ Exceptions

- **Some Exceptions to this Standard Under Federal Transit Law**
 - **Permits Revenues Earned from a Purchase of Service Contract with a Human Service Agency, Even if Derived from Another Federal Program, May be Used as Match to Several FTA Grant Programs**
 - **Some Other Federal Programs (Most Notably Community Development Block Grants) That Have Specific Statutory Authority**
- **Note: USDOT Funds Cannot be Used to Match Other USDOT Grants**



Allowability Details

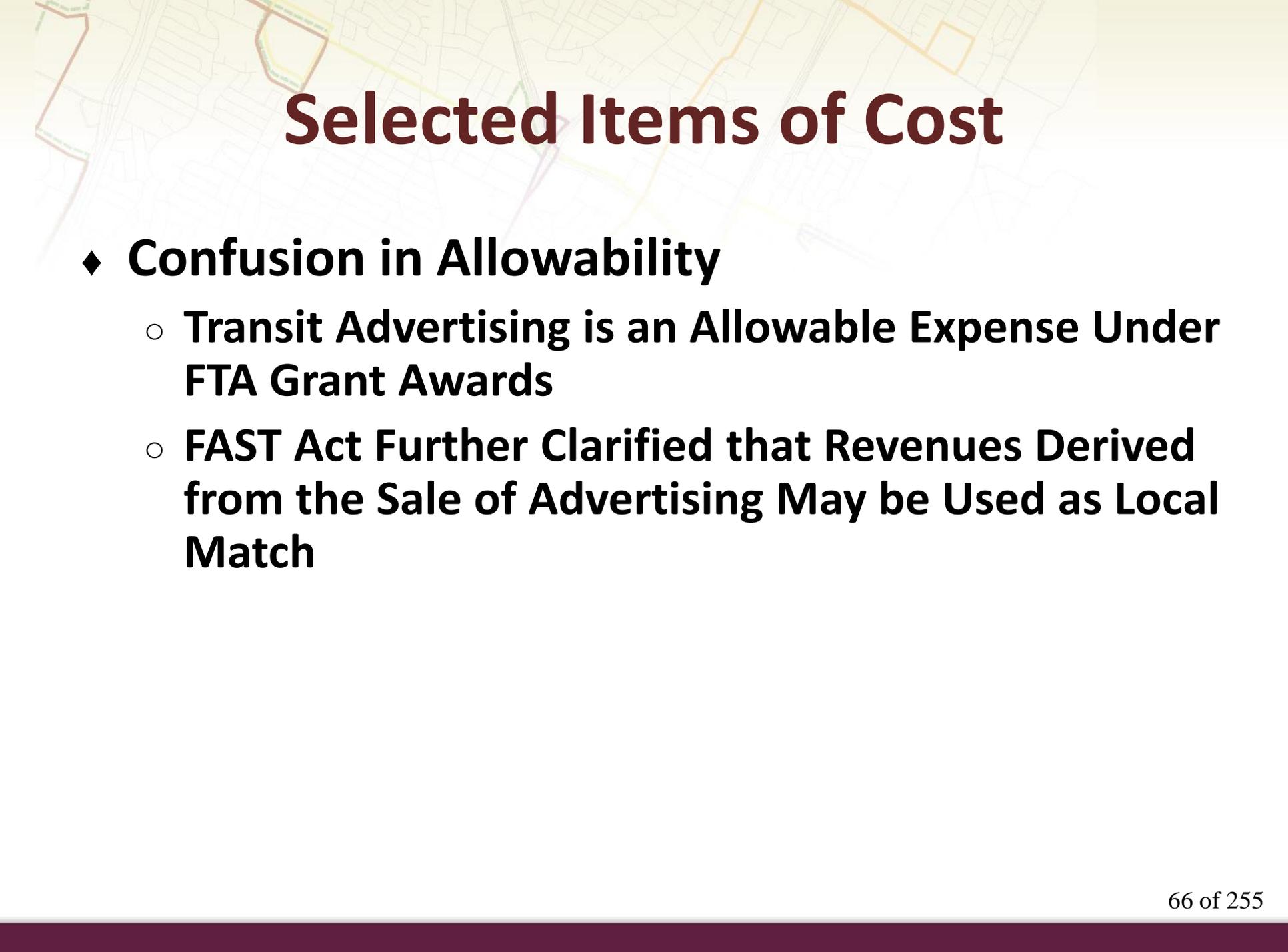
- ◆ **Must Be Adequately Documented**
 - **FTA Programs are Cost Reimbursement**
 - **Subrecipient Must Incur the Cost Before Seeking Reimbursement**
 - **Super Circular Lacks Specific Guidance, Except for Personnel**
- ◆ **AASHTO/MTAP Prepared a Guide in 2004 Regarding Illustrative Documentation for Most Transit Expenses**

Selected Items of Cost

◆ Advertising

○ Confusion in Allowability

- 2 CFR § 200 Generally Disallows Advertising as an Allowable Cost Under Federal Grant Awards (see 2 CFR 200.421)
- Except For:
 - Recruitment of Personnel
 - Procurement Advertisement
 - Equipment Disposal
- Some Transit Agencies (or Their Governmental Unit CFOs), Do Not Claim Advertising in their FTA Grants



Selected Items of Cost

◆ Confusion in Allowability

- Transit Advertising is an Allowable Expense Under FTA Grant Awards**
- FAST Act Further Clarified that Revenues Derived from the Sale of Advertising May be Used as Local Match**

Selected Items of Cost

◆ Advisory Councils

- Unallowable
- Exception – Unless Required by Statute
 - Examples
 - State RTAP Advisory Committee
 - ADA Advisory Committee

Selected Items of Cost

◆ Audit Costs

○ Allowable

- Provided the Audit is Consistent with Single Audit Act Requirements
- Audit Costs Must be Allocable
 - Transit Pays Its Pro-Rata Share
- Pass-through Entities May Charge Federal Awards for the Cost of Agreed-Upon Procedures Engagements to Monitor Subrecipients

○ Unallowable Audit Costs

- Audits Not Required Under Single Audit Act

○ Agencies that Do Not Require Single Audit May Include Audits of Financial Statements in Indirect Cost Pools

Selected Items of Cost

◆ Bad Debt

- **Bad Debts (Debts Which Have Been Determined to be Uncollectable) Arising From Uncollectable Accounts and Other Claims, Are Unallowable**
- **Related Collection Costs, and Related Legal Costs, Arising From Such Debts After They Have Been Determined to be Uncollectable, Are Also Unallowable**
- **Note: Collection of Overpayments (Different Situation) Are Allowable**

Selected Items of Cost

◆ Personnel Compensation

○ Allowable, With Limitations

- Reasonable for the Services Rendered
- Conforms to the Established Written Policy of the Non-Federal Entity
- Consistently Applied to Both Federal and Non-Federal Activities
- The Allowable Compensation for Contractors' Employees Is Subject to a Ceiling in Accordance With Statute

Selected Items of Cost

◆ Personnel Compensation

○ Allowable, With Limitations

▪ Incentive Compensation

- **Consistent with Provision That Overall Compensation Is Determined To Be Reasonable and Such Costs are Paid or Accrued Pursuant to an Agreement Entered Into in Good Faith Between the Non-Federal Entity and the Employees Before the Services Were Rendered**

Selected Items of Cost

◆ Personnel Compensation

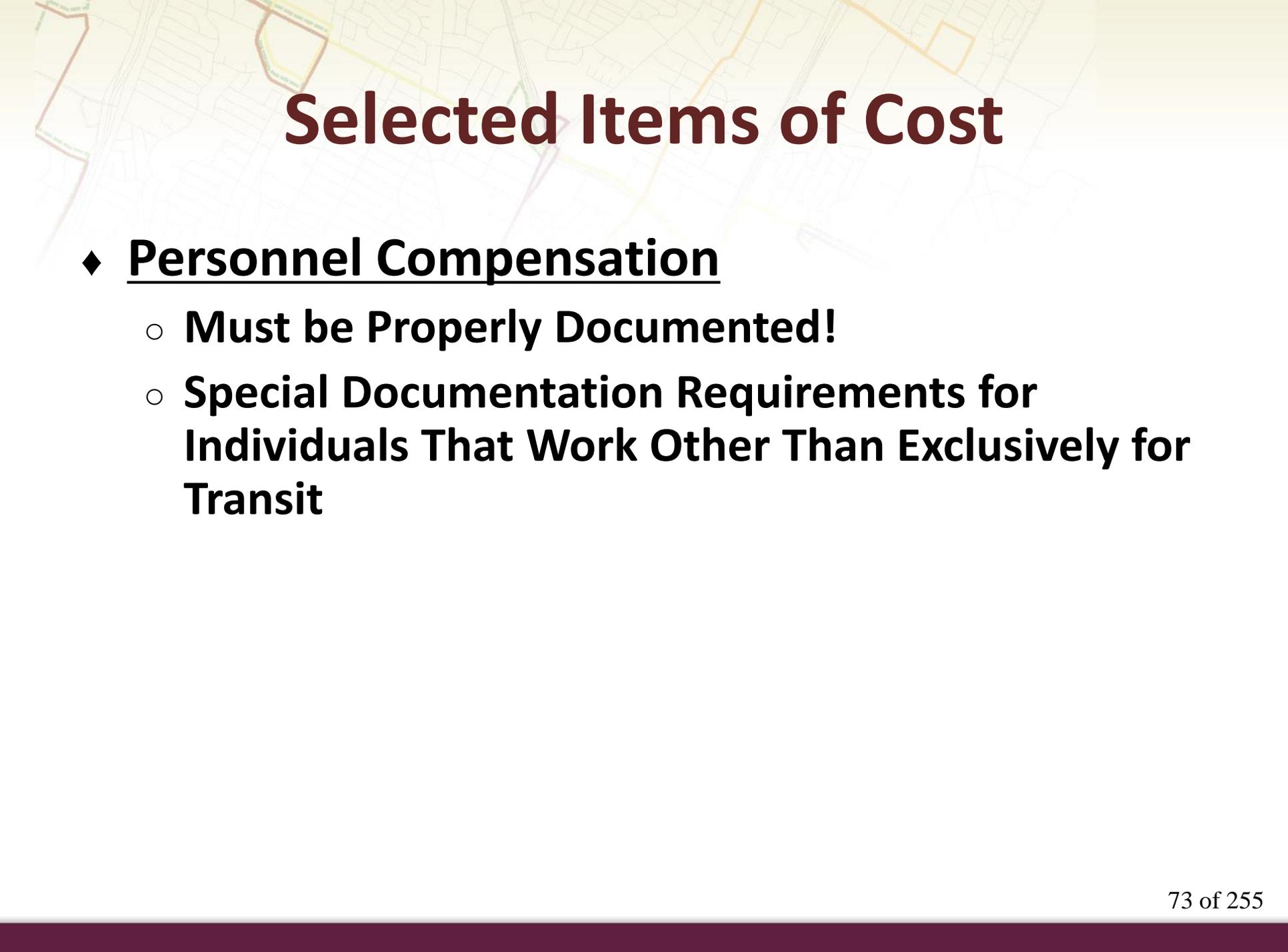
○ Allowable, With Limitations

▪ Special Provisions for Nonprofits

- Unlike Public Entities (Where the General Costs of Government are Unallowable), the Following May be Allowable:

» Compensation for the Organization's Trustees, Directors, etc. is Allowable to the Extent That:

- Compensation is Reasonable for the Actual Personal Services Rendered



Selected Items of Cost

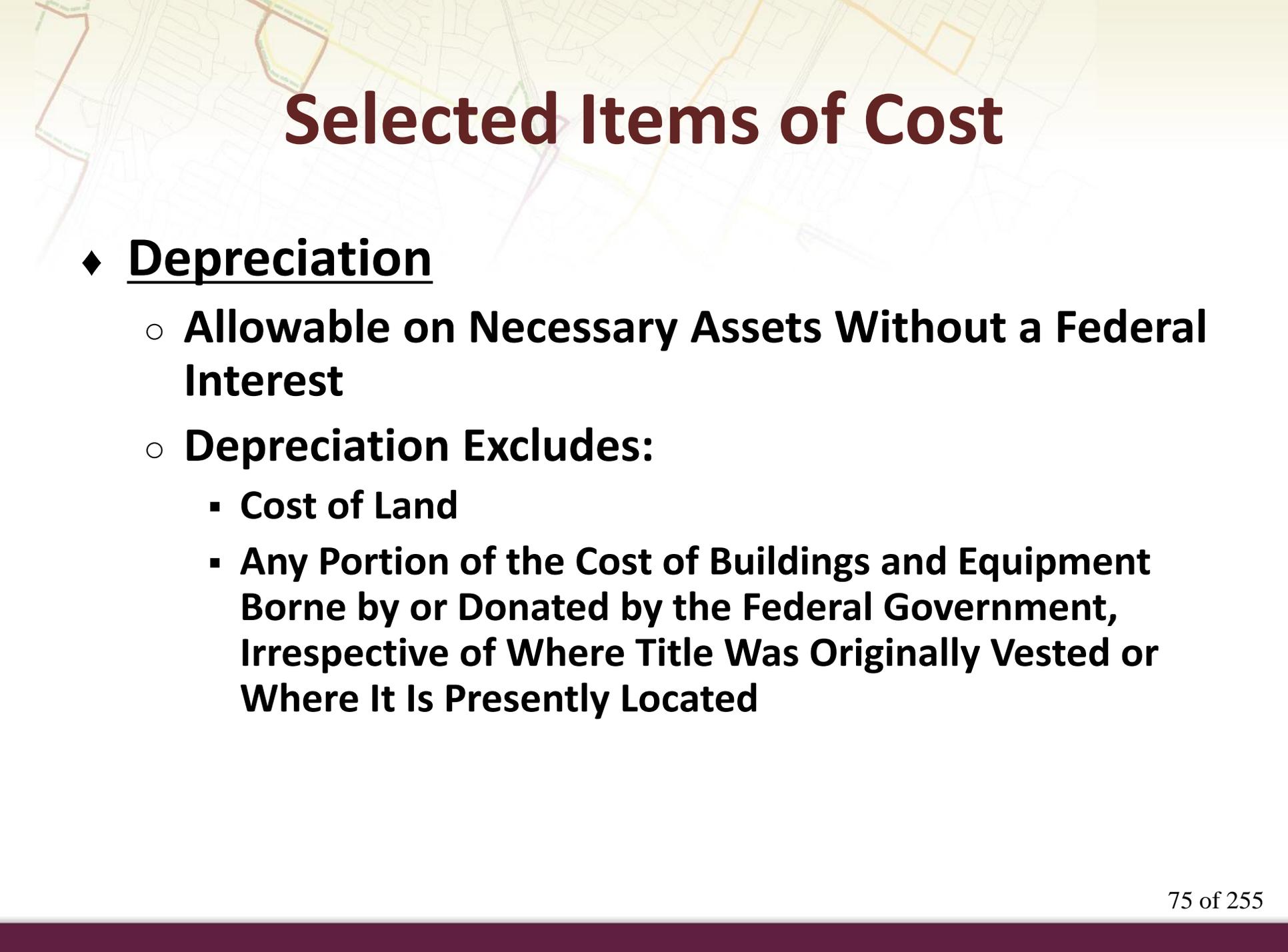
- ◆ **Personnel Compensation**
 - **Must be Properly Documented!**
 - **Special Documentation Requirements for Individuals That Work Other Than Exclusively for Transit**

Selected Items of Cost

◆ Fringe Benefits

○ Allowable, With Limitations

- The Costs of Leave (Vacation, Family-Related, Sick or Military), Employee Insurance, Pensions, and Unemployment Benefit Plans
- Provided That the Benefits are Reasonable and are Required by Law, Non-Federal Entity Employee Agreement, or an Established Policy of the Non-Federal Entity



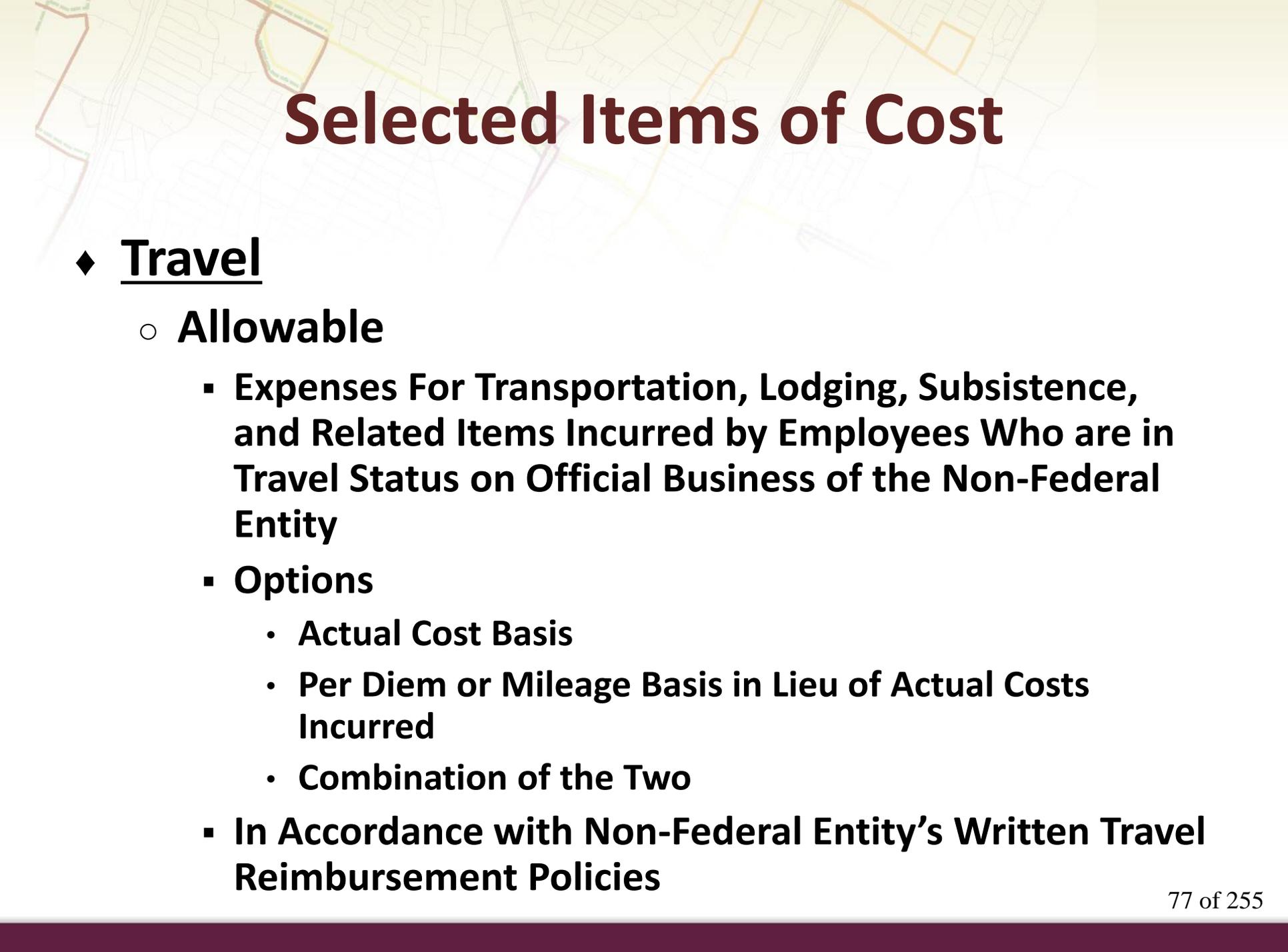
Selected Items of Cost

◆ Depreciation

- **Allowable on Necessary Assets Without a Federal Interest**
- **Depreciation Excludes:**
 - **Cost of Land**
 - **Any Portion of the Cost of Buildings and Equipment Borne by or Donated by the Federal Government, Irrespective of Where Title Was Originally Vested or Where It Is Presently Located**

Selected Items of Cost

- ◆ **Memberships, Subscriptions, and Professional Activity**
 - **Allowable**
 - **Membership in Business, Technical, and Professional Organizations are Allowable**
 - **Costs of Membership in Any Civic or Community Organization Are Allowable With Prior Approval by the Federal Awarding Agency or Pass-Through Entity**
 - **Unallowable**
 - **Costs of Membership In any Country Club or Social or Dining Club or Organization Are Unallowable**



Selected Items of Cost

◆ Travel

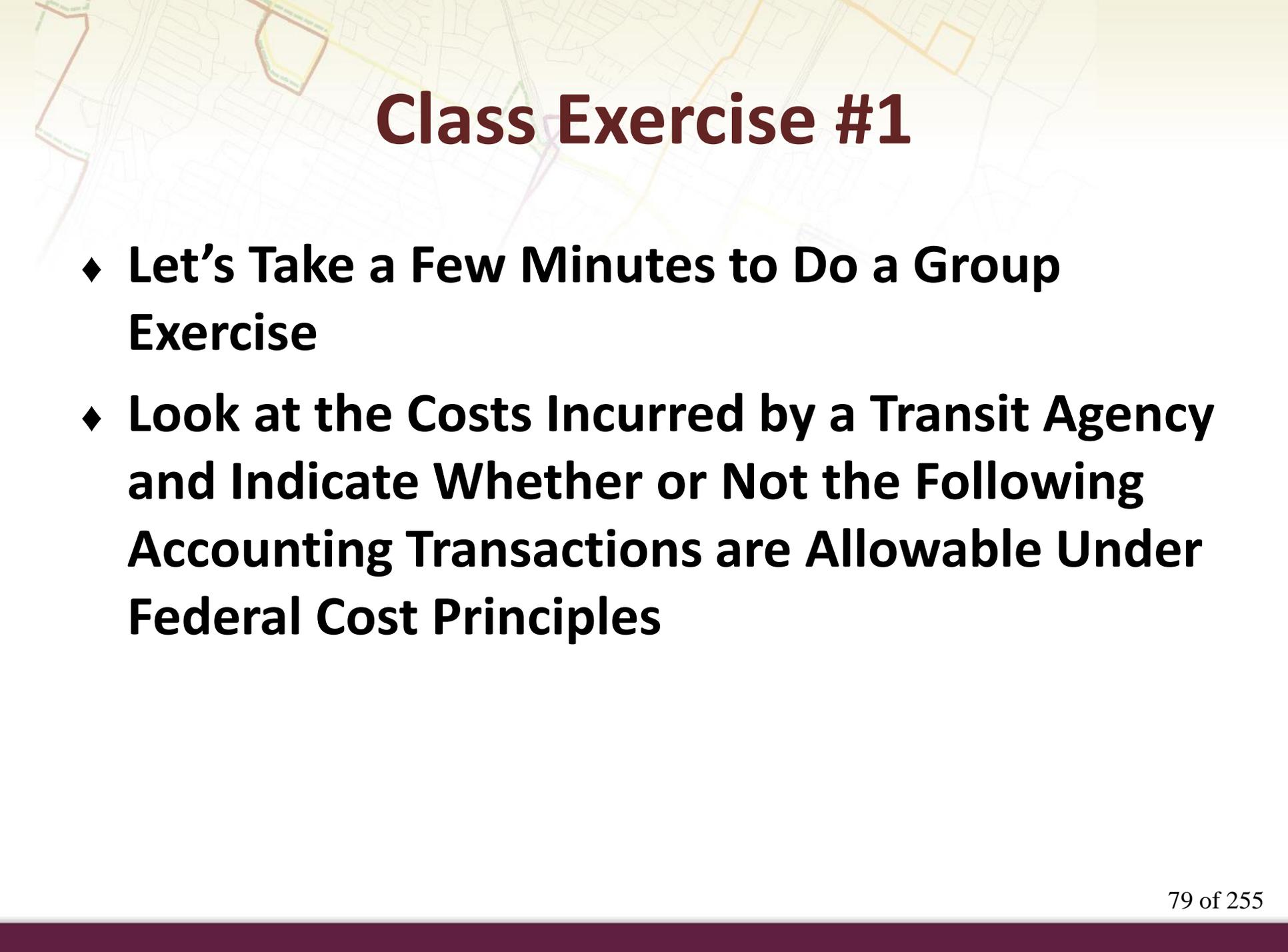
○ Allowable

- Expenses For Transportation, Lodging, Subsistence, and Related Items Incurred by Employees Who are in Travel Status on Official Business of the Non-Federal Entity
- Options
 - Actual Cost Basis
 - Per Diem or Mileage Basis in Lieu of Actual Costs Incurred
 - Combination of the Two
- In Accordance with Non-Federal Entity's Written Travel Reimbursement Policies

Selected Items of Cost

◆ Unallowable

- Entertainment
- Alcohol
- Fines & Penalties
- Fundraising
- General Costs of Government
- Goods/Services for Personnel Use
- Lobbying
- Losses on Other Contracts/Grant Awards



Class Exercise #1

- ◆ **Let's Take a Few Minutes to Do a Group Exercise**
- ◆ **Look at the Costs Incurred by a Transit Agency and Indicate Whether or Not the Following Accounting Transactions are Allowable Under Federal Cost Principles**

Class Exercise #1

Cost Item	Allowable?	Unallowable?
Fuel used for revenue transit vehicles		
Salary of agency receptionist who also fields overflow telephone calls to the transit system		
Salary of the agency Executive Director		
Creation, printing, and distribution of a general agency brochure that does not specifically mention any of the agency's services		
Federal and state taxes paid on fuel		
Account receivable from human service agency written off as bad debt		
Flowers purchased as table centerpieces at the annual transportation banquet		
Agency paid retirement contribution for the Director		
Lobbying costs to representation the agency's interest in the transportation re- authorization bill before Congress		
Dry cleaning/laundry expenses for driver uniforms		

Class Exercise #1 Answers

Cost Item	Answer
Fuel used for revenue transit vehicles	Fuel is not specifically listed in 2 CFR § 200.400 et seq., “General Provisions for Selected Items of Cost.” However, fuel would be deemed as “necessary” in order to carry out the Federal grant. In this case, FTA Circular 9040.1G specifically notes the allowability of fuel as a grant (operating) expense.
Salary of agency receptionist who also fields overflow telephone calls to the transit system	2 CFR § 200.430 states that the costs associated for compensation of employees are allowable to the extent that they satisfy specific documentation requirements, and that the total compensation for individual employees: is reasonable for the services rendered; conforms to the established written policy of the non-Federal entity; and is consistently applied to both Federal and non-Federal activities. Typically, this cost would be classified as an indirect expense.

Class Exercise #1 Answers

Cost Item	Answer
Salary of the agency Executive Director	2 CFR § 200.430 states that the costs associated for compensation of employees are allowable to the extent that they satisfy specific documentation requirements, and that the total compensation for individual employees: is reasonable for the services rendered; conforms to the established written policy of the non-Federal entity; and is consistently applied to both Federal and non-Federal activities. Typically, this cost would be classified as an indirect expense.
Creation, printing, and distribution of a general agency brochure that does not specifically mention any of the agency's services	2 CFR § 200.421 limits what are eligible under the category of advertising and public relations. One permitted advertising costs is “Program outreach and other specific purposes necessary to meet the requirements of the Federal award.” Additionally, 2 CFR § 200.42(e)(4) excludes the “costs of advertising and public relations designed solely to promote the non-Federal entity” as an allowable expense.

Class Exercise #1 Answers

Cost Item	Answer
Federal and state taxes paid on fuel	2 CFR § 200.472(a)(2) states that gasoline taxes, motor vehicle fees, and other taxes that are in effect user fees for benefits provided to the Federal government are allowable.
Account receivable from human service agency written off as bad debt	2 CFR 200.426 states that bad debts (debts which have been determined to be uncollectable), including losses (whether actual or estimated) arising from uncollectable accounts and other claims, are unallowable.
Flowers purchased as table centerpieces at the annual transportation banquet	Sometimes a determination of allowability may be subjective. 2 CFR § 200.403(a) requires that a cost be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles

Class Exercise #1 Answers

Cost Item	Answer
Agency paid retirement contribution for the Director	Fringe benefits include, but are not limited to, the costs of leave (vacation, family-related, sick or military), employee insurance, pensions, and unemployment benefit plans. Except as provided elsewhere in these principles, the costs of fringe benefits are allowable provided that the benefits are reasonable and are required by law, non-Federal entity employee agreement, or an established policy of the non-Federal entity (2 CFR § 200.431(a)).
Lobbying costs to representation the agency's interest in the transportation re-authorization bill before Congress	The cost of certain influencing activities associated with obtaining grants, contracts, cooperative agreements, or loans is an unallowable cost (2 CFR § 200.450(a)). For nonprofit organizations, attempts to influence the outcomes of any Federal, state, or local election, referendum, initiative, or similar procedure, through in-kind or cash contributions, endorsements, publicity, or similar activity, are unallowable (2 CFR § 200.450(c)(1)).

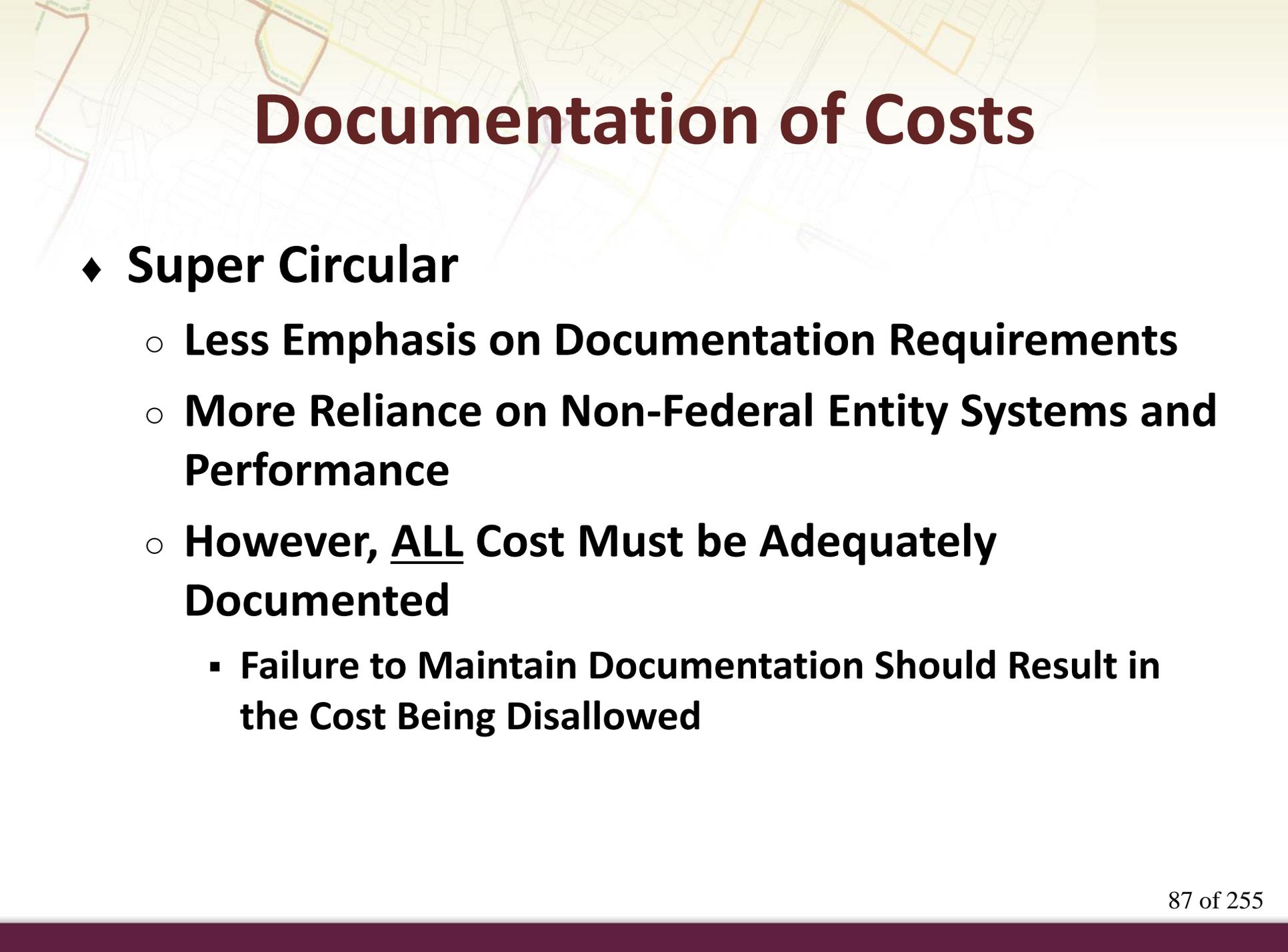
Class Exercise #1 Answers

Cost Item	Answer
Dry cleaning/laundry expenses for driver uniforms	Neither the Super Circular nor FTA specifically addresses dry cleaning or laundry expenses. However, in one provision, OMB states that “necessary and reasonable expenses incurred for routine and security to protect facilities, personnel, and work products are allowable. Such costs include, but are not limited to, wages and uniforms of personnel engaged in security activities” is an allowable expense. One can conclude that using uniforms as a way to distinguish transit personnel, e.g., bus operators, would be similarly allowable (see 2 CFR § 200.457).



Module 4

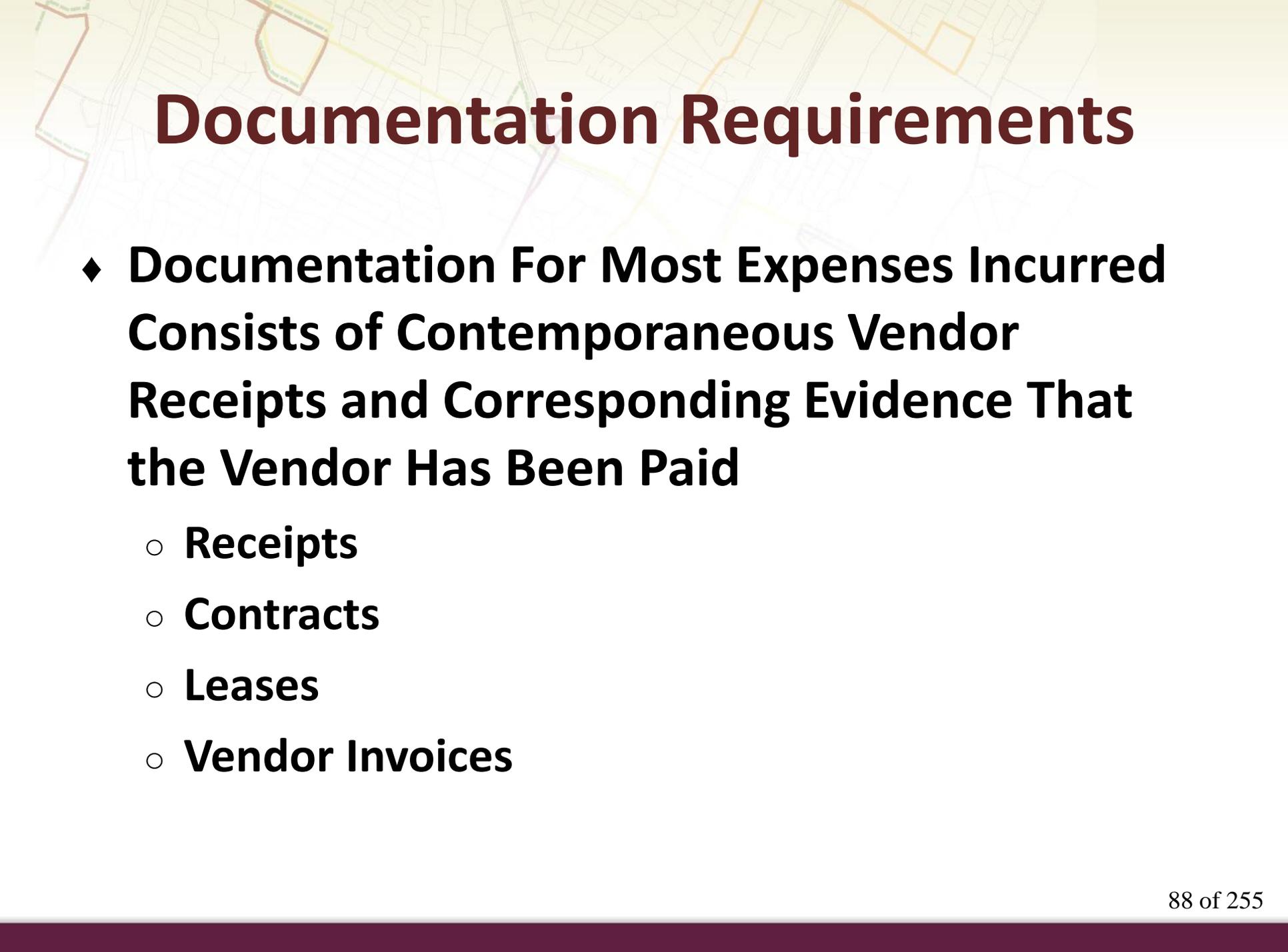
DOCUMENTATION REQUIREMENTS



Documentation of Costs

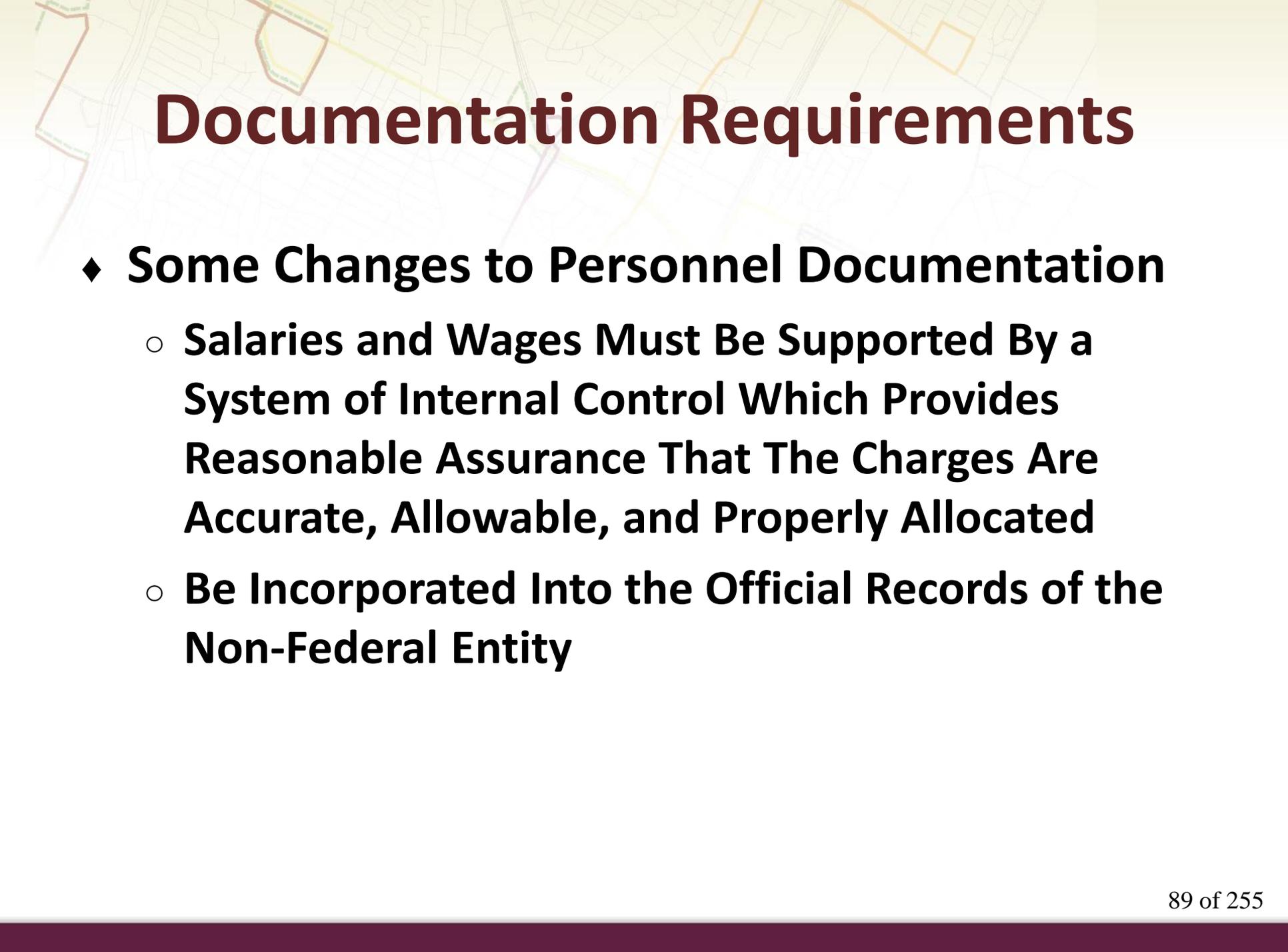
◆ Super Circular

- Less Emphasis on Documentation Requirements
- More Reliance on Non-Federal Entity Systems and Performance
- However, ALL Cost Must be Adequately Documented
 - Failure to Maintain Documentation Should Result in the Cost Being Disallowed



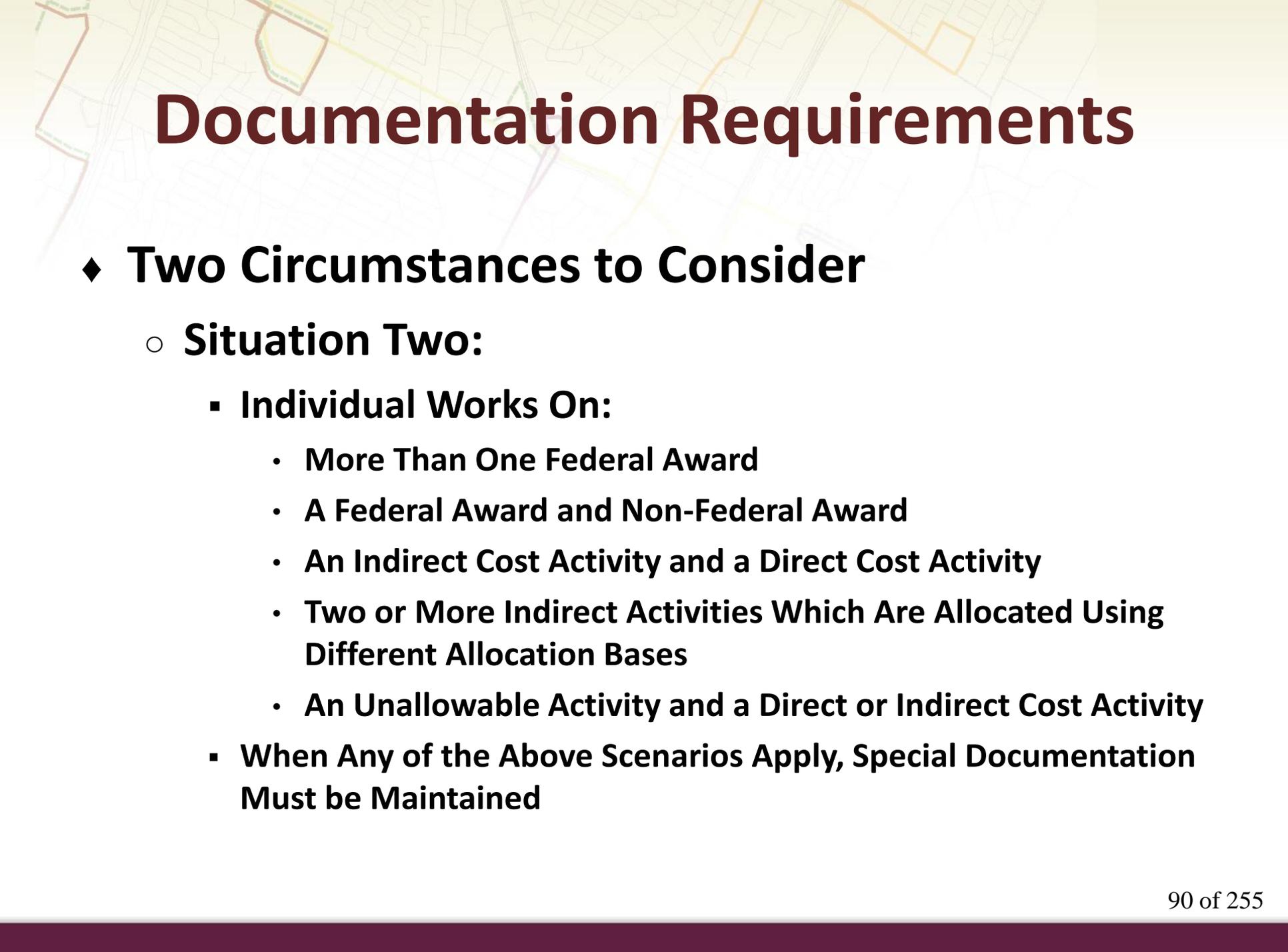
Documentation Requirements

- ◆ **Documentation For Most Expenses Incurred Consists of Contemporaneous Vendor Receipts and Corresponding Evidence That the Vendor Has Been Paid**
 - **Receipts**
 - **Contracts**
 - **Leases**
 - **Vendor Invoices**



Documentation Requirements

- ◆ **Some Changes to Personnel Documentation**
 - **Salaries and Wages Must Be Supported By a System of Internal Control Which Provides Reasonable Assurance That The Charges Are Accurate, Allowable, and Properly Allocated**
 - **Be Incorporated Into the Official Records of the Non-Federal Entity**



Documentation Requirements

◆ Two Circumstances to Consider

○ Situation Two:

▪ Individual Works On:

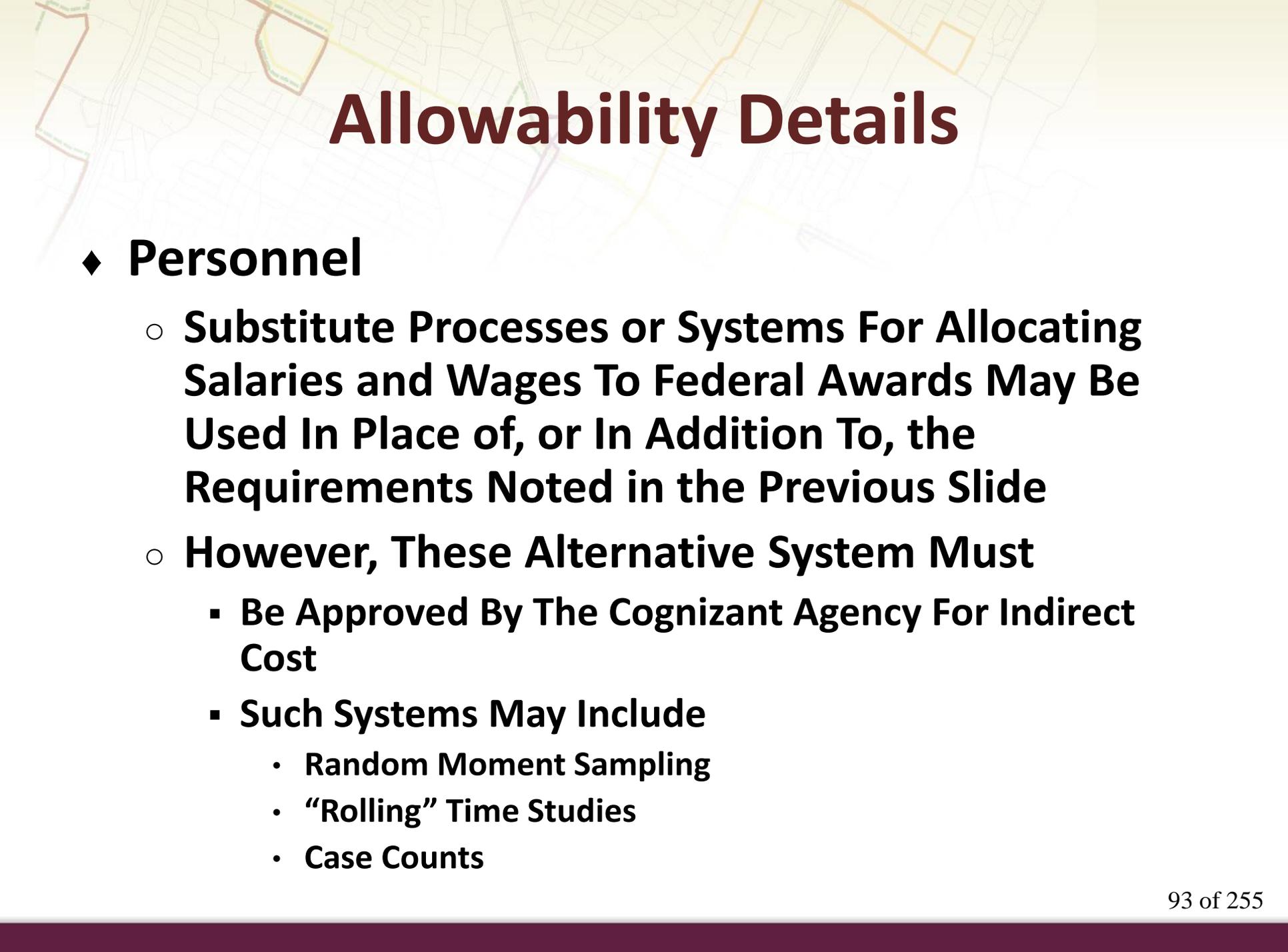
- More Than One Federal Award
 - A Federal Award and Non-Federal Award
 - An Indirect Cost Activity and a Direct Cost Activity
 - Two or More Indirect Activities Which Are Allocated Using Different Allocation Bases
 - An Unallowable Activity and a Direct or Indirect Cost Activity
- #### ▪ When Any of the Above Scenarios Apply, Special Documentation Must be Maintained

Documentation Requirements

- ◆ **Some Changes to Personnel Documentation**
 - **Reasonably Reflect The Total Activity For Which the Employee Is Compensated by the Non-Federal Entity, Not Exceeding 100% of Compensated Activities**
 - **In Other Words, the Individual Must Keep Documentation That Reflects:**
 - **What the Individual Did All 8 Hours of the Day**
 - **All 40 Hours of the Week**
 - **Records Must Correspond to Pay Periods**

Documentation Requirements

- ◆ **Applies Regardless of Whether the Individual is Salaried or Paid by the Hour**
- ◆ **Billing Time Based on Estimates or a Time Study Sample is NOT Permitted**
 - **Budget Estimates (*i.e.*, Estimates Determined Before the Services are Performed) Alone Do Not Qualify as Support for Charges to Federal Awards, But May Be Used For Interim Accounting Purposes (Grant Application Budgets)**



Allowability Details

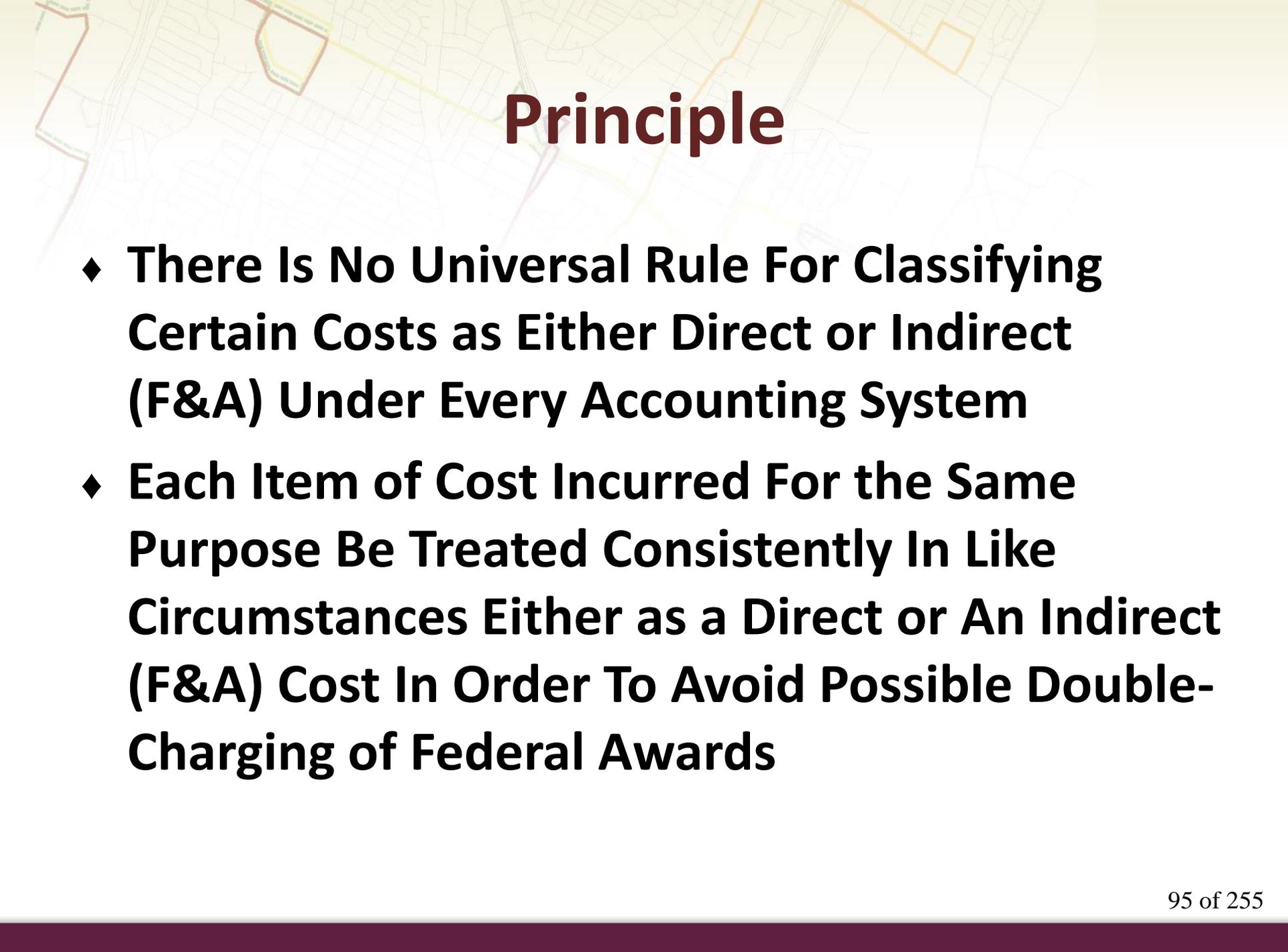
◆ Personnel

- **Substitute Processes or Systems For Allocating Salaries and Wages To Federal Awards May Be Used In Place of, or In Addition To, the Requirements Noted in the Previous Slide**
- **However, These Alternative System Must**
 - **Be Approved By The Cognizant Agency For Indirect Cost**
 - **Such Systems May Include**
 - Random Moment Sampling
 - “Rolling” Time Studies
 - Case Counts

A faded background image of a map showing a street grid. Several areas are highlighted with colored outlines: a red outline on the left, a yellow outline in the upper center, a purple outline in the center, and an orange outline on the right. The map is semi-transparent and serves as a decorative header.

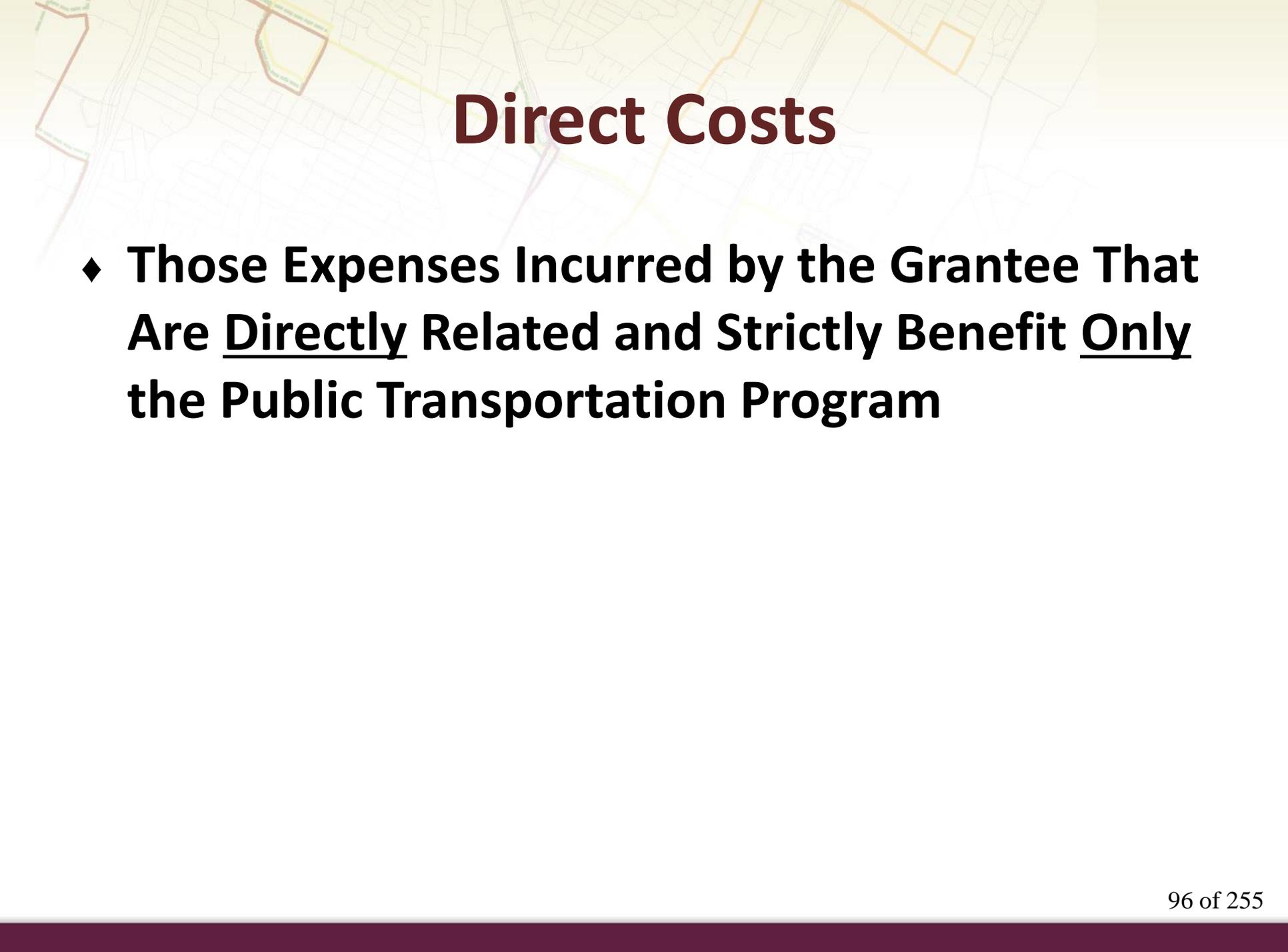
Module 5

DIRECT AND INDIRECT COSTS



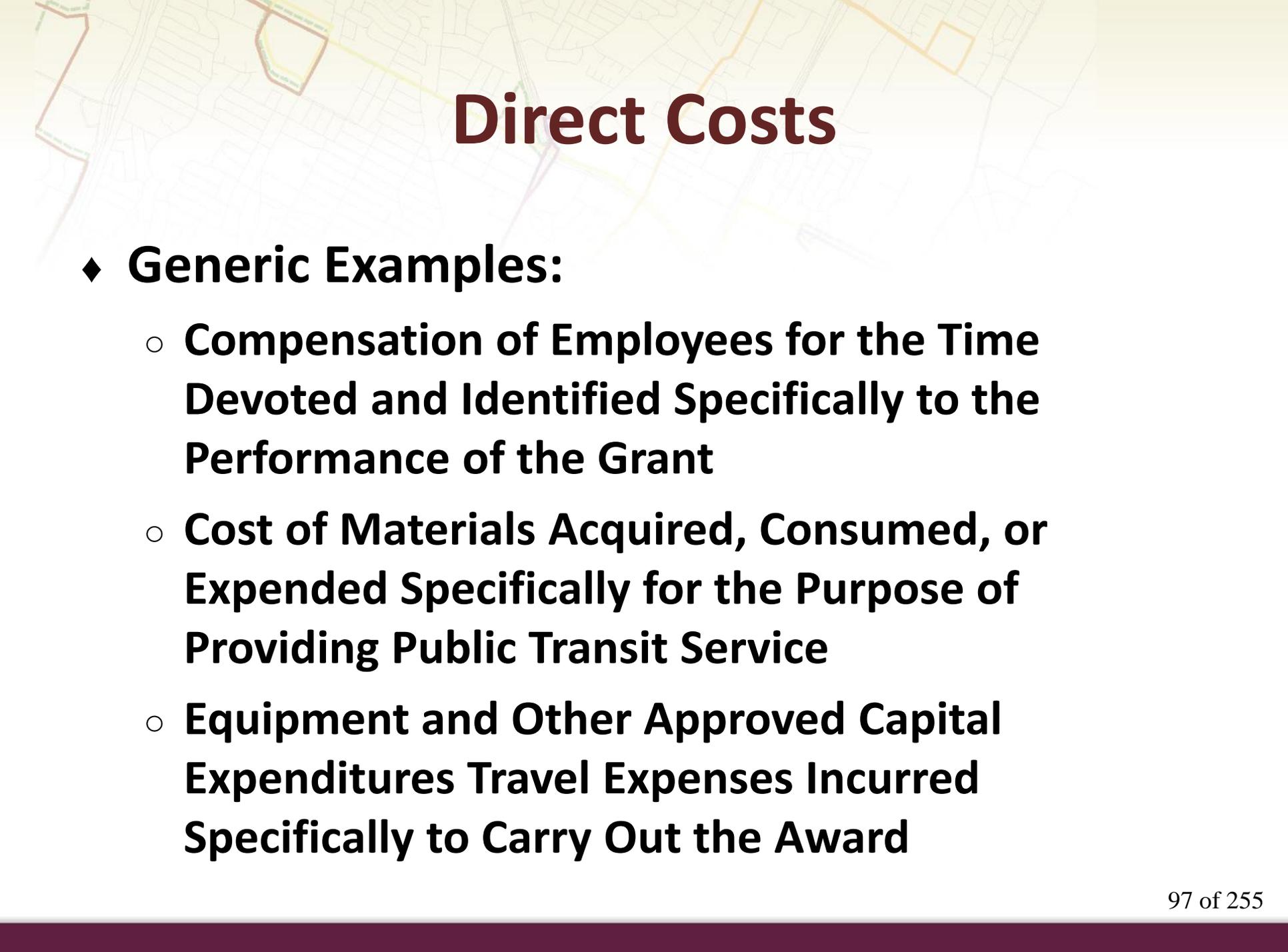
Principle

- ◆ **There Is No Universal Rule For Classifying Certain Costs as Either Direct or Indirect (F&A) Under Every Accounting System**
- ◆ **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**



Direct Costs

- ◆ **Those Expenses Incurred by the Grantee That Are Directly Related and Strictly Benefit Only the Public Transportation Program**



Direct Costs

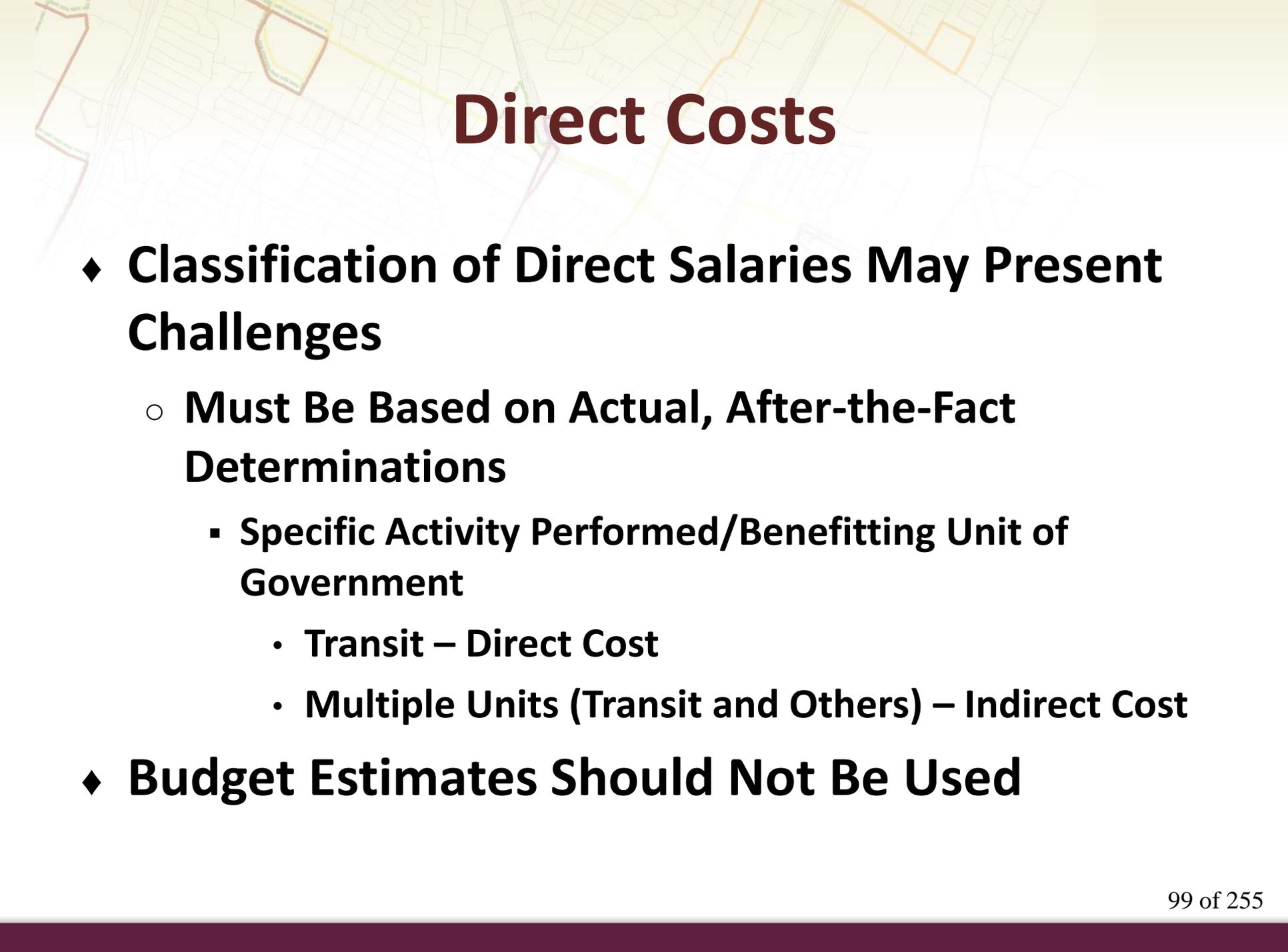
◆ Generic Examples:

- **Compensation of Employees for the Time Devoted and Identified Specifically to the Performance of the Grant**
- **Cost of Materials Acquired, Consumed, or Expended Specifically for the Purpose of Providing Public Transit Service**
- **Equipment and Other Approved Capital Expenditures Travel Expenses Incurred Specifically to Carry Out the Award**



Direct Costs

- ◆ **Transit Examples:**
 - **Operator's Salaries & Wages**
 - **Dispatcher's Salaries & Wages**
 - **Contract Vehicle Maintenance**
 - **Fuel & Lubricants Consumed**
 - **Tires and Tubes Consumed**
 - **Purchased Transportation**



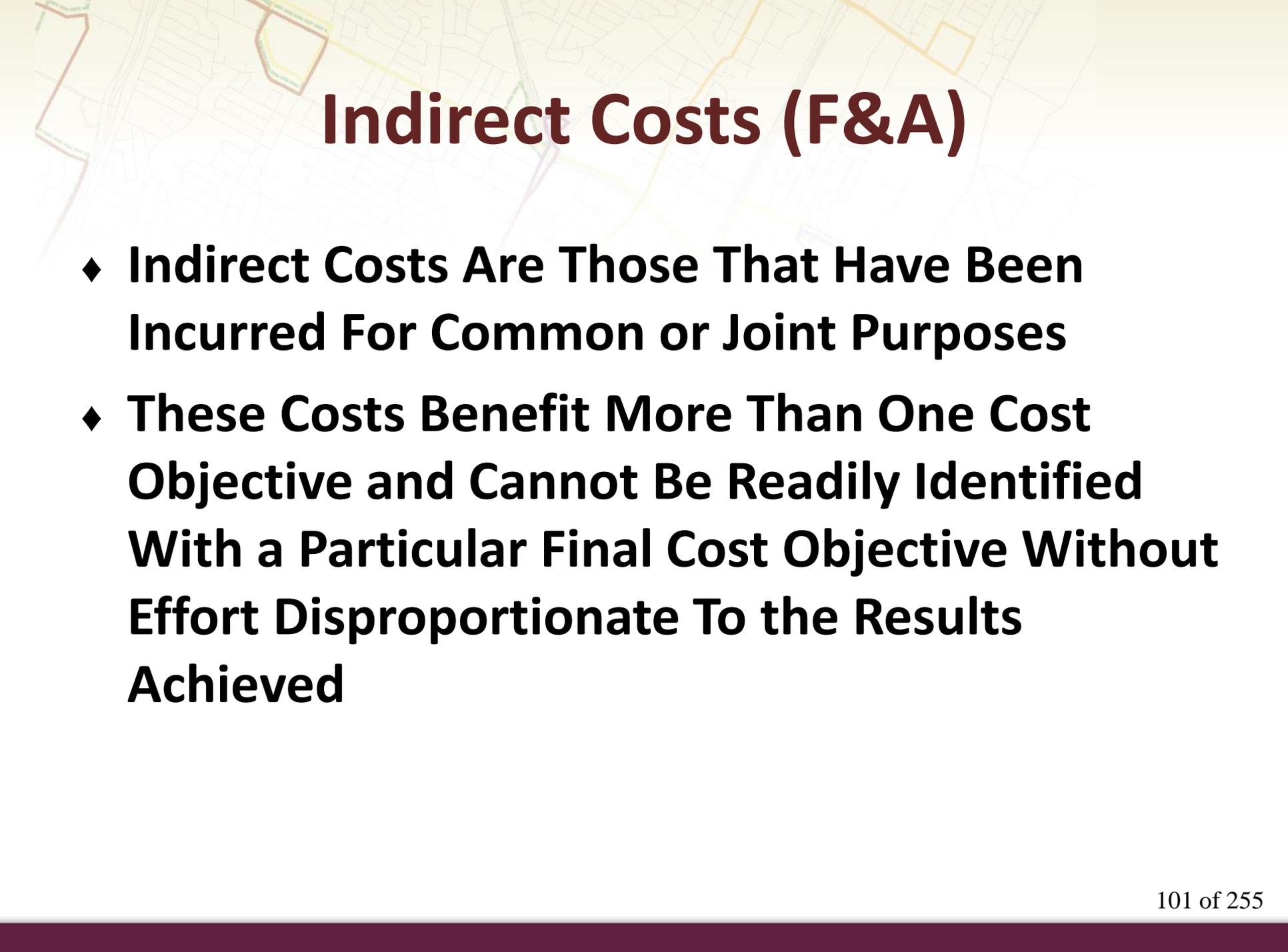
Direct Costs

- ◆ **Classification of Direct Salaries May Present Challenges**
 - **Must Be Based on Actual, After-the-Fact Determinations**
 - **Specific Activity Performed/Benefitting Unit of Government**
 - **Transit – Direct Cost**
 - **Multiple Units (Transit and Others) – Indirect Cost**
- ◆ **Budget Estimates Should Not Be Used**



Direct Costs

- ◆ **Difficult Classification of Direct Costs**
 - **Minor Items Normally Considered Direct Costs May be Treated as Indirect Costs**
 - **Accounting Treatment is Consistent Among All Federal Grant Programs**

A background map showing a street grid with several areas highlighted in different colors: red, green, yellow, and purple. The map is semi-transparent and serves as a decorative background for the slide.

Indirect Costs (F&A)

- ◆ **Indirect Costs Are Those That Have Been Incurred For Common or Joint Purposes**
- ◆ **These Costs Benefit More Than One Cost Objective and Cannot Be Readily Identified With a Particular Final Cost Objective Without Effort Disproportionate To the Results Achieved**



Indirect Costs (F&A)

◆ New Concepts

- **Indirect Costs are Now Referred to as Indirect (F&A) Costs**
 - **F = Facilities**
 - **A = Administration**
- **Separate Designation**
 - **Cognizant Agency for Audit**
 - **Cognizant Agency for Indirect Costs**
 - **May Not Be the Same Agency**



Indirect Costs (F&A)

◆ Facilities and Administration

- Indirect Costs Must Be Pooled in These Two Categories for Institutions of Higher Education (IHEs) and Major Nonprofits
- Not Required for State and Local Governments, Indian Tribal Organizations
 - May Use Own Indirect Cost Pools



Indirect Costs (F&A)

- ◆ **A Cost May Not Be Allocated To a Federal Award As An Indirect Cost If Any Other Cost Incurred For the Same Purpose, In Like Circumstances, Has Been Assigned To a Federal Award As A Direct Cost**



Indirect Costs (F&A)

- ◆ **Facilities and Administration**
 - **Range of Circumstances at the Local Level Means that Federal Agencies Cannot Provide Prescriptive Guidance on What Costs Constitute Direct vs. Indirect**

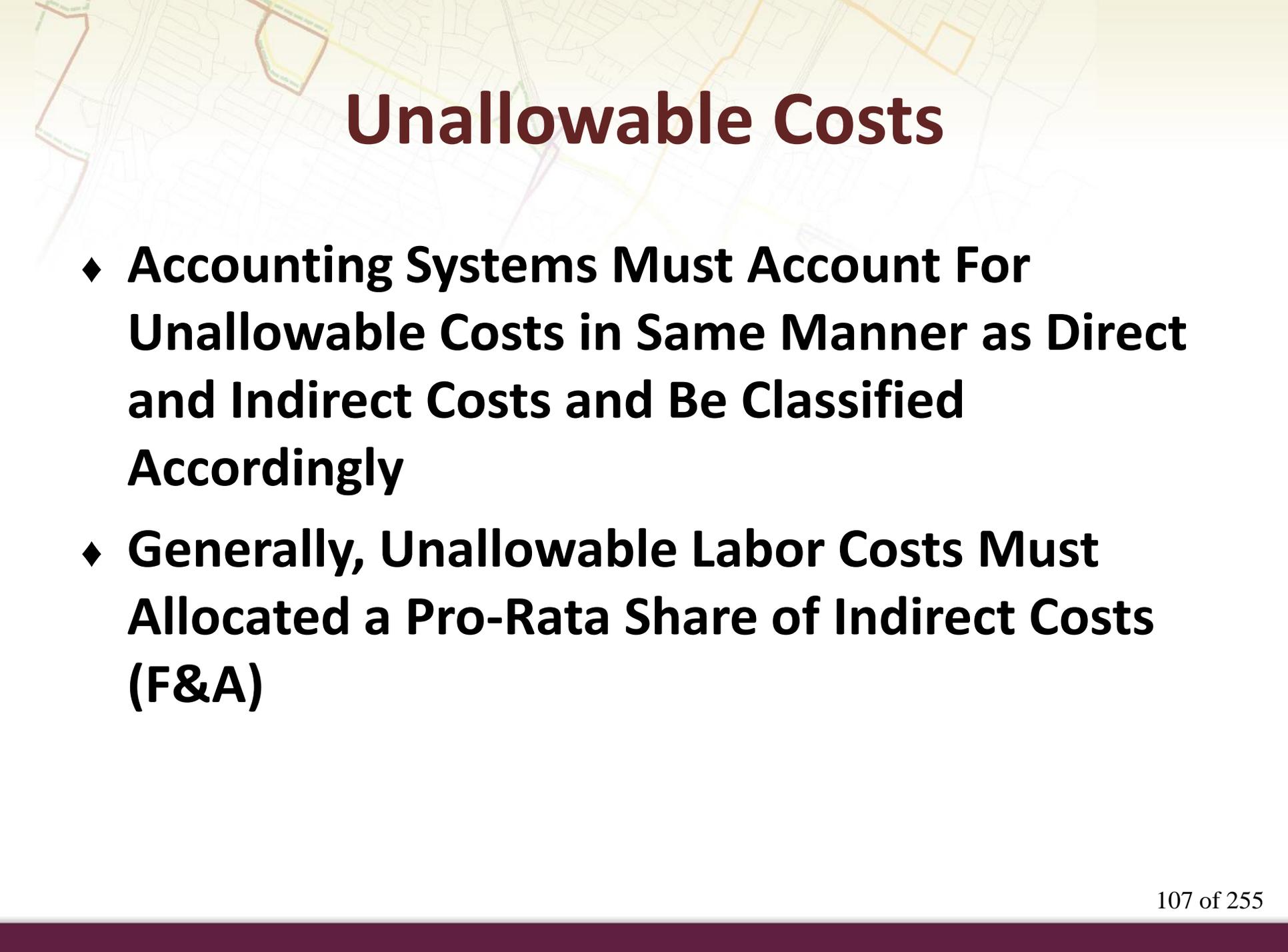


Indirect Costs (F&A)

◆ Facilities and Administration

○ Examples

- **Certain Central Service Costs**
- **General Administration of the Organization**
- **Accounting and Personnel Services Performed Within the Organization the Delivers Public Transit Services**
- **Costs of Operating and Maintaining Shared Facilities**



Unallowable Costs

- ◆ **Accounting Systems Must Account For Unallowable Costs in Same Manner as Direct and Indirect Costs and Be Classified Accordingly**
- ◆ **Generally, Unallowable Labor Costs Must Allocated a Pro-Rata Share of Indirect Costs (F&A)**

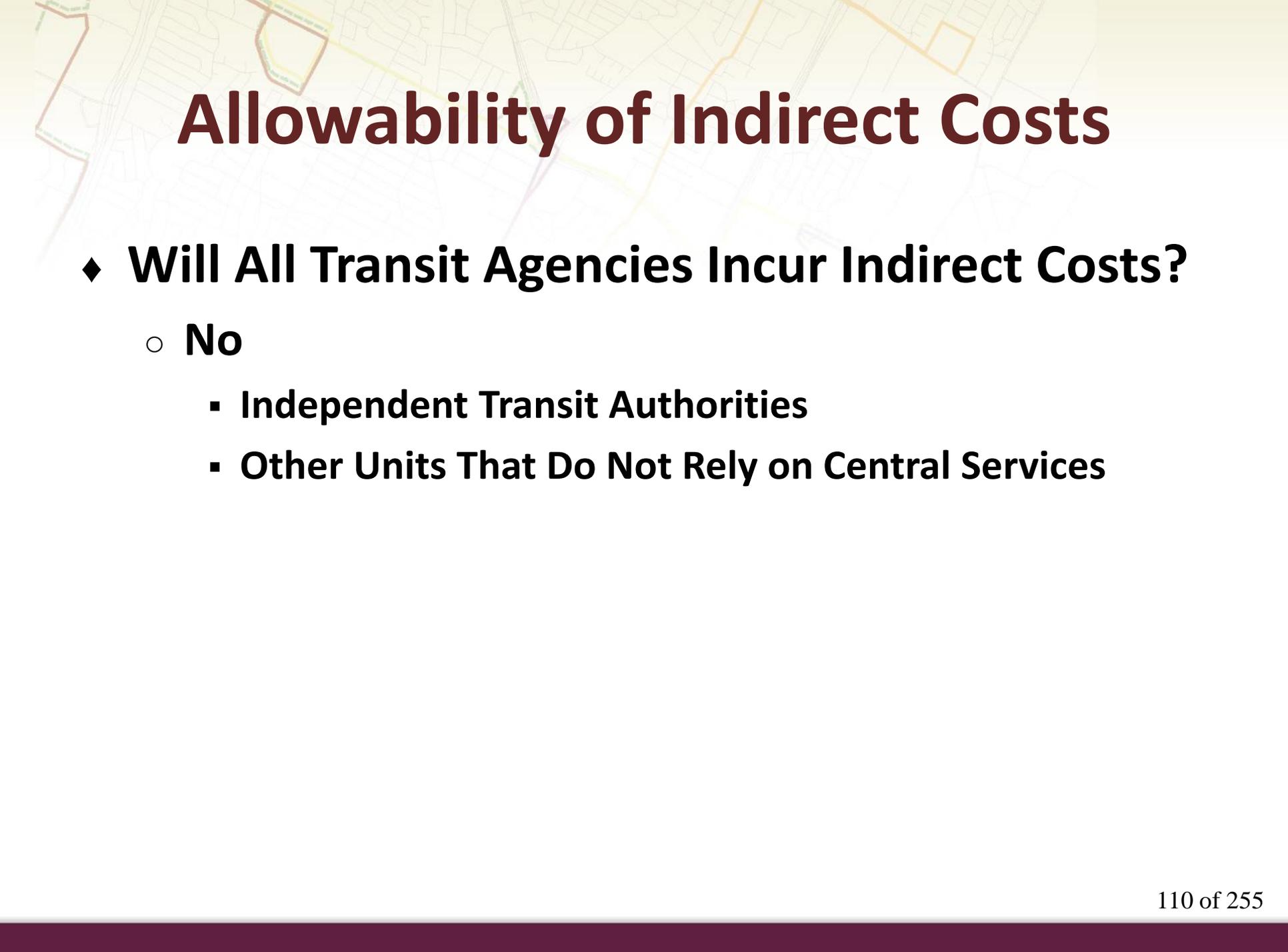
Allowability of Indirect Costs

- ◆ **Allowable, to the Extent the Charges Conform to an Approved Indirect Cost Rate**
- ◆ **Indirect Costs Are Normally Charged to Federal Awards By the Use of An Indirect Cost Rate**
- ◆ **A Separate Indirect Cost Rate(s) Is Usually Necessary For Each Department or Agency of the Governmental Unit Claiming Indirect Costs Under Federal Awards**



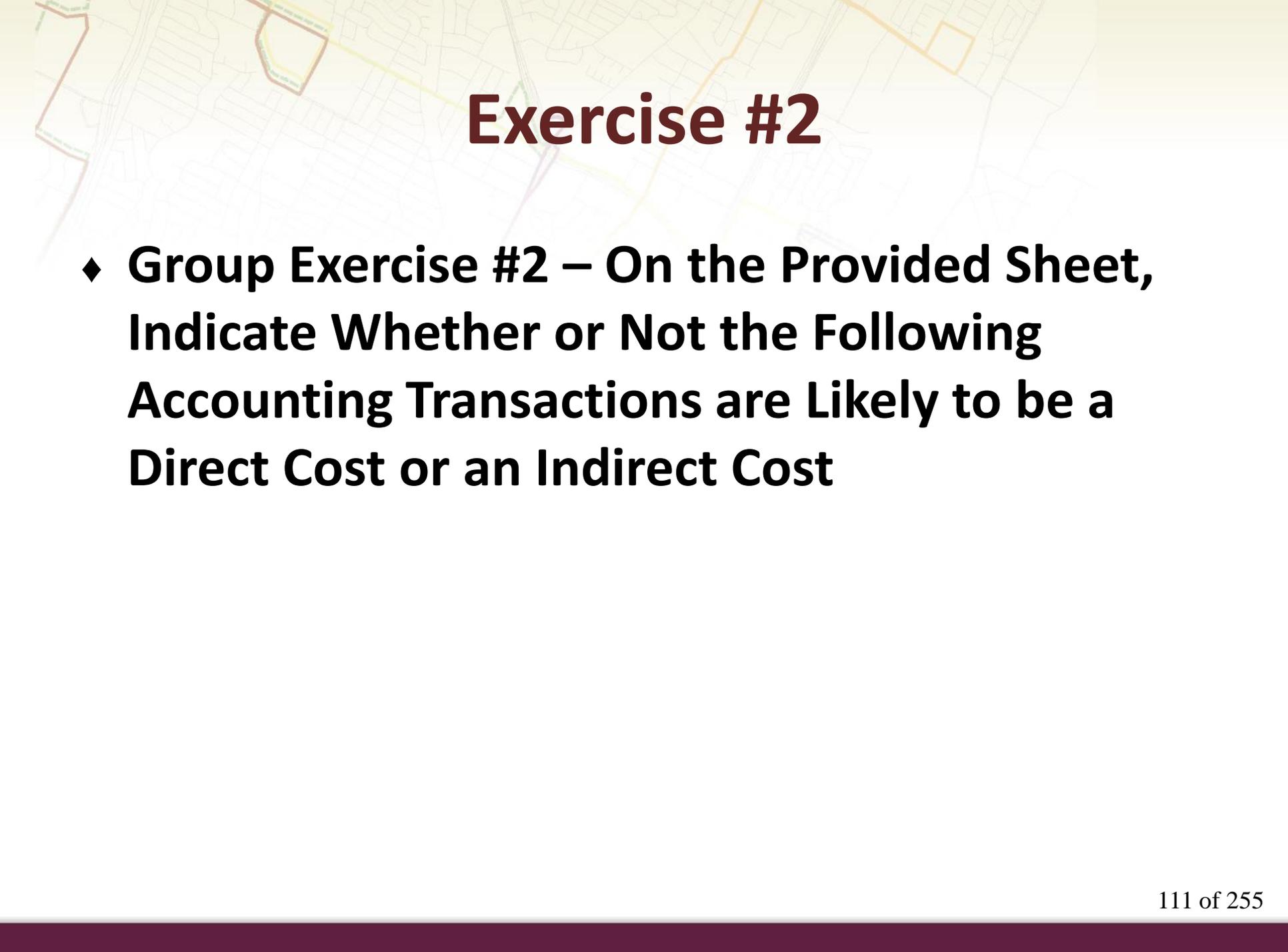
Indirect Costs

- ◆ **How Can We Tell if We Need An Indirect Cost Allocation Plan? If a Transit System Incurs Costs That Are:**
 - **Accumulated in the Accounts of Another Department or Division of the Organization**
....Likely that an Indirect Cost Plan is Required



Allowability of Indirect Costs

- ◆ **Will All Transit Agencies Incur Indirect Costs?**
 - **No**
 - **Independent Transit Authorities**
 - **Other Units That Do Not Rely on Central Services**



Exercise #2

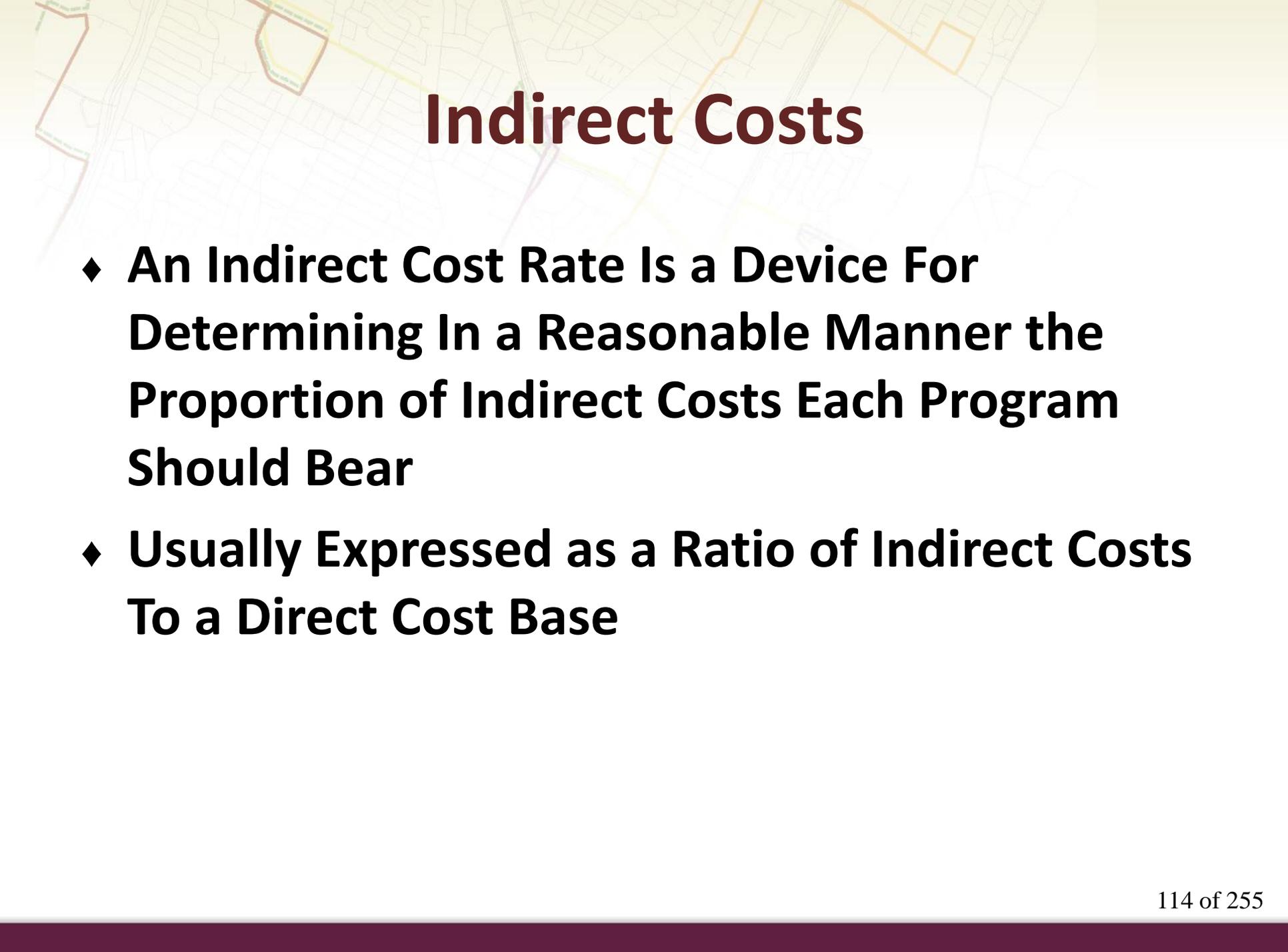
- ◆ **Group Exercise #2 – On the Provided Sheet, Indicate Whether or Not the Following Accounting Transactions are Likely to be a Direct Cost or an Indirect Cost**

Class Exercise #2

Cost Item	Direct?	Indirect?
Fuel used for revenue transit vehicles		
Salary of agency receptionist who also fields overflow telephone calls to the transit system		
Salary of the agency Executive Director		
Agency facility rent - administrative facilities		
Federal and state taxes paid on fuel		
Agency telephone expenses		
Corporate liability insurance premiums		
Agency paid retirement contribution for the Director		
Transit revenue vehicles physical damage insurance coverage premiums.		
Dry cleaning/laundry expenses for driver uniforms		

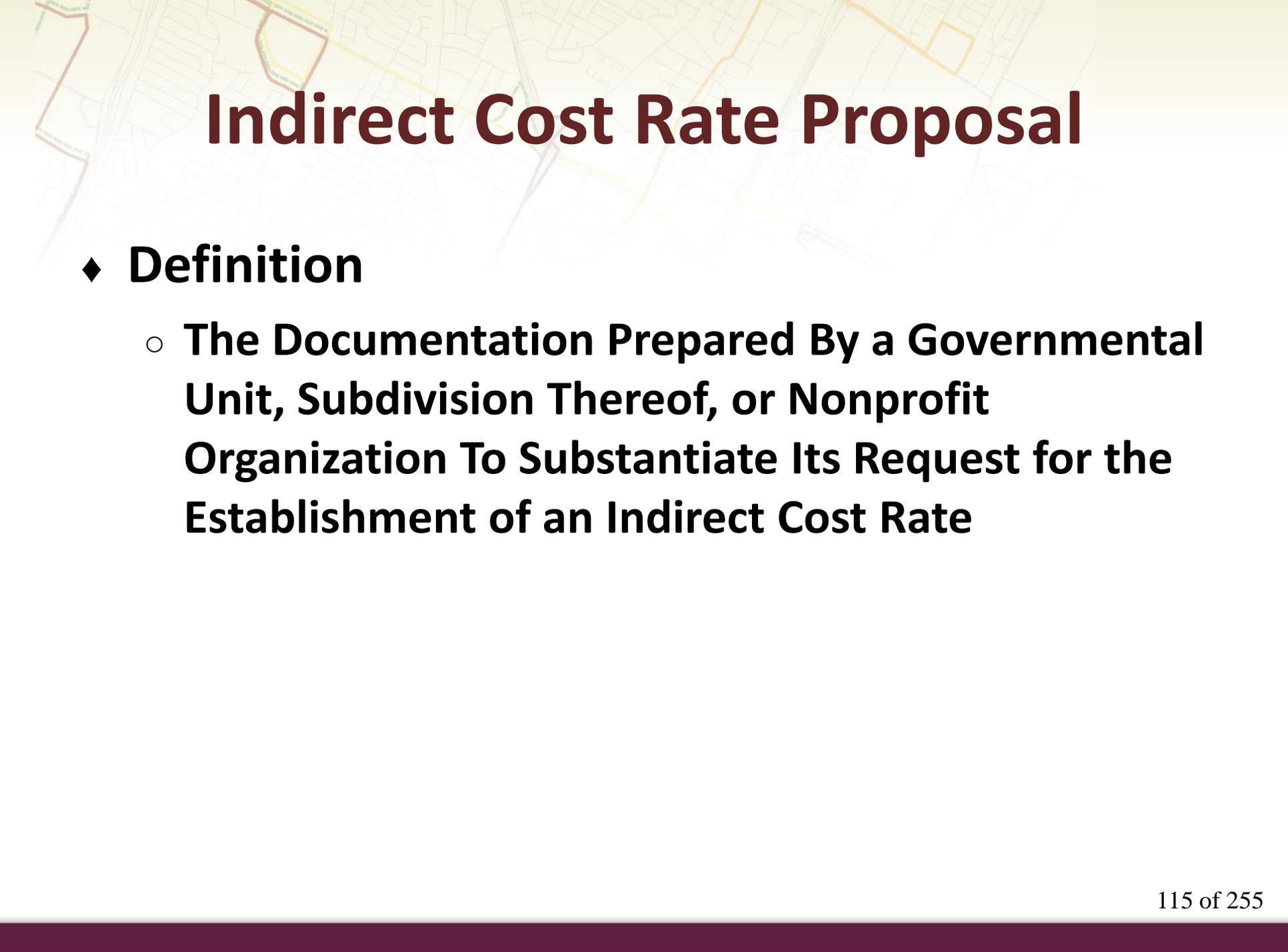
Class Exercise #2 Answers

Cost Item	Direct?	Indirect?
Fuel used for revenue transit vehicles	✓	
Salary of agency receptionist who also fields overflow telephone calls to the transit system		✓
Salary of the agency Executive Director		✓
Agency facility rent - administrative facilities		✓
Federal and state taxes paid on fuel	✓	
Agency telephone expenses	✓	✓
Corporate liability insurance premiums		✓
Agency paid retirement contribution for the Director	✓	
Transit revenue vehicles physical damage insurance coverage premiums.	✓	
Dry cleaning/laundry expenses for driver uniforms	✓	



Indirect Costs

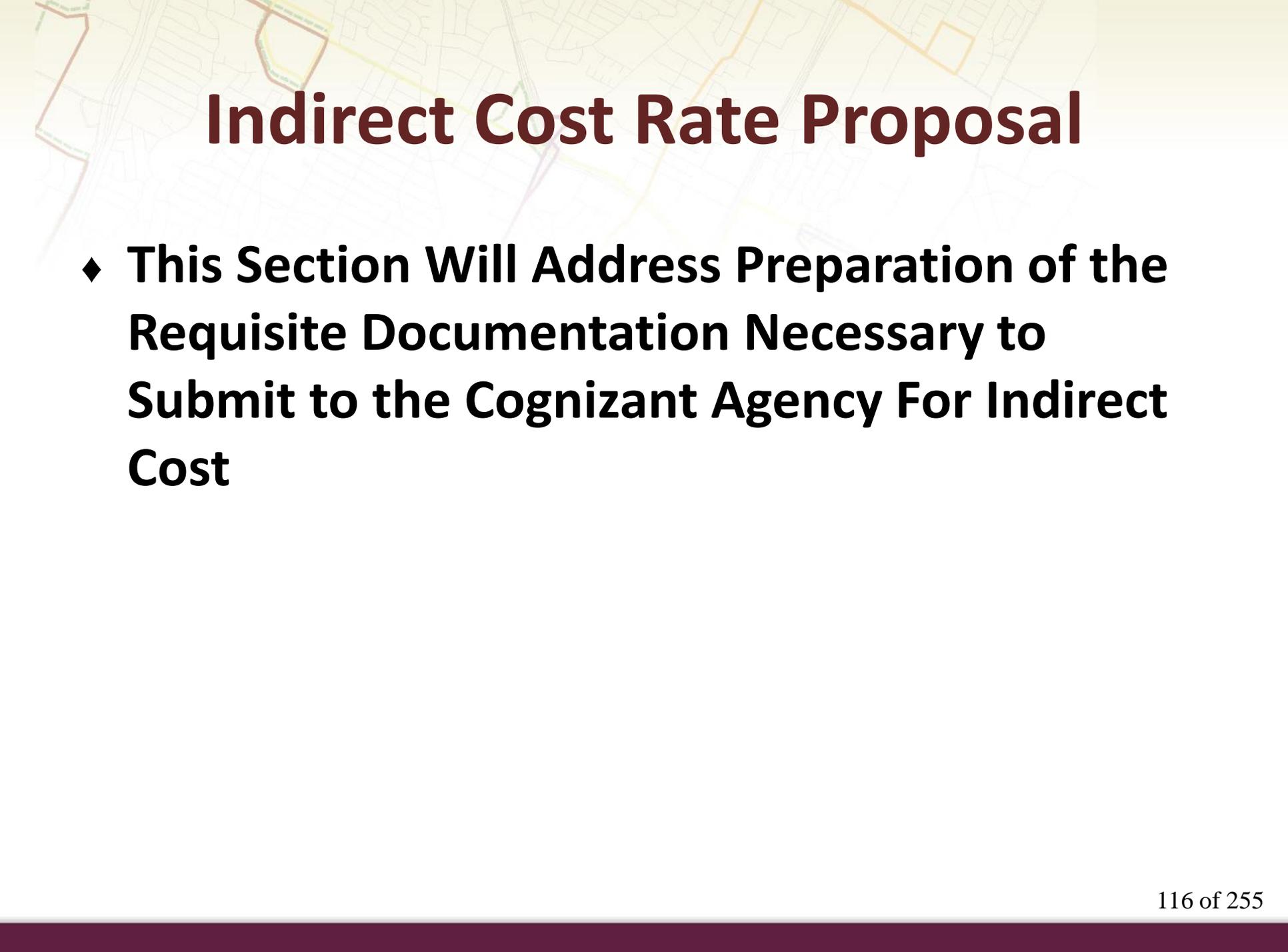
- ◆ **An Indirect Cost Rate Is a Device For Determining In a Reasonable Manner the Proportion of Indirect Costs Each Program Should Bear**
- ◆ **Usually Expressed as a Ratio of Indirect Costs To a Direct Cost Base**



Indirect Cost Rate Proposal

◆ Definition

- **The Documentation Prepared By a Governmental Unit, Subdivision Thereof, or Nonprofit Organization To Substantiate Its Request for the Establishment of an Indirect Cost Rate**



Indirect Cost Rate Proposal

- ◆ **This Section Will Address Preparation of the Requisite Documentation Necessary to Submit to the Cognizant Agency For Indirect Cost**

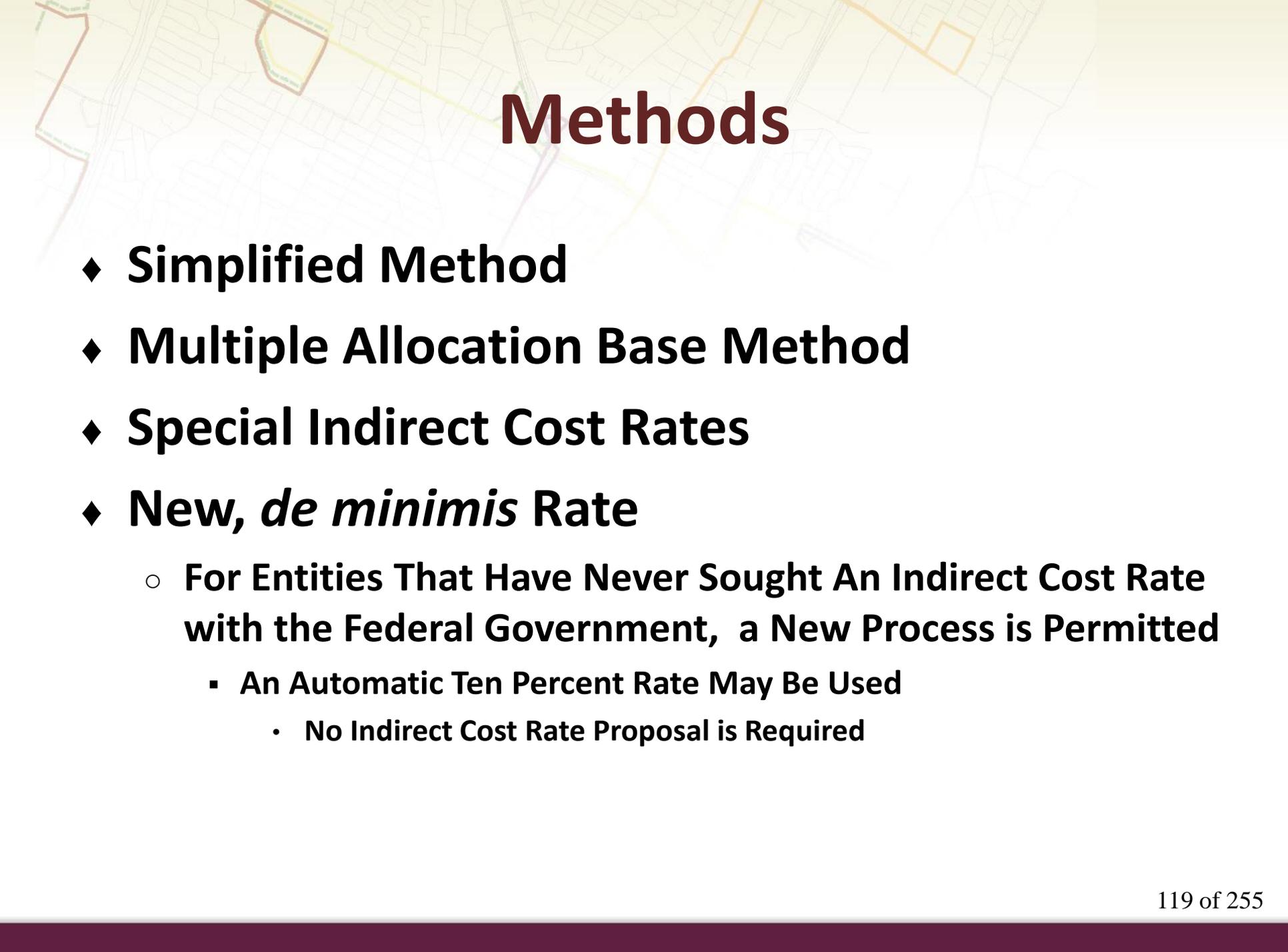
Indirect Cost Rate Proposal

- ◆ **Practical Issues Confronting Non-Federal Entities**
 - **Transit May Be One of the Only Department, Program, or Activity of the Local Governmental Unit Able to Seek Reimbursement of Indirect Costs**
 - **Local Government Management May Not Embrace the Costs/Benefits of Preparing an Indirect Cost Rate Proposal**
 - **Grant Funds Are Capped**
 - **Entity Can Draw Down All Allocated Funds With Direct Costs**
 - **What is the Point?**



Indirect Cost Rate Proposal

- ◆ **It is Critical for Management to Understand the Fully Allocated Cost of Service Provision**
- ◆ **Many Reasons Why Such Information is Absolutely Critical To Transit Management**
 - **Assess Performance**
 - **Measure Progress Toward the Achievement of Goals and Objectives**
 - **Consider Actions Which May Change the Course of Future Events**
 - **Modify Policies, Procedures, and Processes**



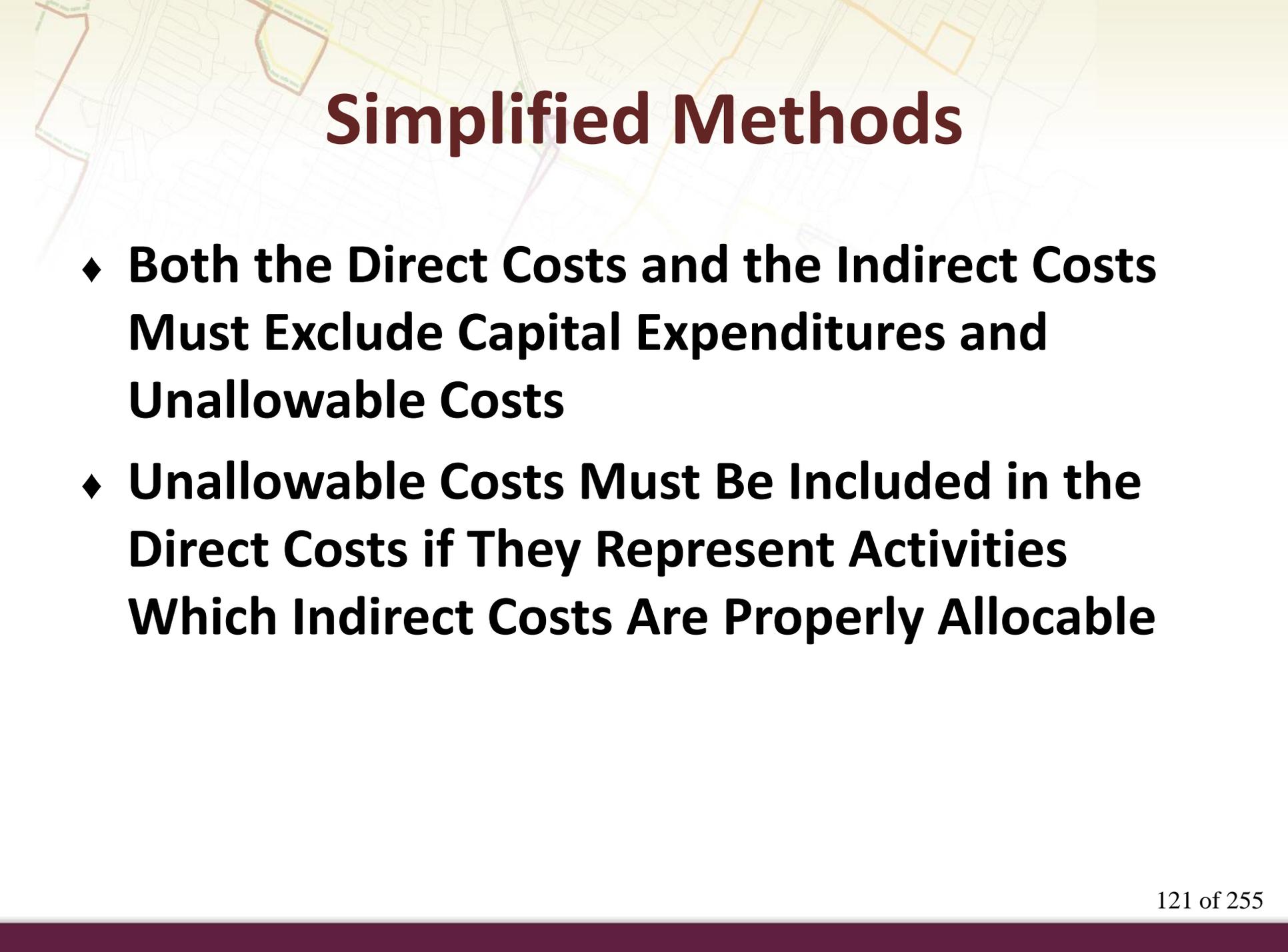
Methods

- ◆ **Simplified Method**
- ◆ **Multiple Allocation Base Method**
- ◆ **Special Indirect Cost Rates**
- ◆ **New, *de minimis* Rate**
 - **For Entities That Have Never Sought An Indirect Cost Rate with the Federal Government, a New Process is Permitted**
 - **An Automatic Ten Percent Rate May Be Used**
 - **No Indirect Cost Rate Proposal is Required**



Simplified Methods

- ◆ **Where a Governmental Unit Has Only One Major Function, or Where All Its Major Functions Benefit From The Indirect Costs To Approximately The Same Degree, the Allocation of Indirect Costs and the Computation of An Indirect Cost Rate May Be Accomplished Through Simplified Allocation Procedures**
- ◆ **This Method Works For Smaller Units Quite Well**



Simplified Methods

- ◆ **Both the Direct Costs and the Indirect Costs Must Exclude Capital Expenditures and Unallowable Costs**
- ◆ **Unallowable Costs Must Be Included in the Direct Costs if They Represent Activities Which Indirect Costs Are Properly Allocable**



Simplified Methods

◆ Distribution Base Options

- **Modified Total Direct Costs (MTDC)**

- **Excludes Capital Expenditures and Other Distorting Items, Such As Pass-through Funds, Subcontracts In Excess of \$25,000, Participant Support Costs, etc.**

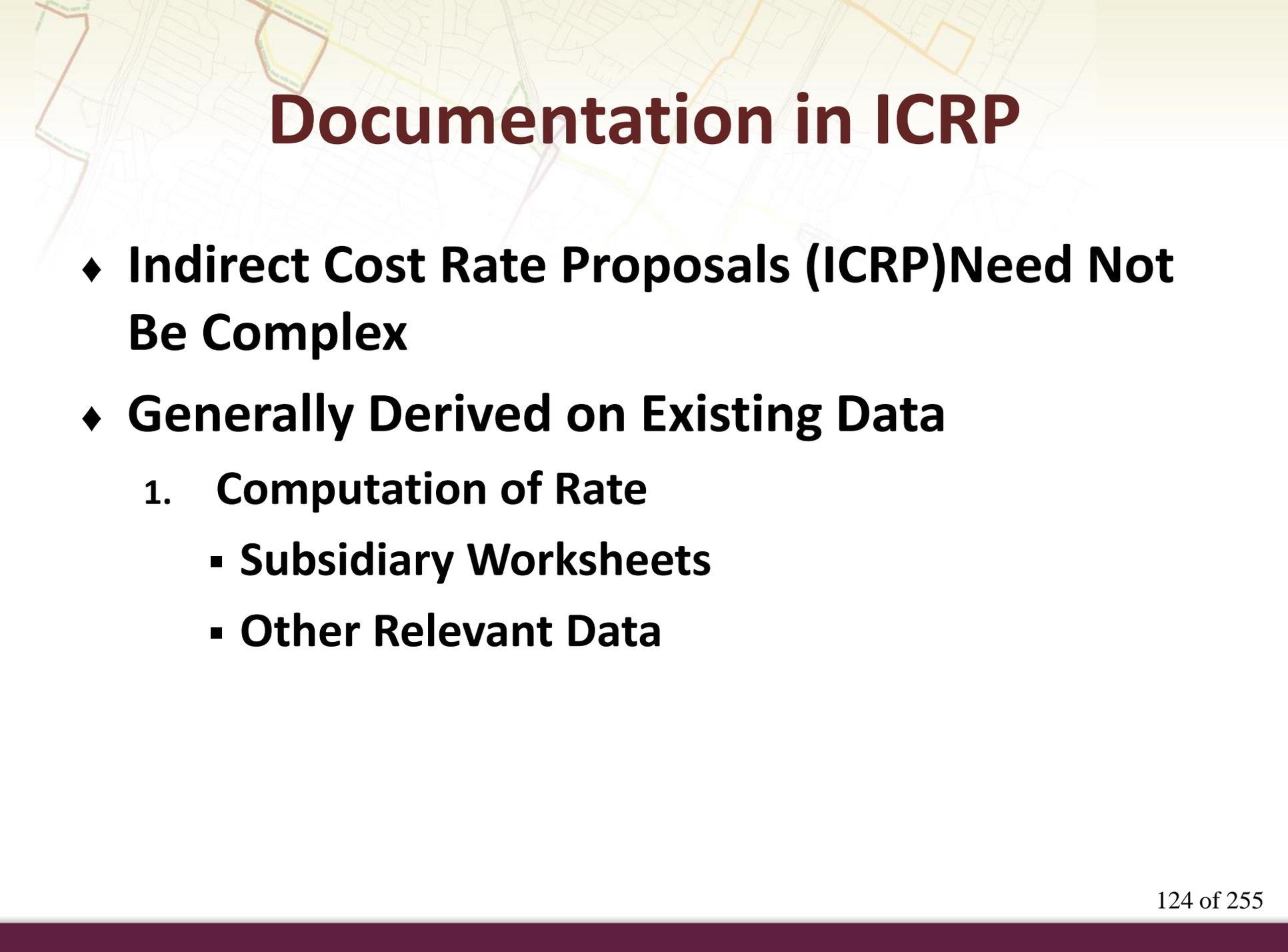
- **Direct Salaries and Wages (S&W)**

- **Another Base Which Results In an Equitable Distribution**

◆ **Usually, the First Two Methods are Used**

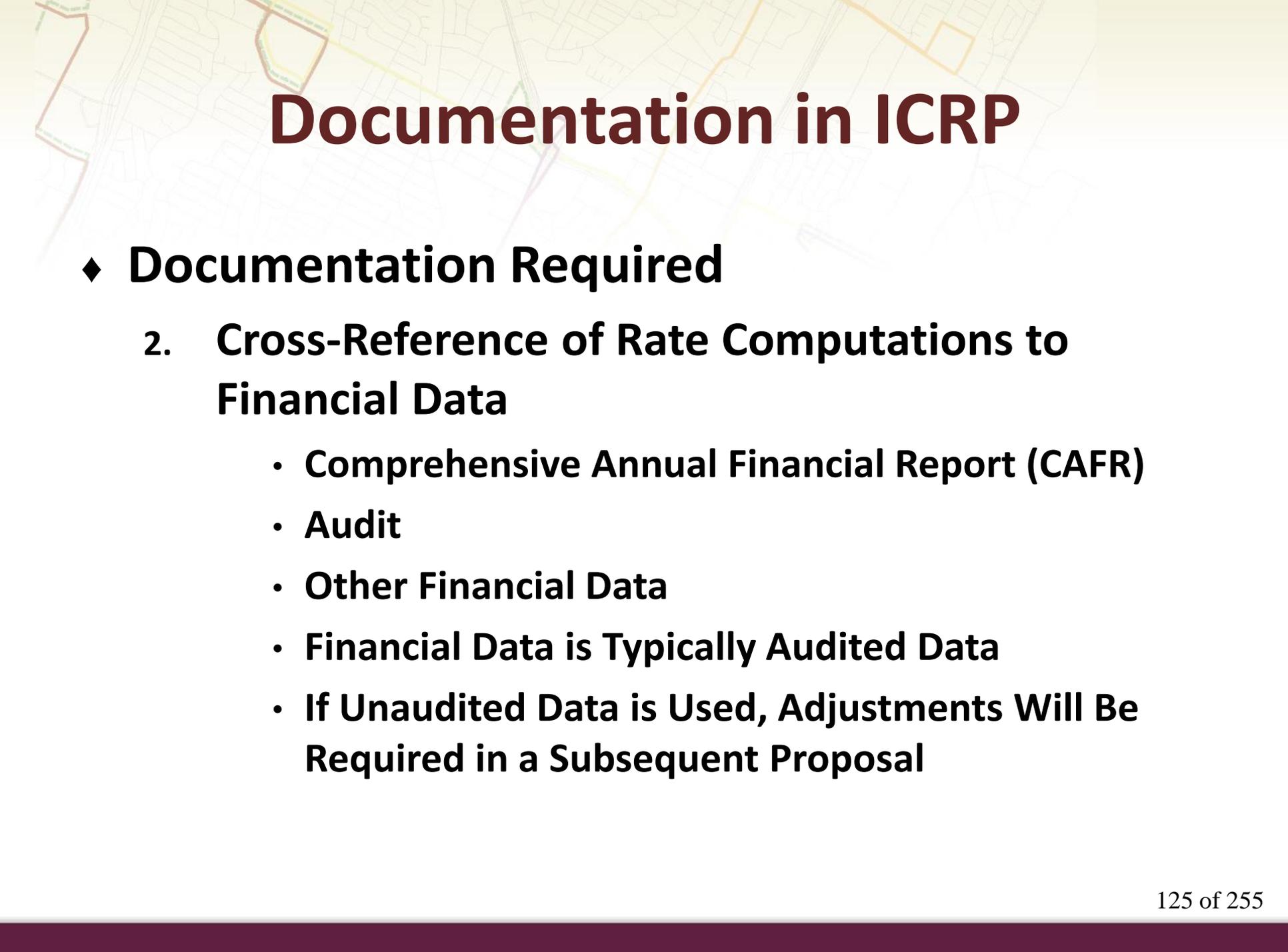
Multiple Allocation Methods

- ◆ **Where a Non-Federal Entity's Indirect Costs Benefit Its Major Functions in Varying Degrees, Such Costs Must Be Accumulated Into Separate Cost Groupings. Each Grouping Must Then Be Allocated Individually To Benefitted Functions By Means of a Base Which Best Measures the Relative Benefits**
- ◆ **This Method Usually Appropriate for Larger, More Complex, Public Entities**



Documentation in ICRP

- ◆ **Indirect Cost Rate Proposals (ICRP) Need Not Be Complex**
- ◆ **Generally Derived on Existing Data**
 1. **Computation of Rate**
 - **Subsidiary Worksheets**
 - **Other Relevant Data**

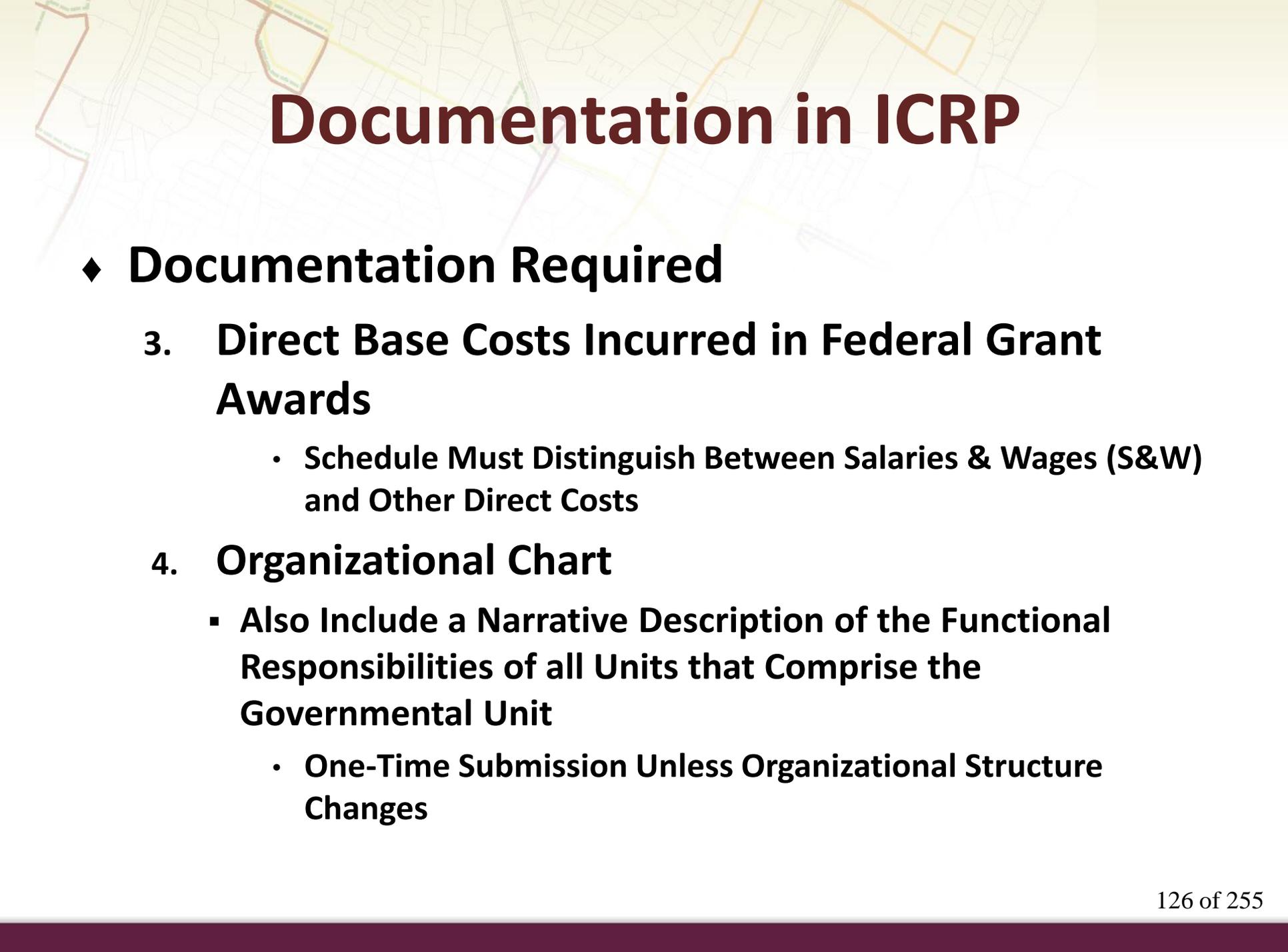


Documentation in ICRP

◆ Documentation Required

2. Cross-Reference of Rate Computations to Financial Data

- Comprehensive Annual Financial Report (CAFR)
- Audit
- Other Financial Data
- Financial Data is Typically Audited Data
- If Unaudited Data is Used, Adjustments Will Be Required in a Subsequent Proposal



Documentation in ICRP

◆ Documentation Required

3. Direct Base Costs Incurred in Federal Grant Awards

- Schedule Must Distinguish Between Salaries & Wages (S&W) and Other Direct Costs

4. Organizational Chart

- Also Include a Narrative Description of the Functional Responsibilities of all Units that Comprise the Governmental Unit
 - One-Time Submission Unless Organizational Structure Changes



Documentation in ICRP

- ◆ **Documentation Required**

- 5. **Required Certification**

- **Every Submittal Must Contain a Certification that is a Verbatim Recital of the “Certificate of Indirect Costs” Found in Appendix VII to 2 CFR § 200**



Submission

- ◆ **Submission Should be Made to the Cognizant Agency for Indirect Costs**
 - **This is the Entity Responsible for the Following in Indirect Cost Rate Proposals:**
 - **Review**
 - **Negotiation**
 - **Approval**

Cognizant Agency for Indirect Costs

- ◆ **Public Entities That Receive More Than \$35,000,000 Must Submit Its Indirect Cost Rate Proposal to the Cognizant Agency for Indirect Costs**
- ◆ **Other Public Entities Develop Indirect Cost Rate Proposals, Use the Rates, and Maintain All Proposal Documentation On File**
 - **Submit Upon Request**

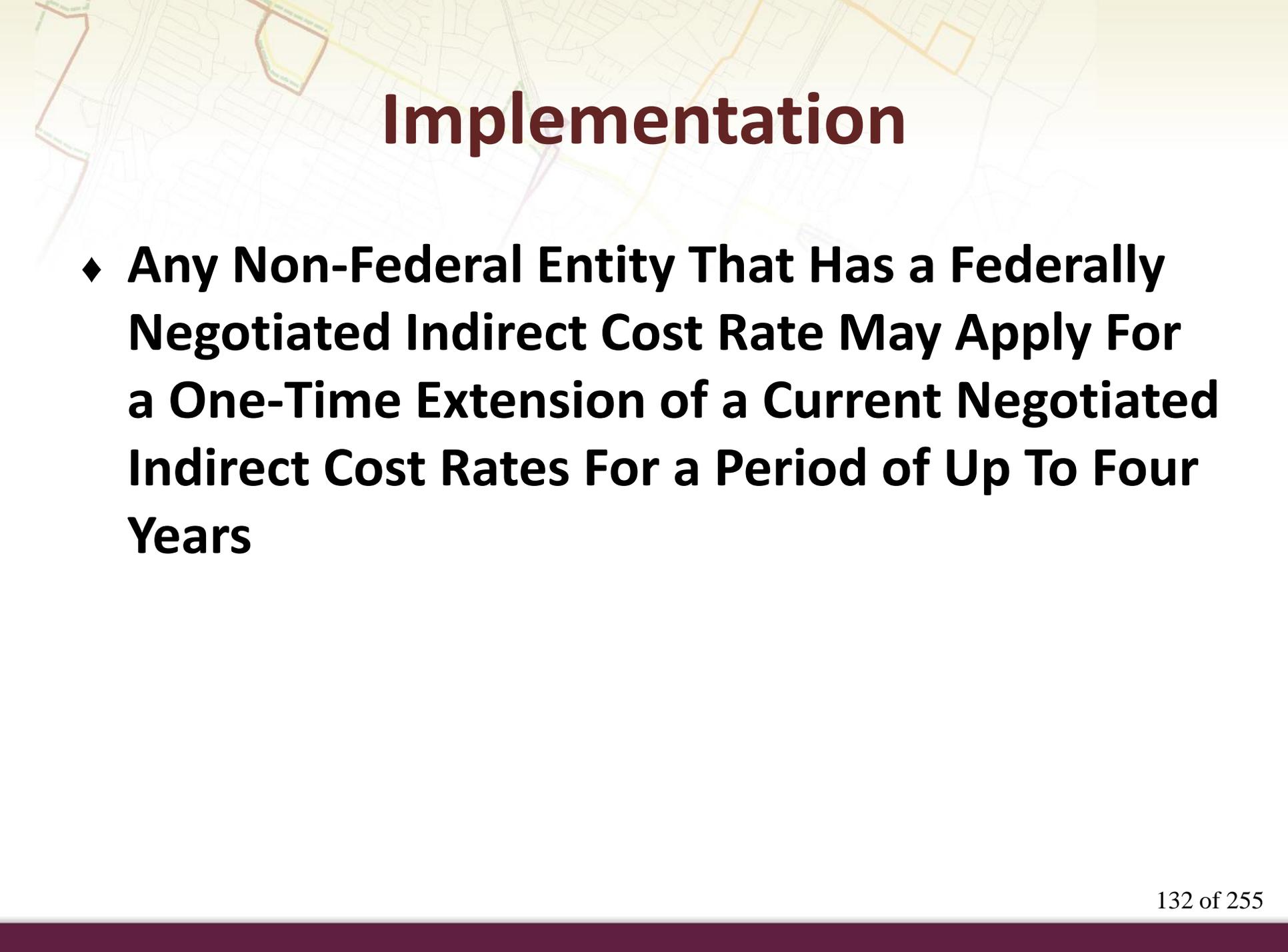
Cognizant Agency for Indirect Costs

- ◆ **KEY Element For Pass-Through Entity and Subrecipients**
 - **Where a Non-federal Entity Only Receives Funds As a Subrecipient, the Pass-through Entity Will Be Responsible For Negotiating and/or Monitoring the Subrecipient's Indirect Costs**
 - **GDOT = Pass-Through Entity**
 - **Your Organization = Subrecipient**



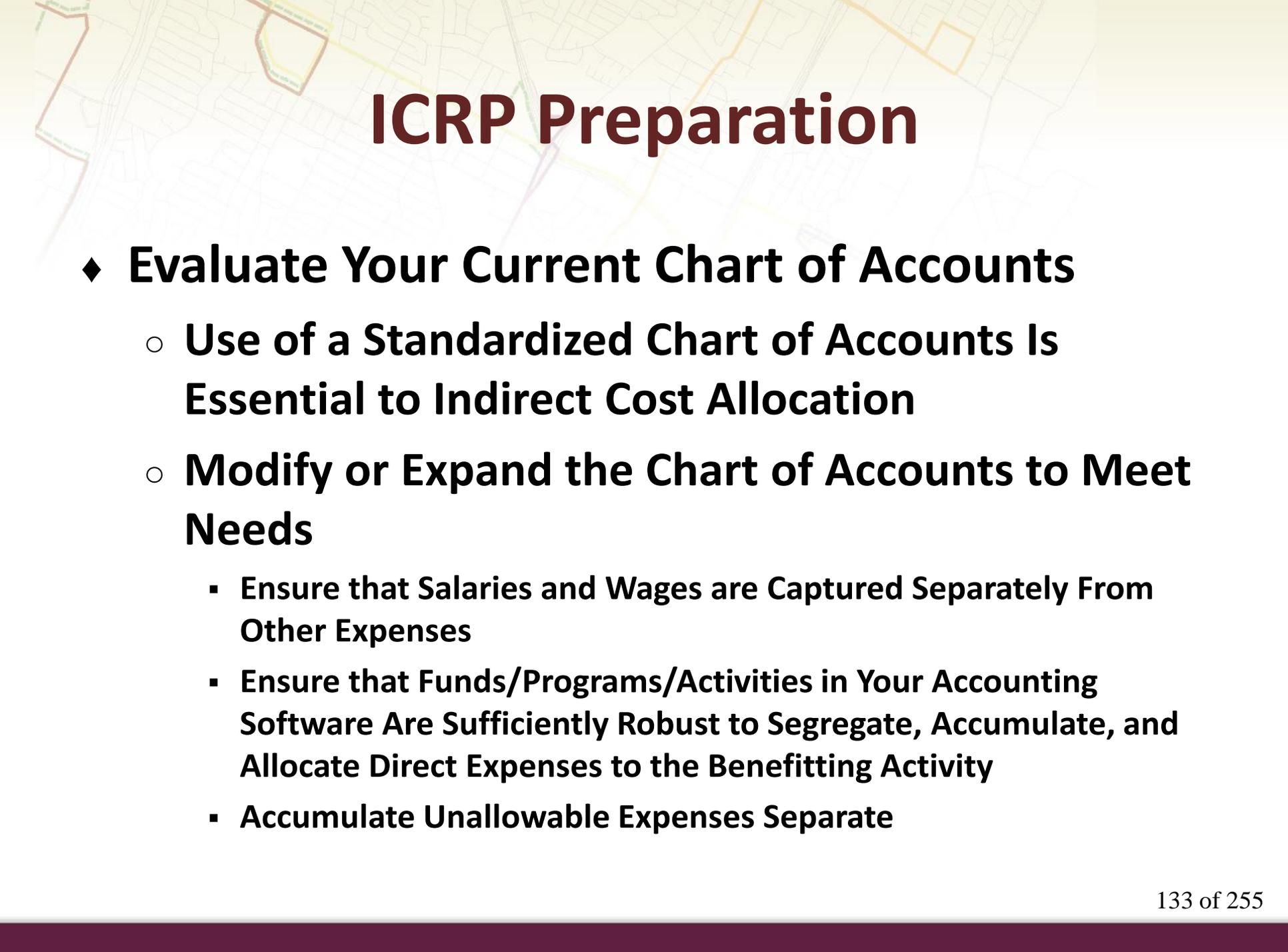
Implementation

- ◆ **Upon Approval, the Rate is Typically Applied for a One-Year Period Coinciding to the Entity's Fiscal Year**
- ◆ **The New Super Circular Provides New Authority That Enables Indirect Cost Rates to Be Applied for Longer Than One Year**



Implementation

- ◆ **Any Non-Federal Entity That Has a Federally Negotiated Indirect Cost Rate May Apply For a One-Time Extension of a Current Negotiated Indirect Cost Rates For a Period of Up To Four Years**



ICRP Preparation

- ◆ **Evaluate Your Current Chart of Accounts**
 - **Use of a Standardized Chart of Accounts Is Essential to Indirect Cost Allocation**
 - **Modify or Expand the Chart of Accounts to Meet Needs**
 - **Ensure that Salaries and Wages are Captured Separately From Other Expenses**
 - **Ensure that Funds/Programs/Activities in Your Accounting Software Are Sufficiently Robust to Segregate, Accumulate, and Allocate Direct Expenses to the Benefitting Activity**
 - **Accumulate Unallowable Expenses Separate**



ICRP Preparation

◆ Technical Guidance

- **The Best Guidance, and the Document Most Recommended, Remains a Publication Produced by the U.S. Department of Health and Human Services Almost Two Decades Ago**
- **Still Widely Available for Download at:**

<https://rates.psc.gov/fms/dca/ASMBc-10.pdf>

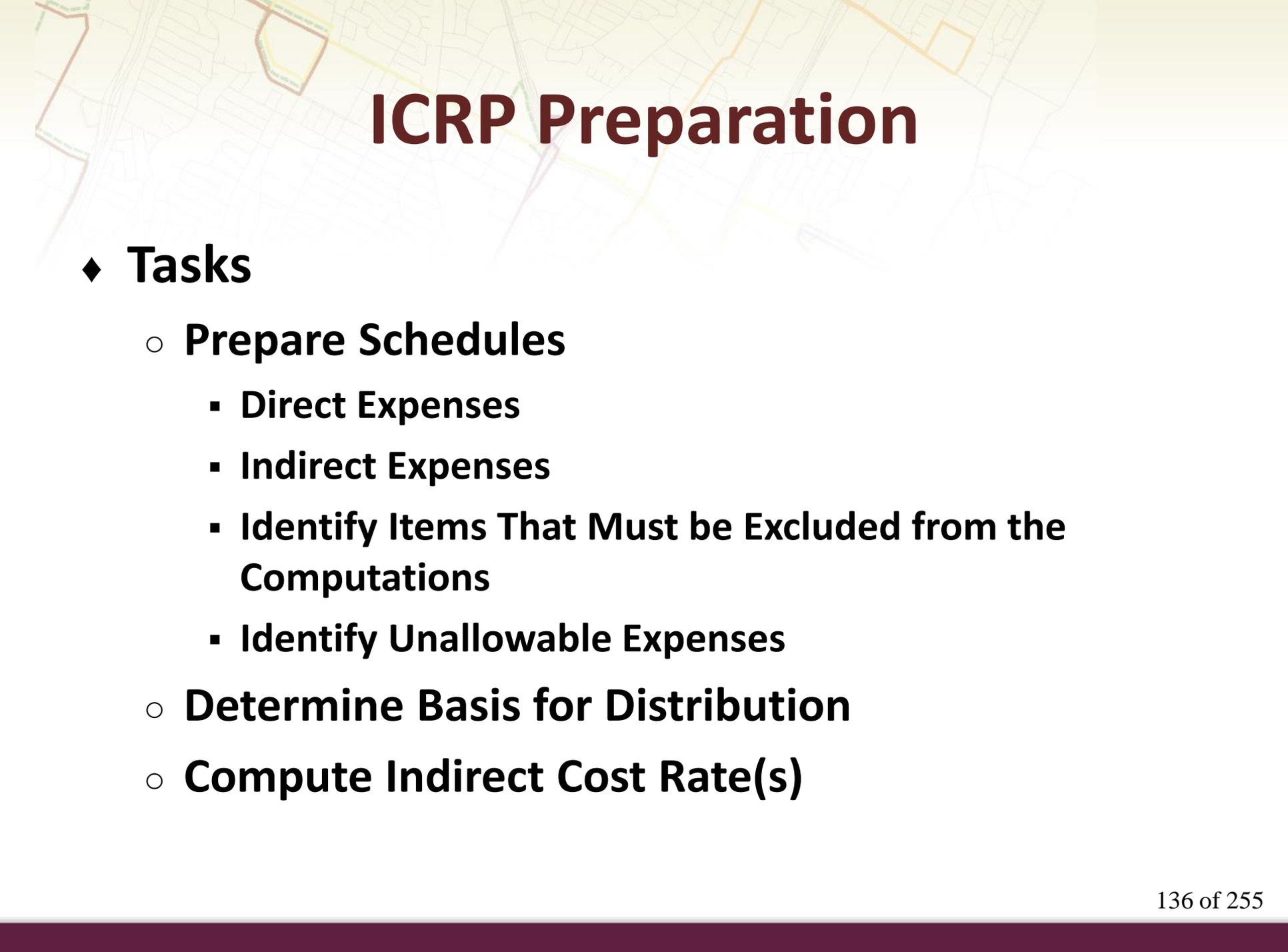
ICRP Preparation

A GUIDE FOR
STATE, LOCAL AND INDIAN TRIBAL
GOVERNMENTS

COST PRINCIPLES AND PROCEDURES FOR
DEVELOPING COST ALLOCATION PLANS AND
INDIRECT COST RATES FOR AGREEMENTS
WITH THE FEDERAL GOVERNMENT

IMPLEMENTATION GUIDE FOR
OFFICE OF MANAGEMENT AND BUDGET
CIRCULAR A-87

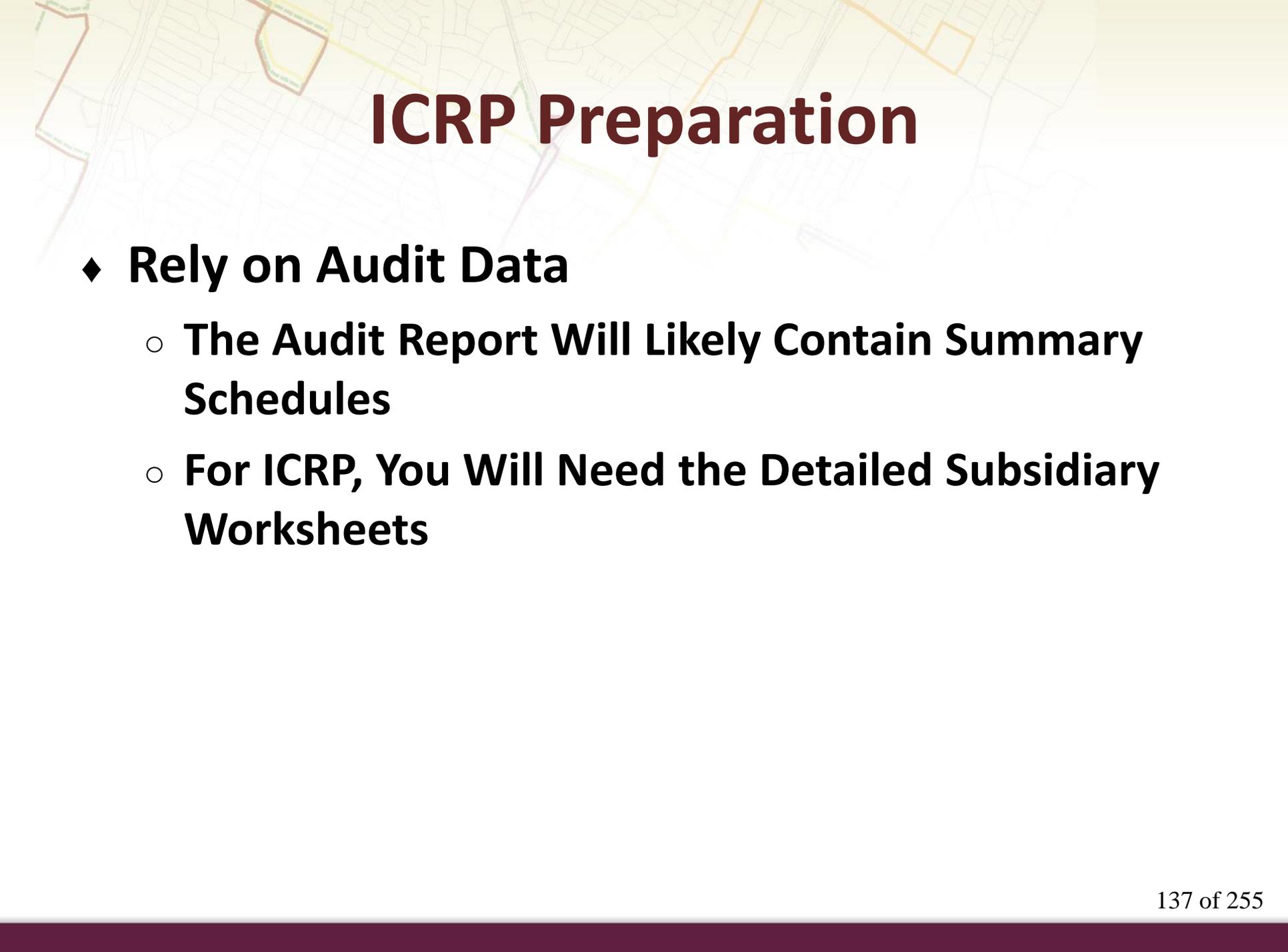
ASMB C-10



ICRP Preparation

◆ Tasks

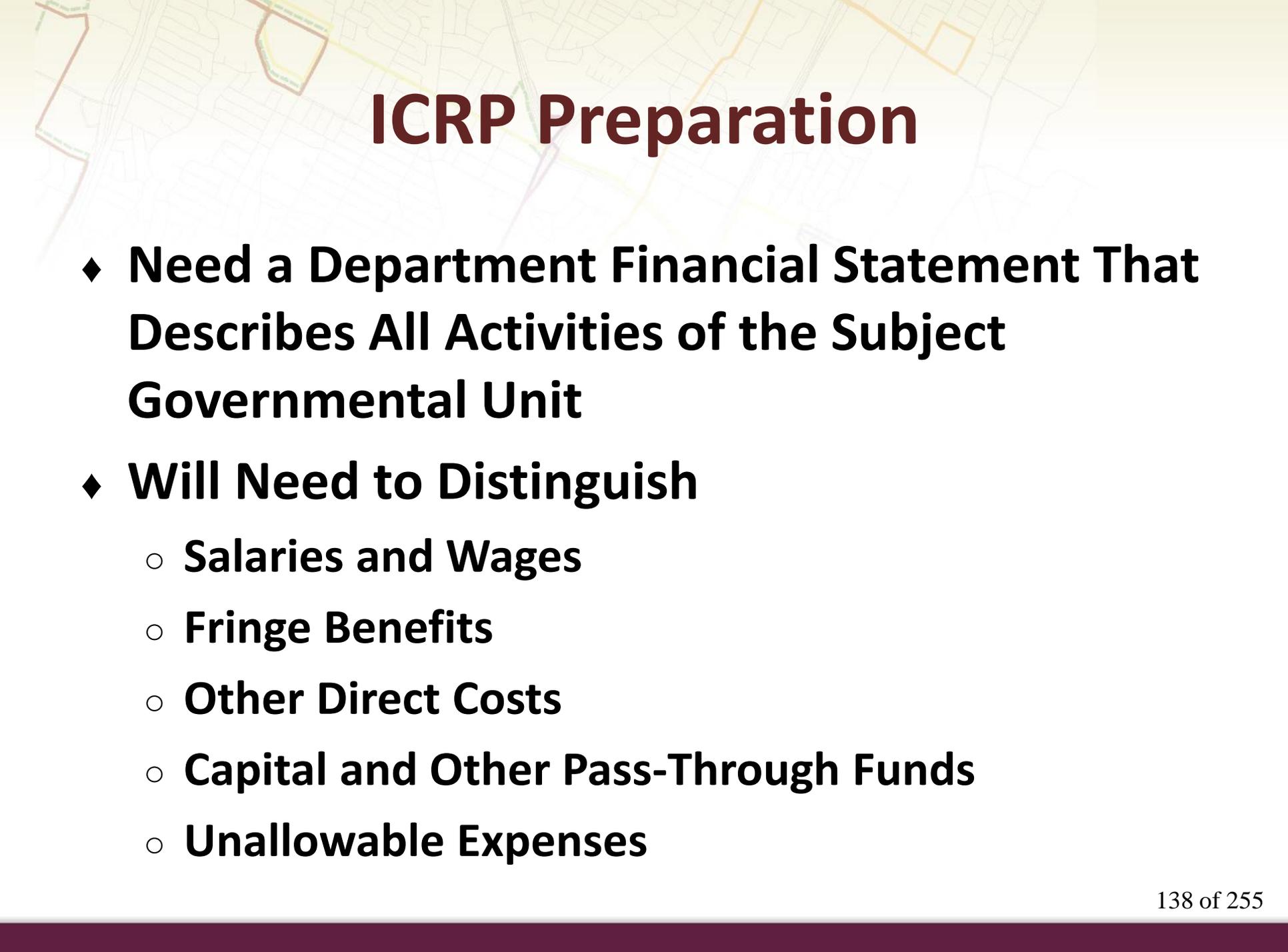
- **Prepare Schedules**
 - **Direct Expenses**
 - **Indirect Expenses**
 - **Identify Items That Must be Excluded from the Computations**
 - **Identify Unallowable Expenses**
- **Determine Basis for Distribution**
- **Compute Indirect Cost Rate(s)**



ICRP Preparation

◆ Rely on Audit Data

- The Audit Report Will Likely Contain Summary Schedules
- For ICRP, You Will Need the Detailed Subsidiary Worksheets



ICRP Preparation

- ◆ **Need a Department Financial Statement That Describes All Activities of the Subject Governmental Unit**
- ◆ **Will Need to Distinguish**
 - **Salaries and Wages**
 - **Fringe Benefits**
 - **Other Direct Costs**
 - **Capital and Other Pass-Through Funds**
 - **Unallowable Expenses**

ICRP Preparation – Audit Schedule

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
UNAUDITED
(Continued)

Table 2 reflects the change in net position for 2013 and 2012.

Table 2
Governmental Activities
Changes in Net Position

	2013	2012	Change
Receipts:			
Program Receipts:			
Charges for Services	\$3,609,389	\$3,586,890	\$22,499
Operating Grants, Contributions, and Interest	10,870,680	9,966,286	904,394
Capital Grants		610,923	(610,923)
Total Program Receipts	14,480,069	14,164,099	315,970
General Receipts:			
Property Taxes Levied for General Operating	1,661,853	1,641,057	20,796
Property Taxes Levied for Lawnview 169 Board	2,404,132	2,365,758	38,374
Property Taxes Levied for Children's Services	510,428	502,126	8,302
Sales Taxes	5,312,020	4,859,352	452,668
Grants and Entitlements	1,087,655	868,012	219,643
Interest	404,705	436,112	(31,407)
Other	2,221,264	2,945,223	(723,959)
Total General Receipts	13,602,057	13,617,640	(15,583)
Total Receipts	28,082,126	27,781,739	300,387
Program Disbursements			
General Government:			
Legislative and Executive	3,920,017	3,938,117	18,100
Judicial	2,338,841	2,242,057	(96,784)
Public Safety	4,050,913	3,857,664	(193,249)
Public Works	4,937,669	6,279,755	1,342,086
Health	5,026,790	4,903,592	(123,198)
Human Services	4,939,302	5,431,627	492,325
Conservation and Recreation	274,920	216,237	(58,683)
Economic Development and Assistance	702,590	170,914	(531,676)
Capital Outlay	149,557	50,499	(99,058)
Debt Service:			
Principal Retirement	289,060	313,119	24,059
Interest and Fiscal Charges	54,700	64,900	10,200
Total Disbursements	26,684,359	27,468,481	784,122
Increase in Net Position	1,397,767	313,258	1,084,509
Net Position at Beginning of Year	12,717,648	12,404,390	313,258
Net Position at End of Year	\$14,115,415	\$12,717,648	\$1,397,767



Exercise No. 5 - Answers
Indirect Costs Schedule
Smith County Public Works Department
For the Fiscal Year Ended December 31, 2014

Departmental Unit	Direct Costs					
	Total (A)	Exclusions (B)	Expenditures Not Allowable (C)	Indirect Costs (D)	Direct Salaries and Wages (E)	Other Direct Costs (F)
Transit	\$ 568,118	\$ 63,646	\$ 790		\$ 351,014	\$ 151,878
Roads	\$ 1,769,398	\$ 125,695	\$ 3,190		\$ 1,079,178	\$ 558,145
Environmental Services	\$ 2,092,776	\$ 256,967	\$ 265	\$ -	\$ 1,500,346	\$ 334,933
Subtotal	\$ 4,430,292	\$ 446,308	\$ 4,245	\$ -	\$ 2,930,538	\$ 1,044,956
Departmental Indirect Costs						
Administration	\$ 285,599.39	\$ -	\$ -	\$ 285,599	\$ -	\$ -
Subtotal	\$ 285,599.39	\$ -	\$ -	\$ 285,599		
Services Furnished (But Not Billed) by Other Governmental Units						
Human Resources	\$ 123,273			\$ 123,273		
Finance	\$ 67,037			\$ 67,037		
Legal	\$ 5,612			\$ 5,612		
Information Technology	\$ 24,890	\$ -	\$ -	\$ 24,890	\$ -	\$ -
Subtotal	\$ 220,812	\$ -	\$ -	\$ 220,812	\$ -	\$ -
Total	\$ 4,936,704	\$ 446,308	\$ 4,245	\$ 506,412	\$ 2,930,538	\$ 1,044,956
	↑	↑	↑	↑	↑	↑
	Should reconcile to audit data, other finance data used to prepare ICRP	Exclusions include pass- through funds and capital	Although unallowable, such expenses must bear their share of indirect	Indirect costs should be accumulated in separate accounts within the accounting system	Should reconcile to audit data, other finance data used to prepare ICRP	Should reconcile to audit data, other finance data used to prepare ICRP

ICRP Preparation – Audit Schedule

Exercise No. 6 - Answers
Sample Indirect Cost Rate Proposal - Simplified Method
Smith County Public Works Department
For the Fiscal Year Ended December 31, 2014

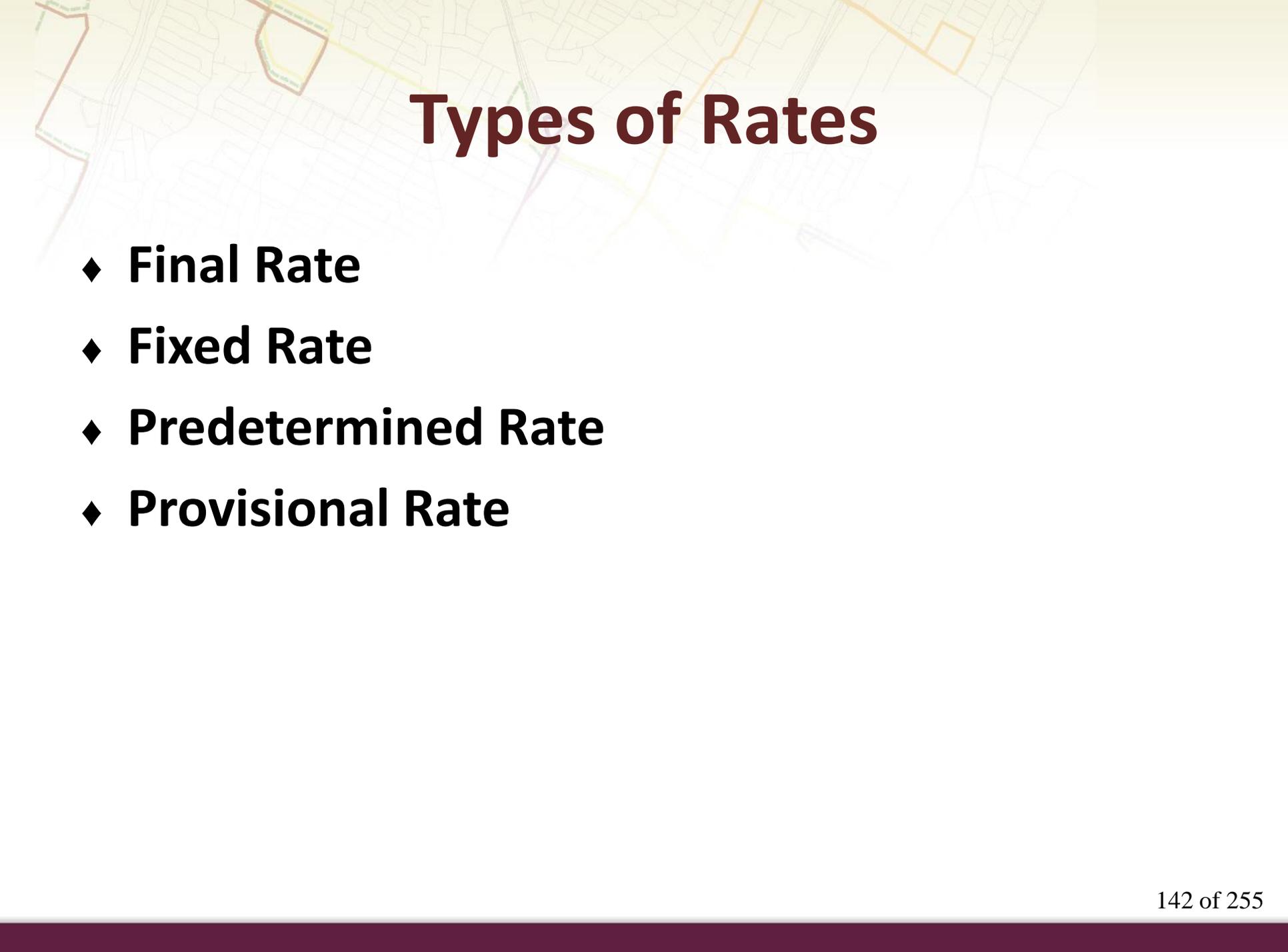
Summary

Total (A)	Exclusions and Non-Allowable (B) +(C)	Indirect Costs (D)	Modified Total Direct Cost (MTDC) (E) +(F)
\$ 4,937,669	\$ 450,553	\$ 507,377	\$ 3,975,494

Indirect Cost Rate Computation

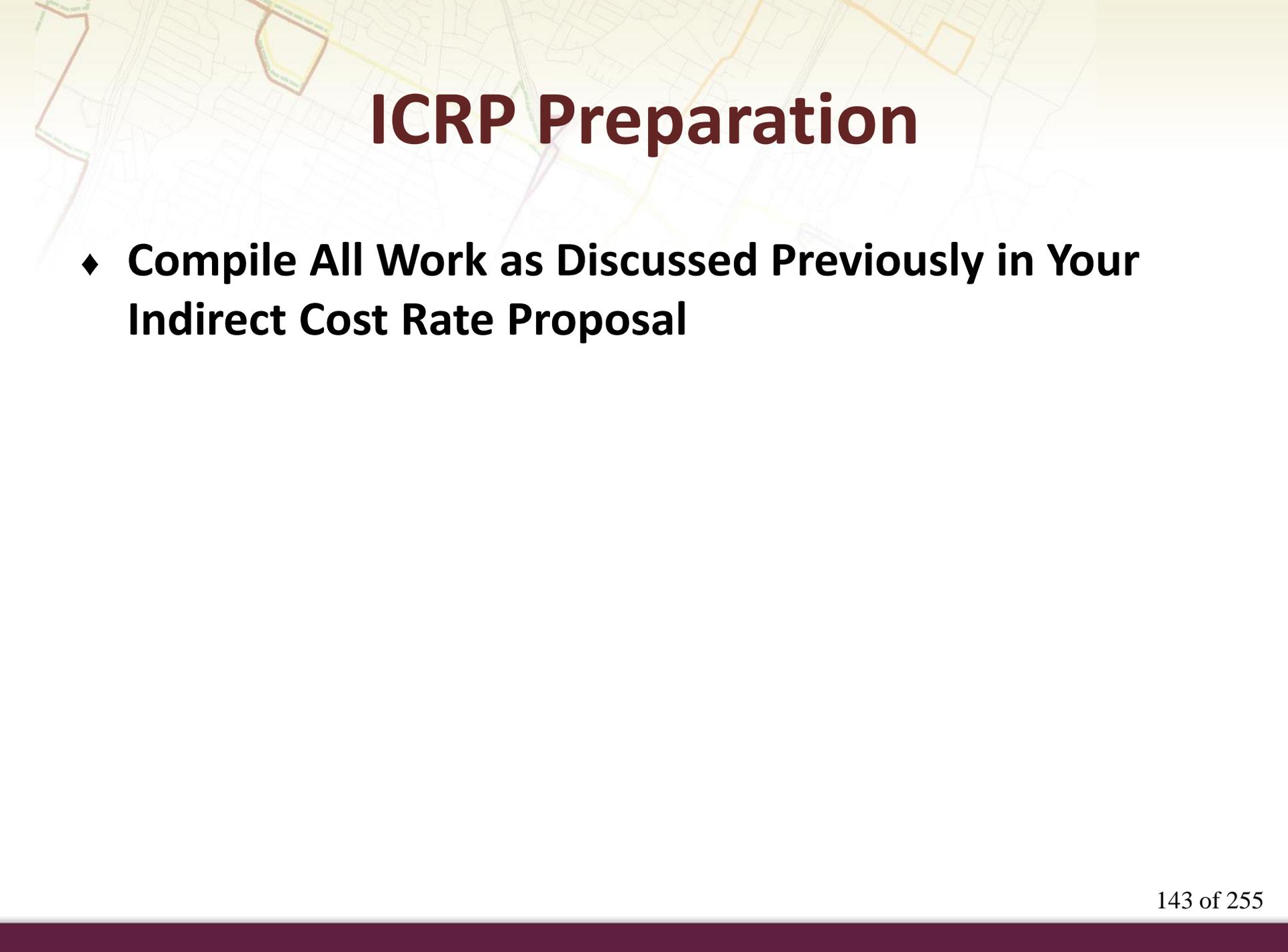
$$(D) \div [(E) + (F)] \quad \frac{\$ 507,377}{\$ 3,975,494} = 12.8\%$$

Smith County Public Works Department proposes to use an Indirect Cost Rate of 12.8% applied to Modified Total Direct Costs in its Federal grant awards.



Types of Rates

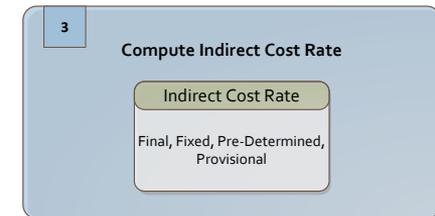
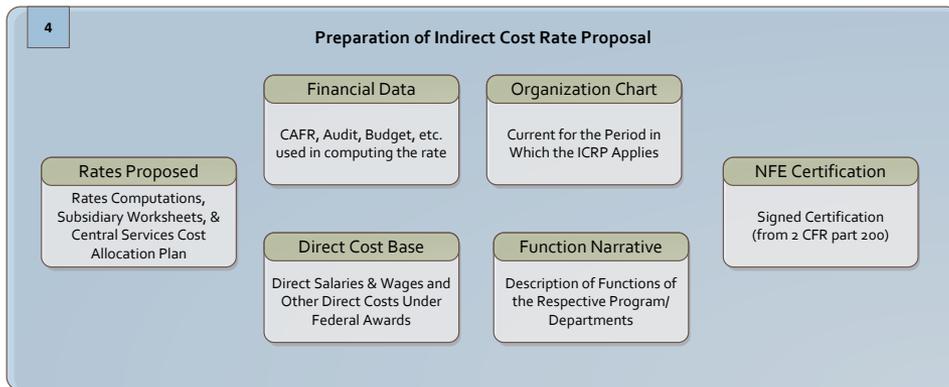
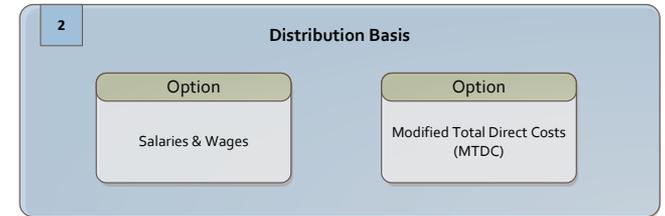
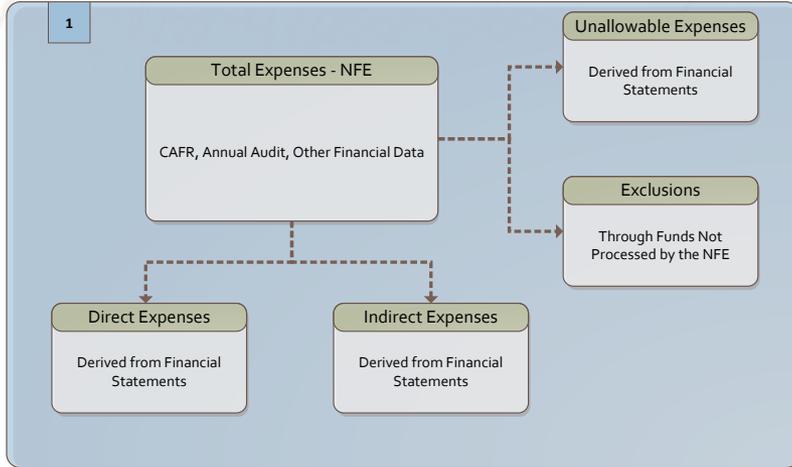
- ◆ **Final Rate**
- ◆ **Fixed Rate**
- ◆ **Predetermined Rate**
- ◆ **Provisional Rate**

A background map showing a street grid with several colored overlays: a red outline on the left, a yellow outline in the upper center, and a purple outline in the center. The title 'ICRP Preparation' is centered over the map.

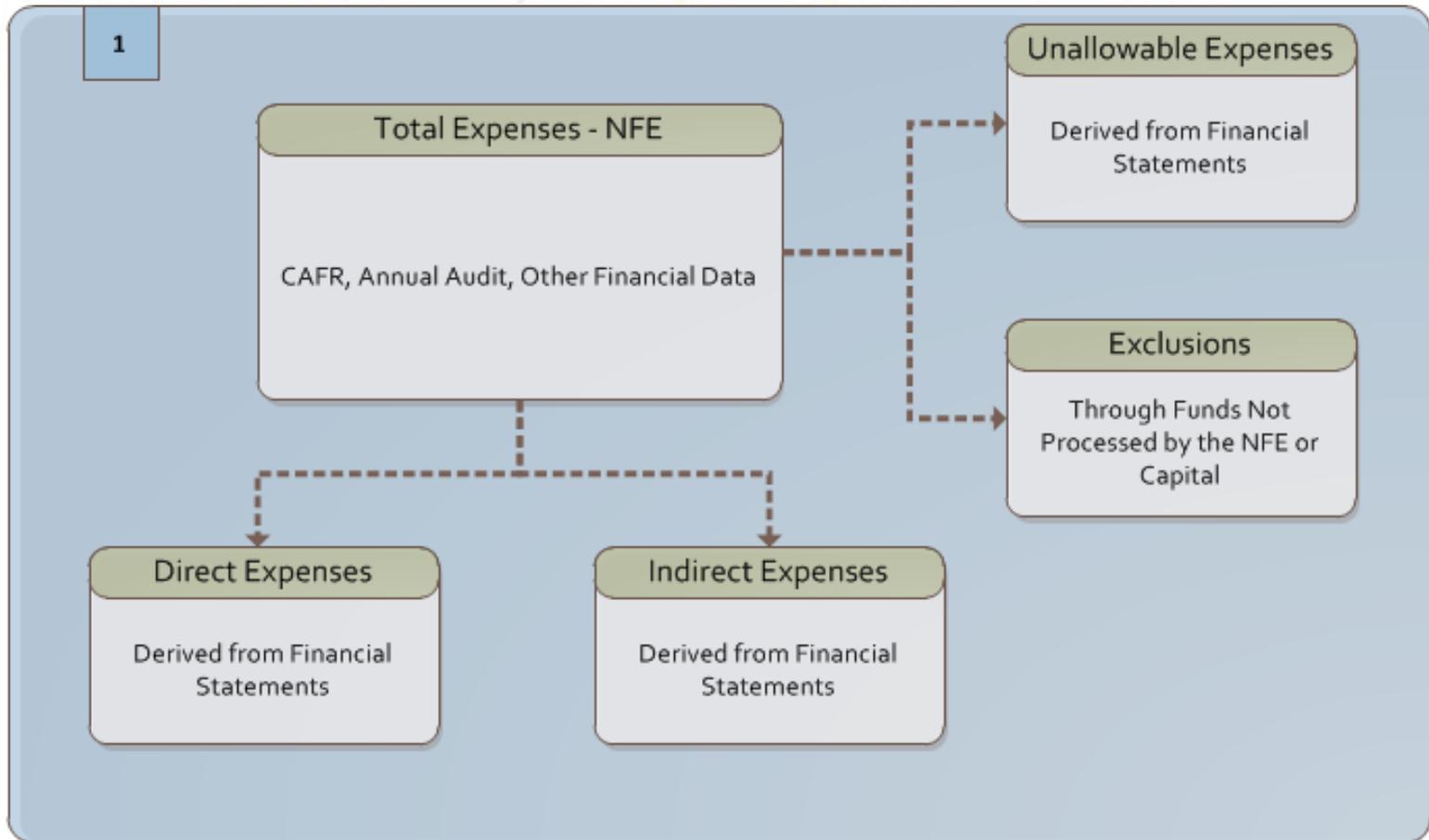
ICRP Preparation

- ◆ **Compile All Work as Discussed Previously in Your Indirect Cost Rate Proposal**

ICRP Preparation



ICRP Preparation



ICRP Preparation

2

Distribution Basis

Option

Salaries & Wages

Option

Modified Total Direct Costs
(MTDC)

ICRP Preparation

3

Compute Indirect Cost Rate

Indirect Cost Rate

Final, Fixed, Pre-Determined,
Provisional

ICRP Preparation

4

Preparation of Indirect Cost Rate Proposal

Rates Proposed

Rates Computations,
Subsidiary Worksheets, &
Central Services Cost
Allocation Plan

Financial Data

CAFR, Audit, Budget, etc.
used in computing the rate

Organization Chart

Current for the Period in
Which the ICRP Applies

NFE Certification

Signed Certification
(from 2 CFR part 200)

Direct Cost Base

Direct Salaries & Wages and
Other Direct Costs Under
Federal Awards

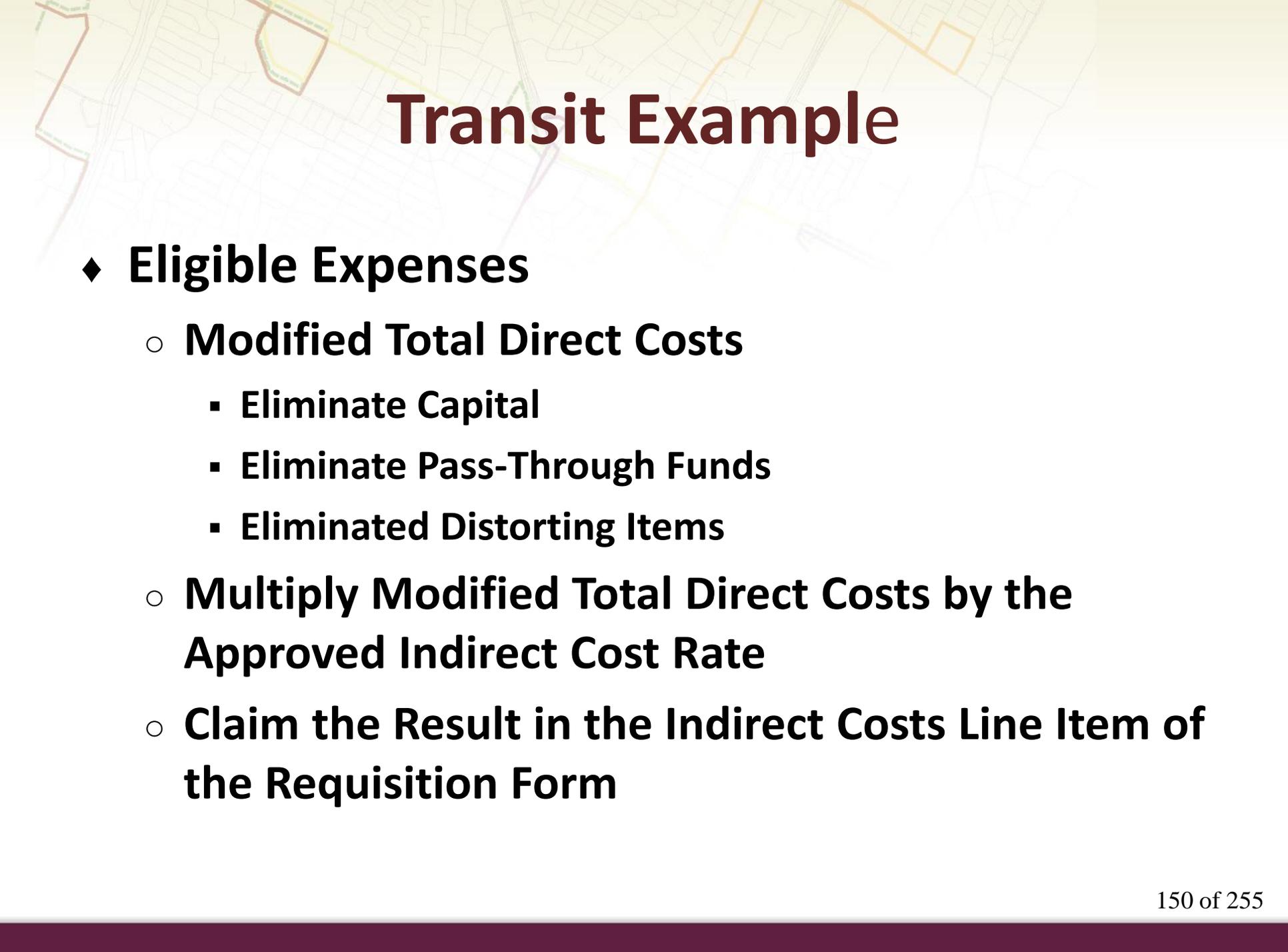
Function Narrative

Description of Functions of
the Respective Program/
Departments



Transit Example

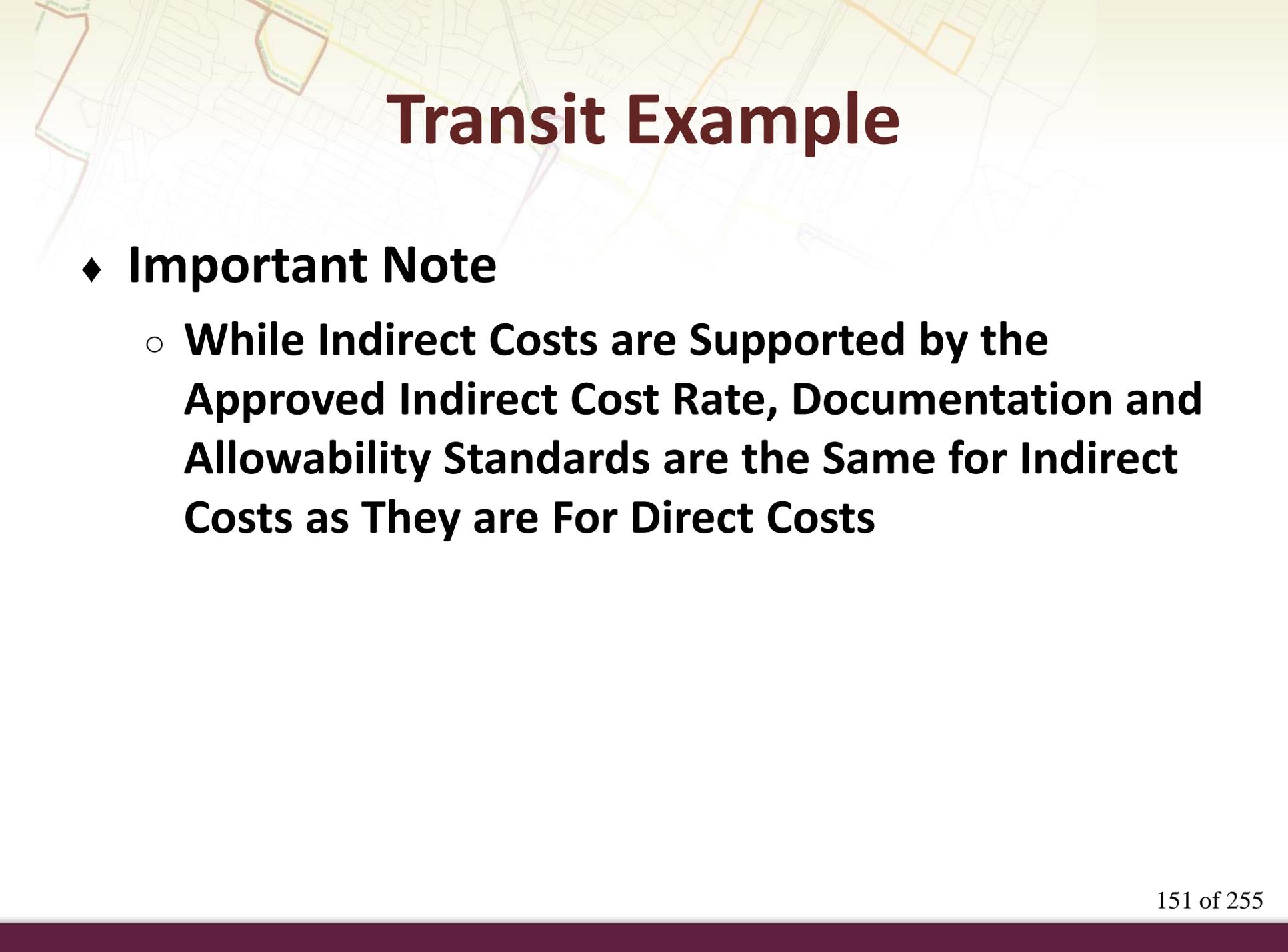
- ◆ **Indirect Cost Allocation Rates are Used In Each Billing Period**
- ◆ **In Our Example, an Indirect Cost Rate Using Modified Total Direct Cost (MTDC) Was Developed**
- ◆ **During Each Billing Period, The Subrecipient Will Accumulate Eligible Expenses**



Transit Example

◆ Eligible Expenses

- **Modified Total Direct Costs**
 - **Eliminate Capital**
 - **Eliminate Pass-Through Funds**
 - **Eliminated Distorting Items**
- **Multiply Modified Total Direct Costs by the Approved Indirect Cost Rate**
- **Claim the Result in the Indirect Costs Line Item of the Requisition Form**



Transit Example

◆ Important Note

- **While Indirect Costs are Supported by the Approved Indirect Cost Rate, Documentation and Allowability Standards are the Same for Indirect Costs as They are For Direct Costs**

ICRs and Pass-Through Relationships

- ◆ **Negotiated Rates with Pass-Through State Agency**
 - **If the Lower Tier Subrecipient Already Has a Negotiated Rate with the Federal Government, the Pass-Through Agency Must Accept That Rate**

ICRs and Pass-Through Relationships

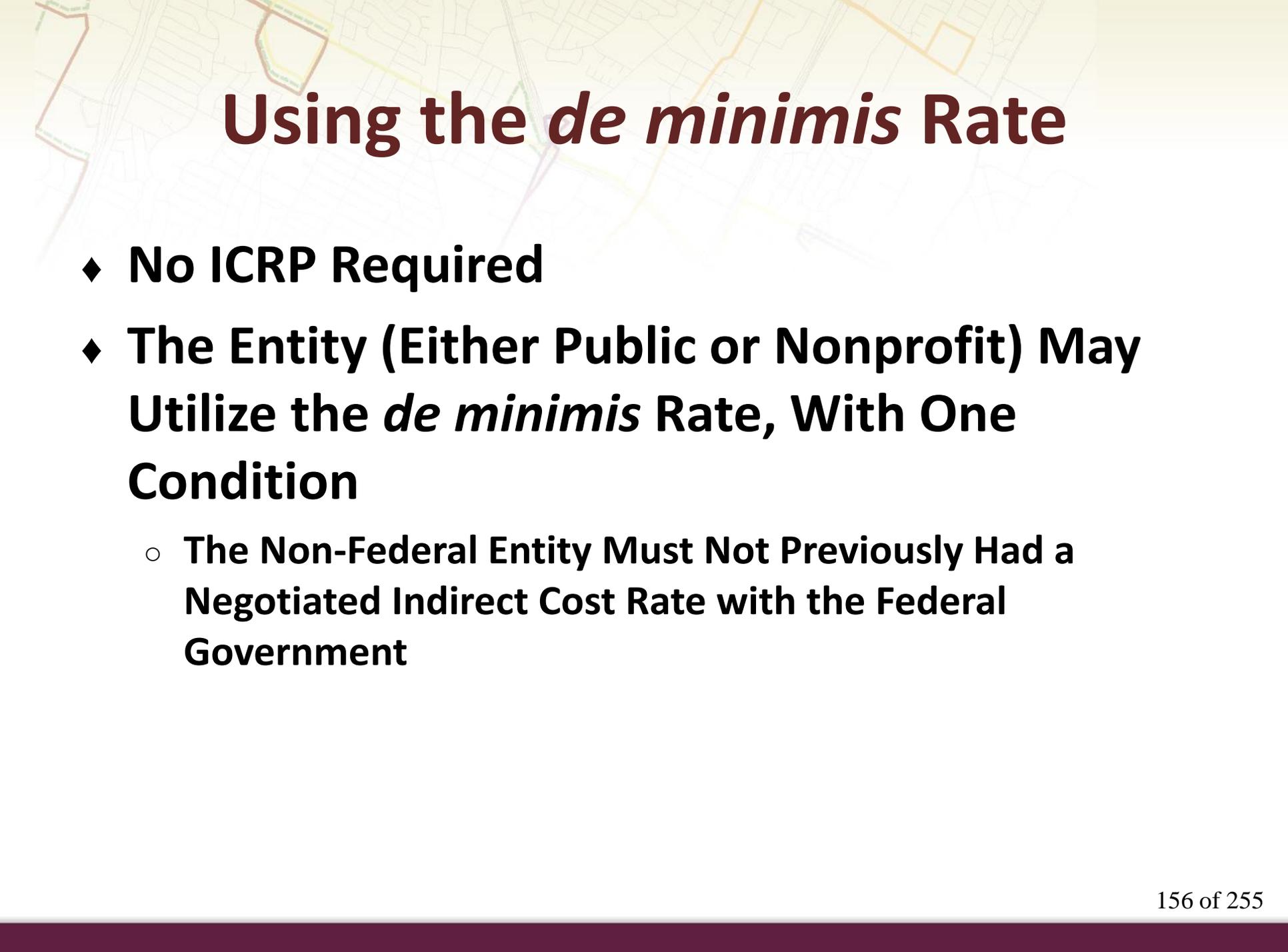
- ◆ **Prior Indirect Costs Paid by a State Pass-Through State Agency**
 - **If the Lower Tier Subrecipient Has Previously Had Arrangements with a State Pass-Through Agency on the Payment of Indirect Costs, the Lower Tier Entity is Not Eligible to Use the *de minimis* Rate**
 - **The Pass-Through Agency Should Continue To Negotiate and Award Indirect Costs to that Subrecipient In Accordance With Prior Practice**

ICRs and Pass-Through Relationships

- ◆ **Pass-Through Arrangements from Multiple State Agencies**
 - **Each State Agency May Negotiate Independent Rates with the Lower Tier Subrecipient**
 - **Example**
 - **An NFE Has a Rate with the Georgia Department of Human Services and this Entity Receives a Section 5311 Grant**
 - **GDOT May Either**
 - » **Accept DHS Rate**
 - » **Negotiate Own Rate**

ICRs and Pass-Through Relationships

- ◆ **In This Scenario, The Lower Tire Subrecipient Could Not Negotiate a Rate with ODHS and Then Ask GDOT to Use *de minimis* Rate**



Using the *de minimis* Rate

- ◆ **No ICRP Required**
- ◆ **The Entity (Either Public or Nonprofit) May Utilize the *de minimis* Rate, With One Condition**
 - **The Non-Federal Entity Must Not Previously Had a Negotiated Indirect Cost Rate with the Federal Government**



Using the *de minimis* Rate

- ◆ **Previous or Expired Rates With the Federal Government**
 - **If, at any Time the NFE Had a Prior Rate with the Federal Government, the NFE is Prohibited from Using the *de minimis* Rate**



Using the *de minimis* Rate

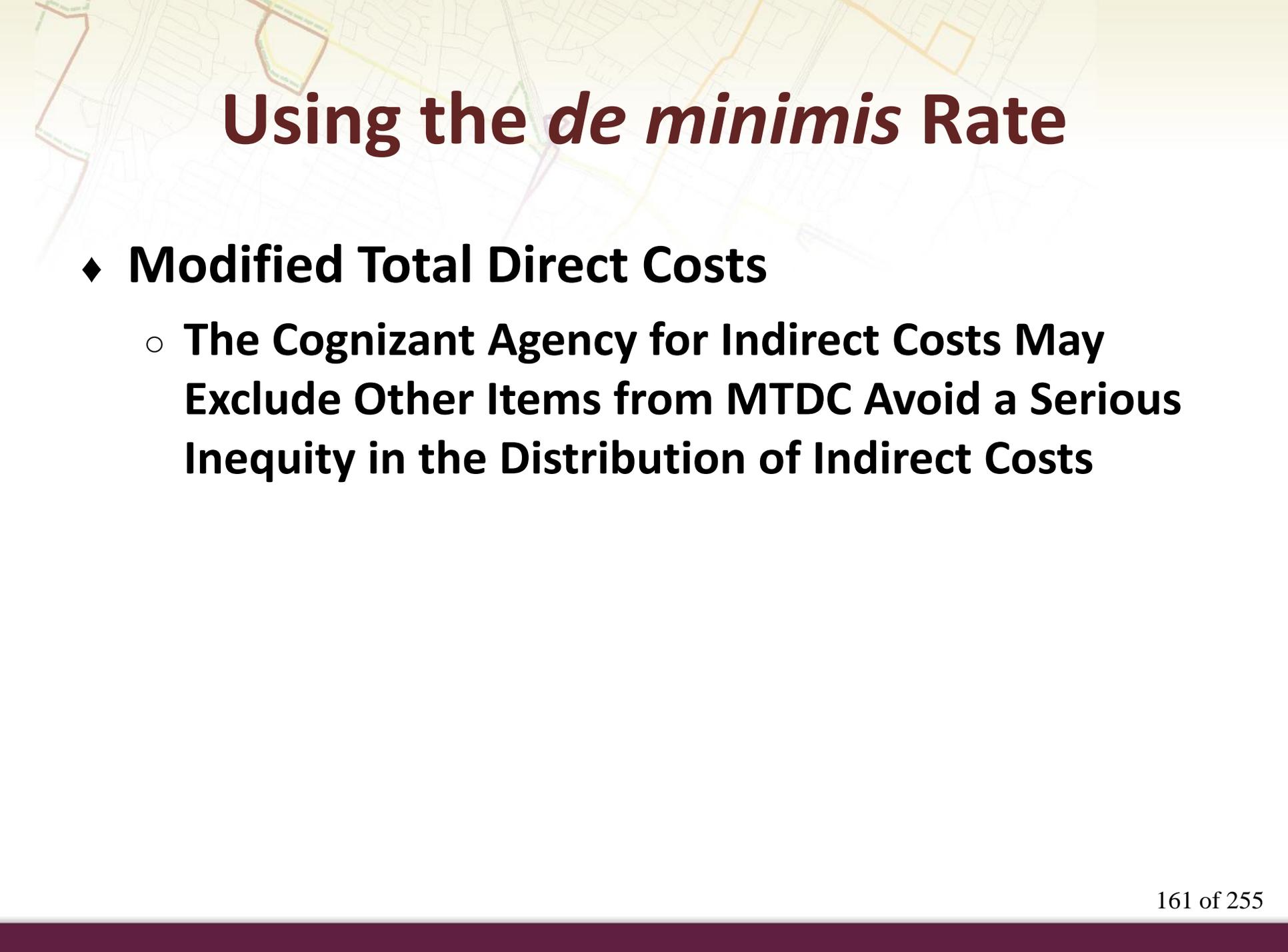
- ◆ **Using the *de minimis* Rate as a Transitional Rate**
 - **This Practice is Permitted**
 - **An NFE May Use the *de minimis* Rate, If Otherwise Qualified, Until Such Time as a Negotiated Rate is Developed, Submitted, and Approved**

Using the *de minimis* Rate

- ◆ **Modified Total Direct Costs**
 - **Typically, a Subset of Allowable Costs Incurred During a Grant Billing Period**
 - **MTDC Includes:**
 - **Salaries and Wages**
 - **Associated Fringe Benefits**
 - **Materials and Supplies**
 - **Services**
 - **Travel**
 - **Subawards/Subcontracts Up to the First \$25,000**

Using the *de minimis* Rate

- ◆ **Modified Total Direct Costs**
 - **MTDC Excludes:**
 - **Equipment**
 - **Capital Expenditures**
 - **Charges for Patient Care**
 - **Rental Costs**
 - **Tuition Remission, Scholarships and Fellowships**
 - **Participant Support Costs**
 - **Portion of Subawards/Subcontracts in Excess of \$25,000**

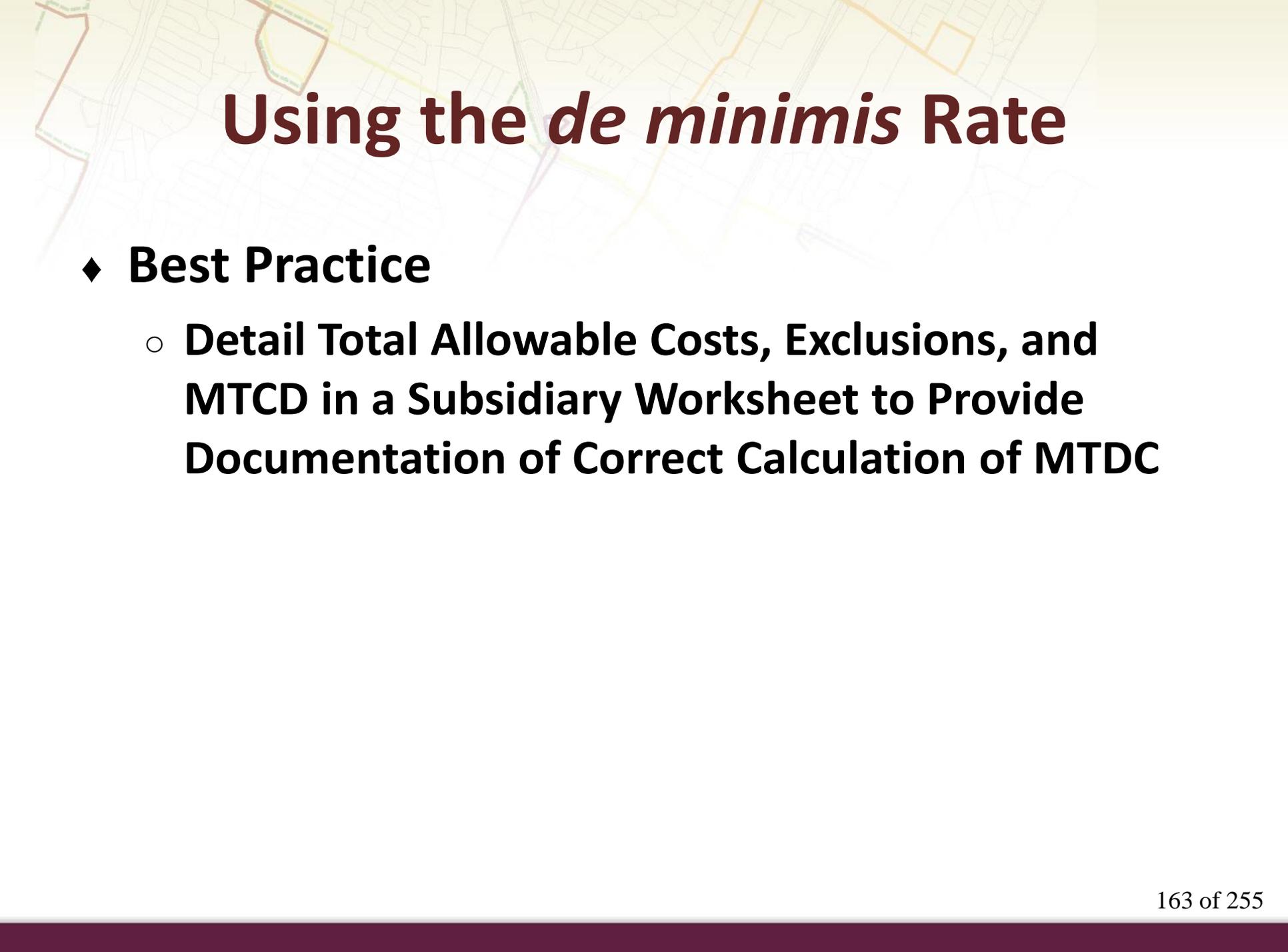


Using the *de minimis* Rate

- ◆ **Modified Total Direct Costs**
 - **The Cognizant Agency for Indirect Costs May Exclude Other Items from MTDC Avoid a Serious Inequity in the Distribution of Indirect Costs**

Using the *de minimis* Rate

- ◆ **Modified Total Direct Costs**
 - **SubAwards/Subcontracts**
 - **The First \$25,000 Allowable in MTDC is for the "Life of the Award"**
 - **Thus, A Transit System Awarding a Three-Year Contract to a Management Company for \$900,000 Would Only Be Allowed to Take A Single Allowance of \$25,000 in its Calculation of MTDC**
 - **Some Consideration May be Permitted if Formal Renegotiated Within the Period of Performance of the Grant Award**



Using the *de minimis* Rate

◆ Best Practice

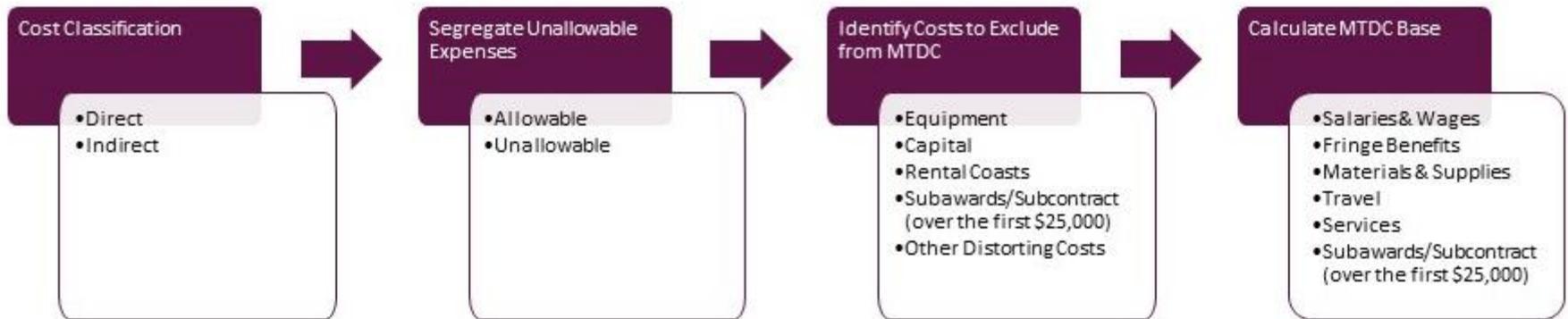
- Detail Total Allowable Costs, Exclusions, and MTCD in a Subsidiary Worksheet to Provide Documentation of Correct Calculation of MTDC

Using the *de minimis* Rate

◆ Allowable Indirect Costs

- Modified Total Direct Costs X 10%
- This Amount is Added to Total Allowable Costs to Compute the Total Allowable Amount During the Billing Period

Using the *de minimis* Rate



Class Exercise #3

Account	Description	Costs, This Period	Excluded from MTDC??	Eligible for MTDC??
5011	Operators' Salaries and Wages	\$131,458		
5012	Operators' Paid Absences	10,516		
5013	Other Salaries and Wages	28,564		
5014	Other Paid Absences	2,285		
5015	Fringe Benefits	19,202		
5024	Audit Services	24,500		
5031	Fuel and Lubricants	34,233		
5034	Supplies	2,675		
5041	Electric	1,687		
5051	Physical Damage Insurance	6,459		
5101	Purchased Transportation ¹	40,000		
5220	Facility Lease ²	9,000		
6821	Network Server ³	5,500		
6822	Office Computer ⁴	1,299		
	Total	\$317,378		

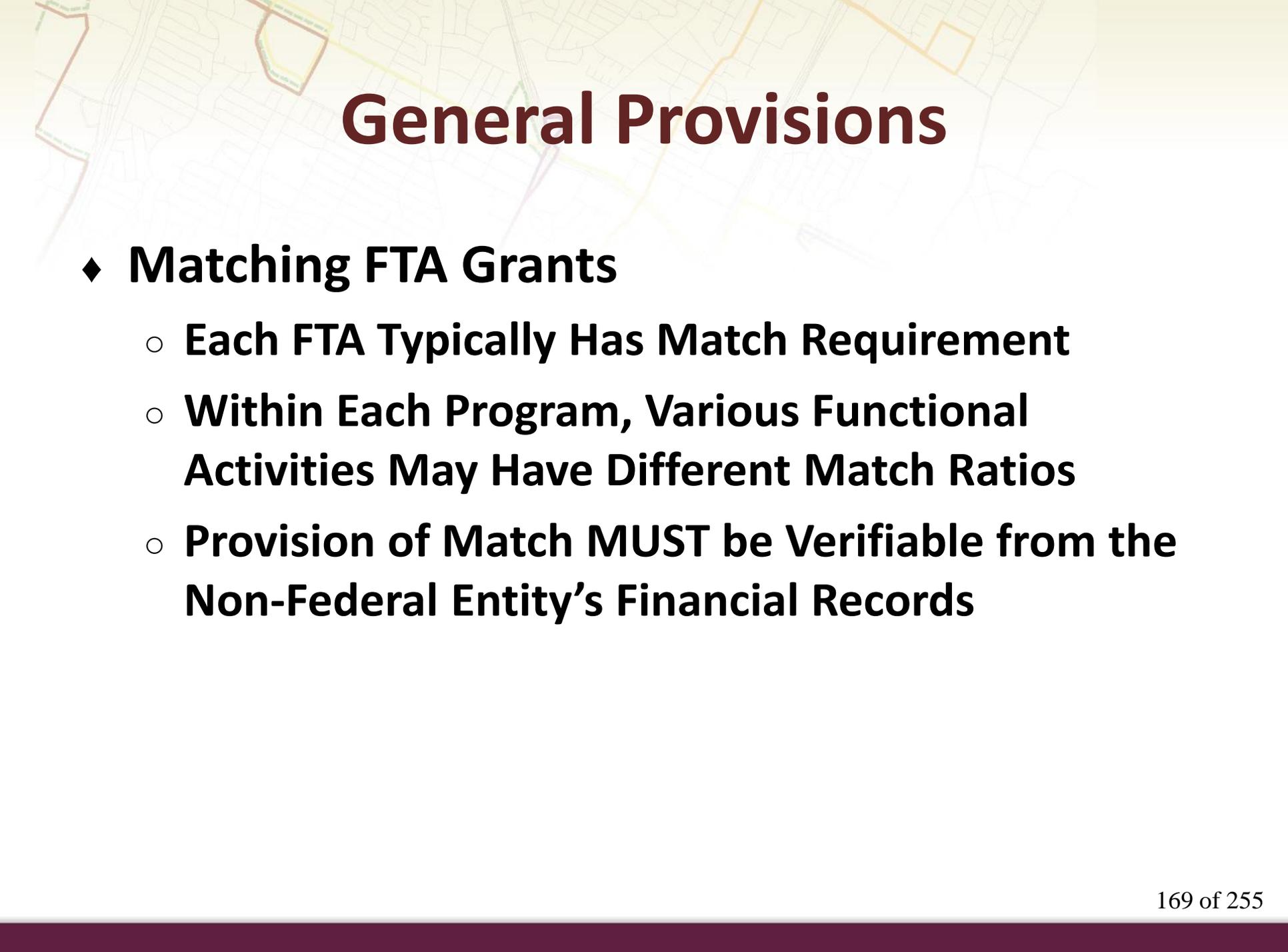
Class Exercise #3

Account	Description	Costs, This Period	Excluded from	
			MTDC	Eligible for MTDC
5011	Operators' Salaries and Wages	\$131,458		\$131,458
5012	Operators' Paid Absences	10,516		10,516
5013	Other Salaries and Wages	28,564		28,564
5014	Other Paid Absences	2,285		2,285
5015	Fringe Benefits	19,202		19,202
5024	Audit Services	24,500		24,500
5031	Fuel and Lubricants	34,233		34,233
5034	Supplies	2,675		2,675
5041	Electric	1,687		1,687
5051	Physical Damage Insurance	6,459		6,459
5101	Purchased Transportation ¹	40,000	15,000	25,000
5220	Facility Lease ²	9,000	9,000	0
6821	Network Server ³	5,500	5,500	0
6822	Office Computer ⁴	1,299		1,299
Total		\$317,378	\$29,500	\$287,878

A faded background image of a map showing a street grid. Several areas are highlighted with colored outlines: a red outline on the left, a yellow outline in the upper center, a purple outline in the center, and an orange outline on the right. The map is semi-transparent, allowing the text below to be clearly visible.

Module 6

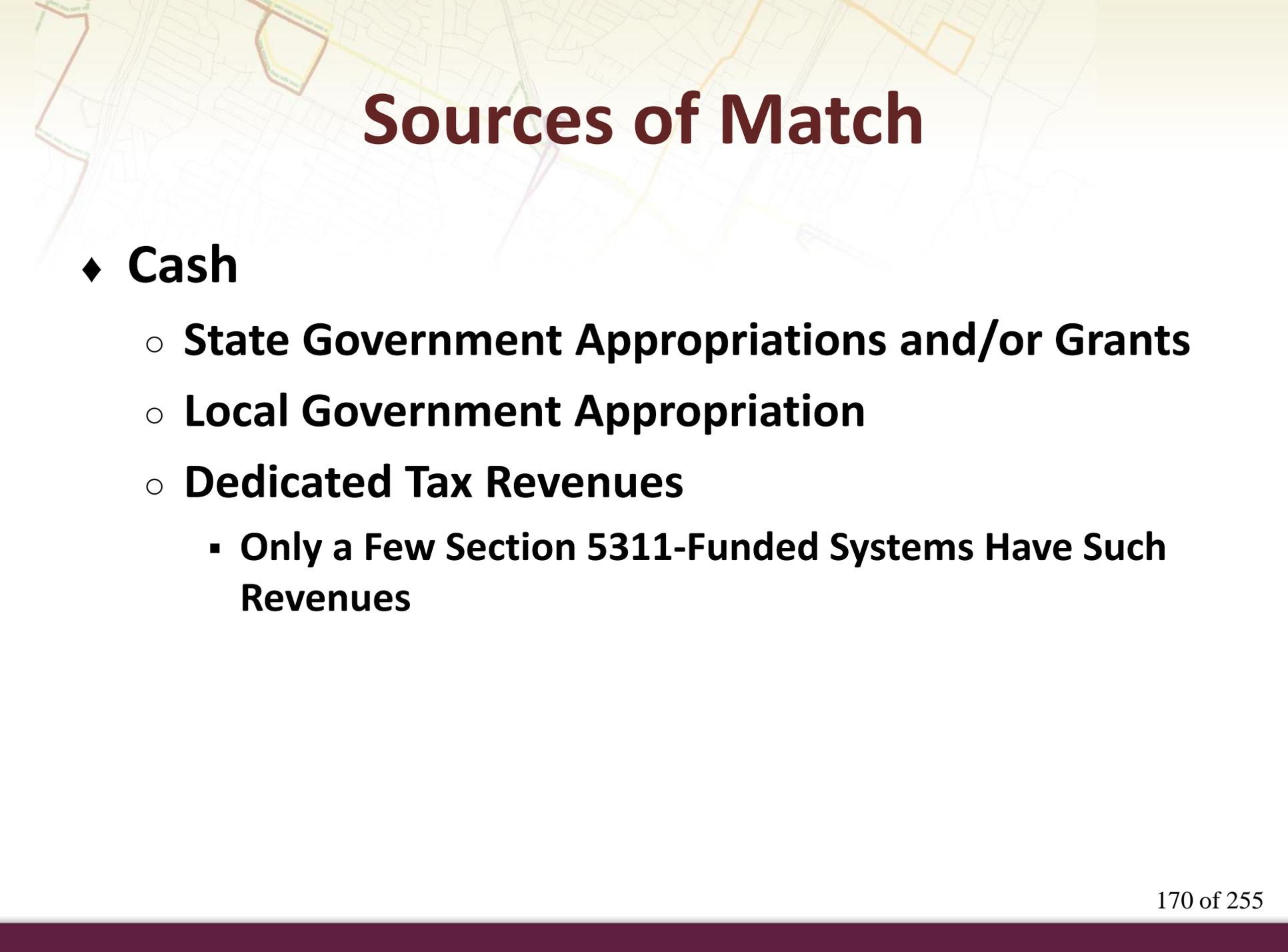
MATCHING REQUIREMENTS FOR FTA GRANTS



General Provisions

◆ Matching FTA Grants

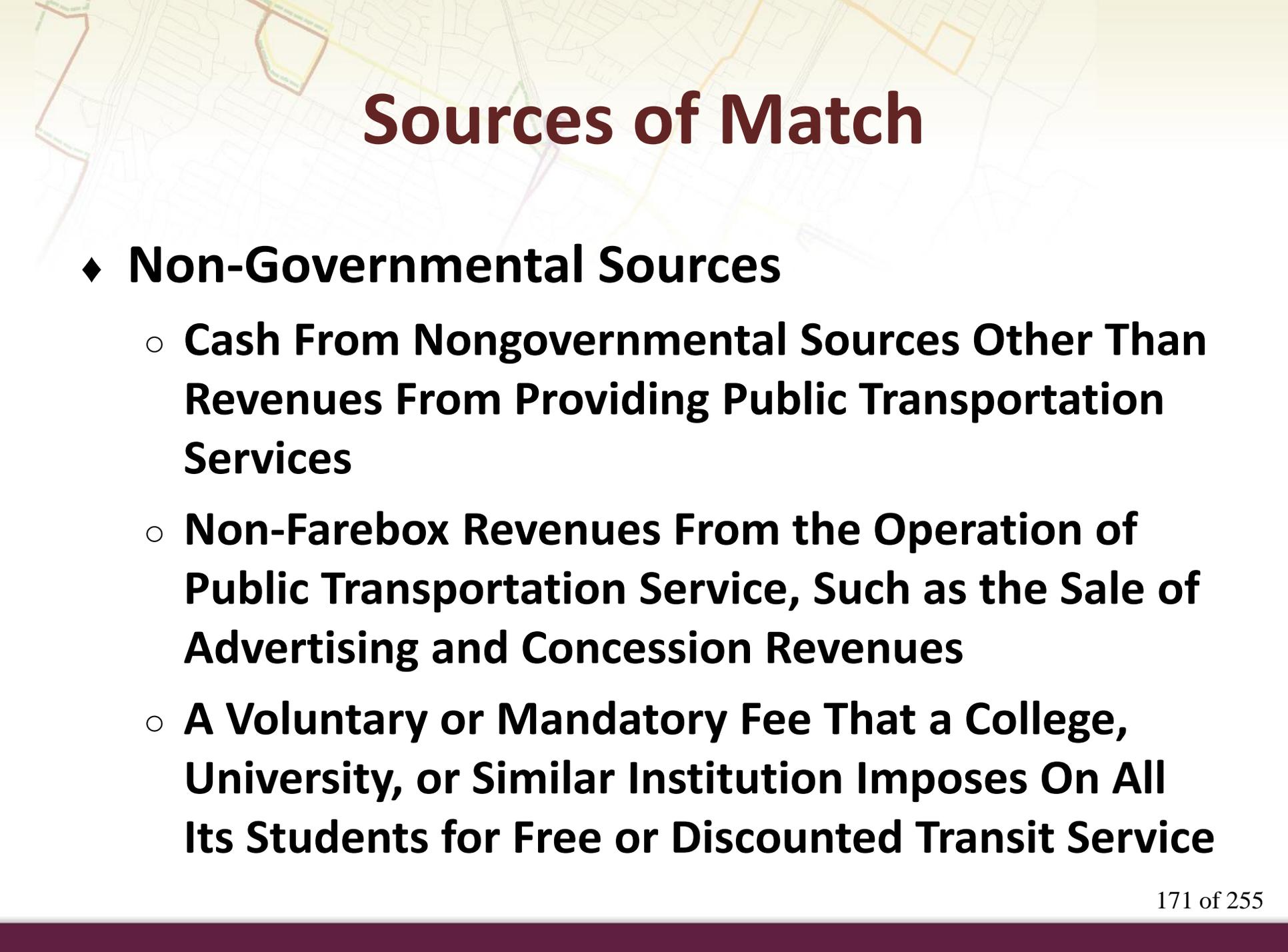
- Each FTA Typically Has Match Requirement
- Within Each Program, Various Functional Activities May Have Different Match Ratios
- Provision of Match **MUST** be Verifiable from the Non-Federal Entity's Financial Records



Sources of Match

◆ Cash

- **State Government Appropriations and/or Grants**
- **Local Government Appropriation**
- **Dedicated Tax Revenues**
 - **Only a Few Section 5311-Funded Systems Have Such Revenues**



Sources of Match

◆ Non-Governmental Sources

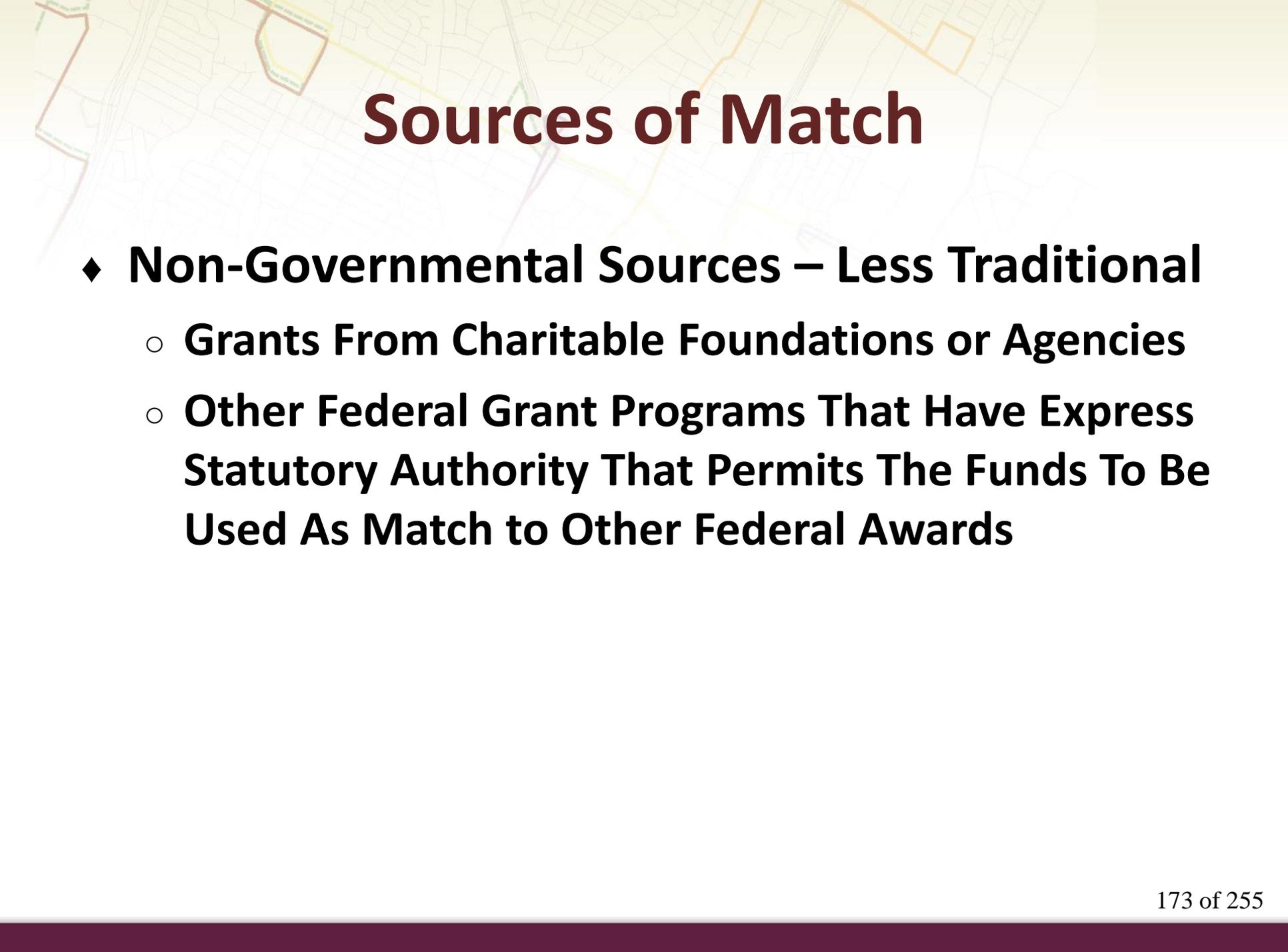
- **Cash From Nongovernmental Sources Other Than Revenues From Providing Public Transportation Services**
- **Non-Farebox Revenues From the Operation of Public Transportation Service, Such as the Sale of Advertising and Concession Revenues**
- **A Voluntary or Mandatory Fee That a College, University, or Similar Institution Imposes On All Its Students for Free or Discounted Transit Service**



Sources of Match

◆ Non-Governmental Sources

- **Undistributed Cash Surpluses, Replacement or Depreciation Cash Funds, Reserves Available in Cash, or New Capital Transferred From the Organization's Fund Reserve to the Transit Program**
- **Transfers From The Organization's Fund Reserve ("Rainy Day Fund"), Depreciation Fund, or Other Surplus That is Moved to the Transit Account to Meet Federal Grant Matching Requirements**



Sources of Match

- ◆ **Non-Governmental Sources – Less Traditional**
 - **Grants From Charitable Foundations or Agencies**
 - **Other Federal Grant Programs That Have Express Statutory Authority That Permits The Funds To Be Used As Match to Other Federal Awards**

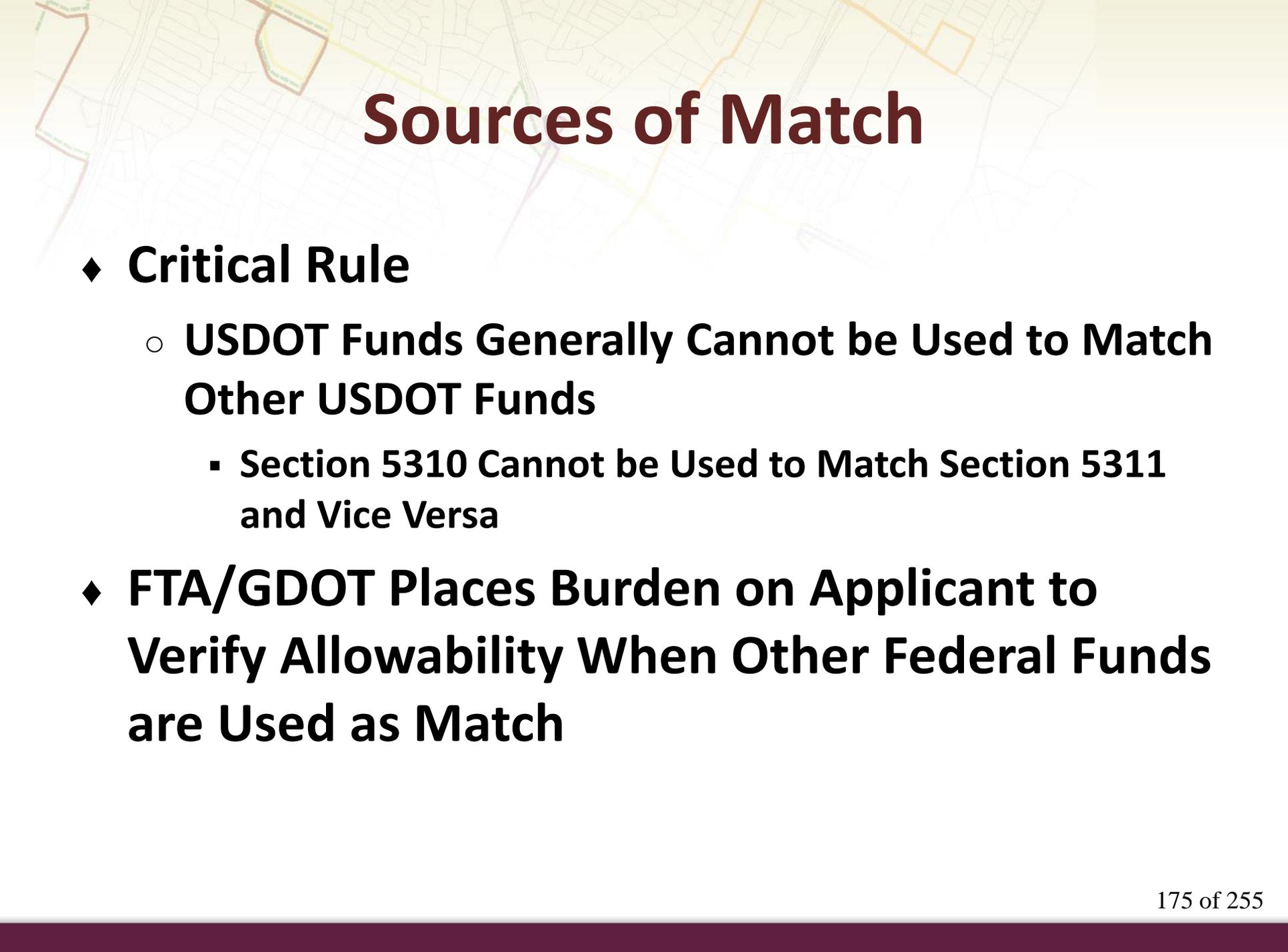


Sources of Match

◆ Other

- **Contributions by the Non-Federal Entity of Services and/or Property**
- **Volunteer Services Furnished By Third-Parties**
 - **Professional and Technical Personnel**
 - **Consultants**
 - **Other Skilled and Unskilled Labor**

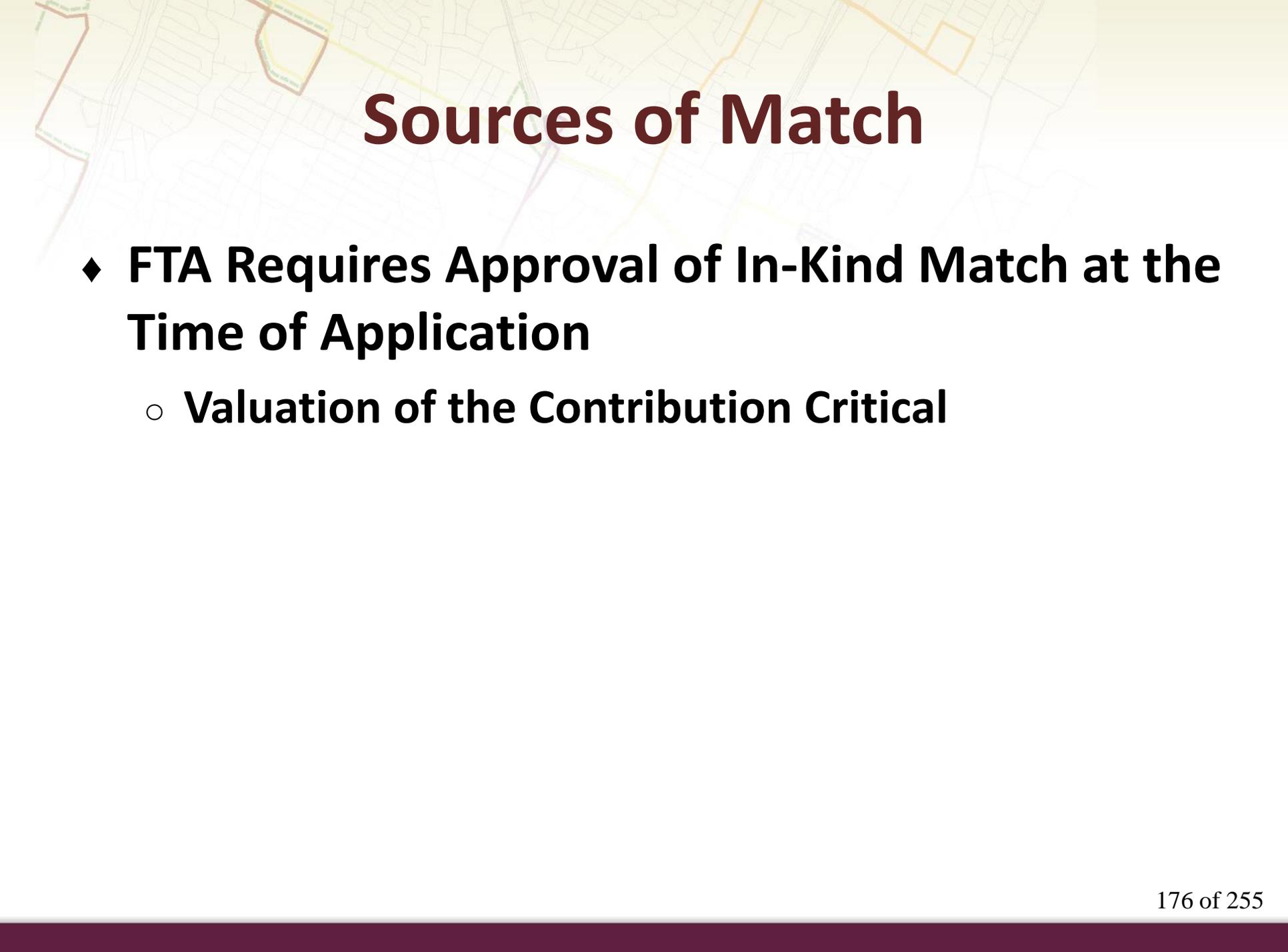
...If, the Service is an Integral and Necessary Part of Transit Service Delivery



Sources of Match

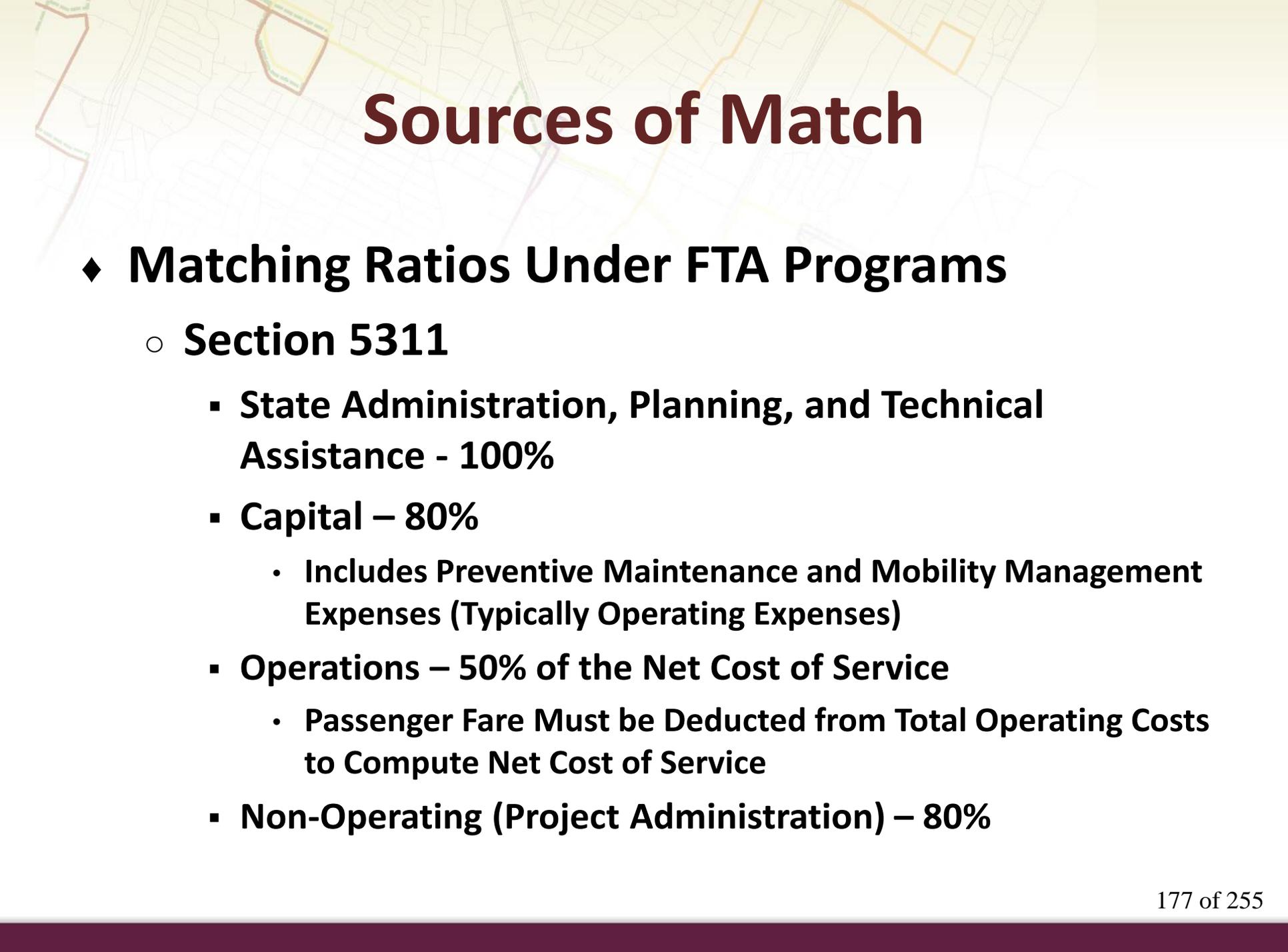
◆ Critical Rule

- **USDOT Funds Generally Cannot be Used to Match Other USDOT Funds**
 - **Section 5310 Cannot be Used to Match Section 5311 and Vice Versa**
- ◆ **FTA/GDOT Places Burden on Applicant to Verify Allowability When Other Federal Funds are Used as Match**



Sources of Match

- ◆ **FTA Requires Approval of In-Kind Match at the Time of Application**
 - **Valuation of the Contribution Critical**

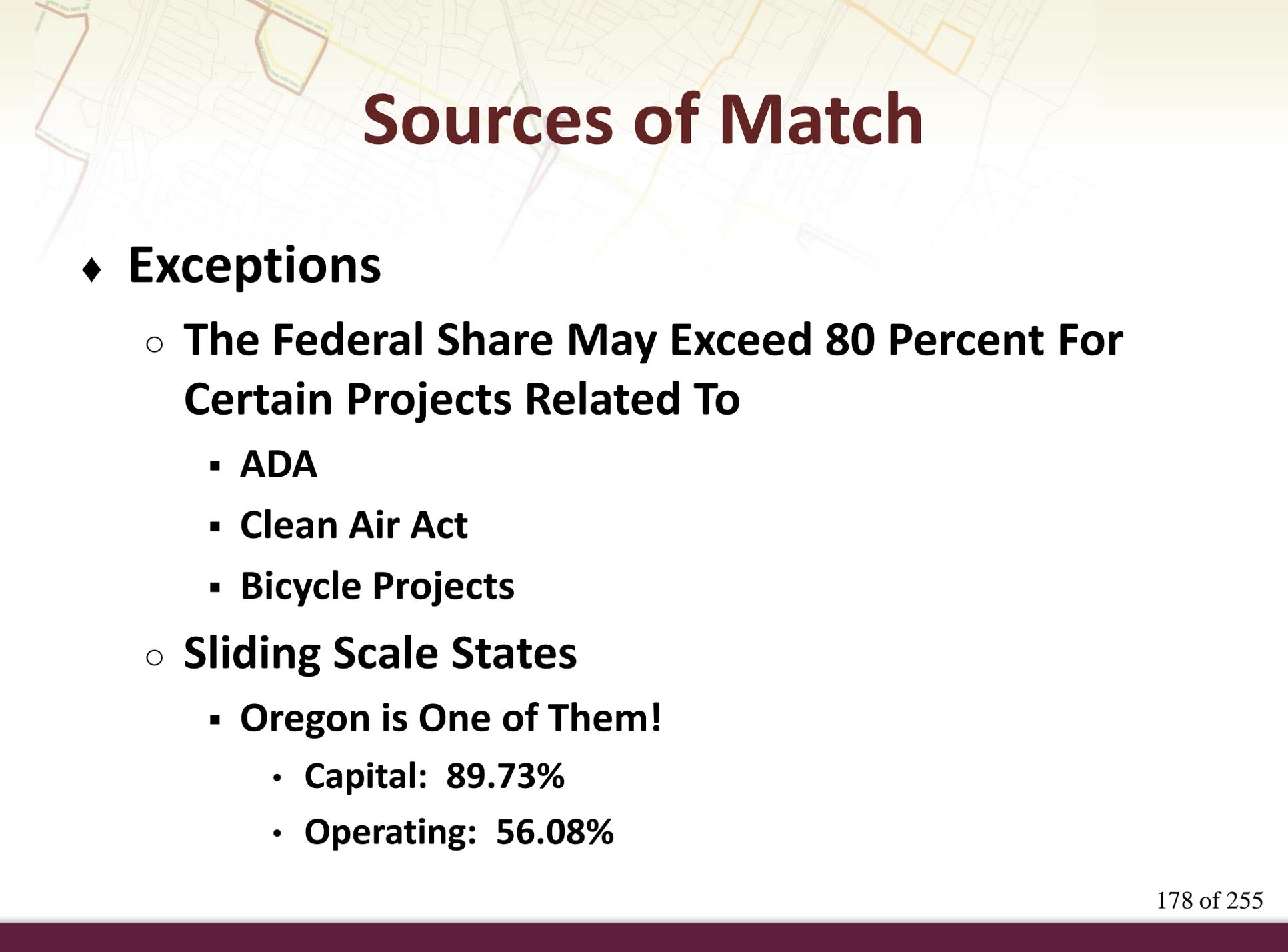


Sources of Match

◆ Matching Ratios Under FTA Programs

○ Section 5311

- **State Administration, Planning, and Technical Assistance - 100%**
- **Capital – 80%**
 - Includes Preventive Maintenance and Mobility Management Expenses (Typically Operating Expenses)
- **Operations – 50% of the Net Cost of Service**
 - Passenger Fare Must be Deducted from Total Operating Costs to Compute Net Cost of Service
- **Non-Operating (Project Administration) – 80%**



Sources of Match

◆ Exceptions

- **The Federal Share May Exceed 80 Percent For Certain Projects Related To**
 - **ADA**
 - **Clean Air Act**
 - **Bicycle Projects**
- **Sliding Scale States**
 - **Oregon is One of Them!**
 - **Capital: 89.73%**
 - **Operating: 56.08%**



Module 7

REVENUES DERIVED FROM PROVISION OF SERVICE UNDER CONTRACT AS FTA MATCH



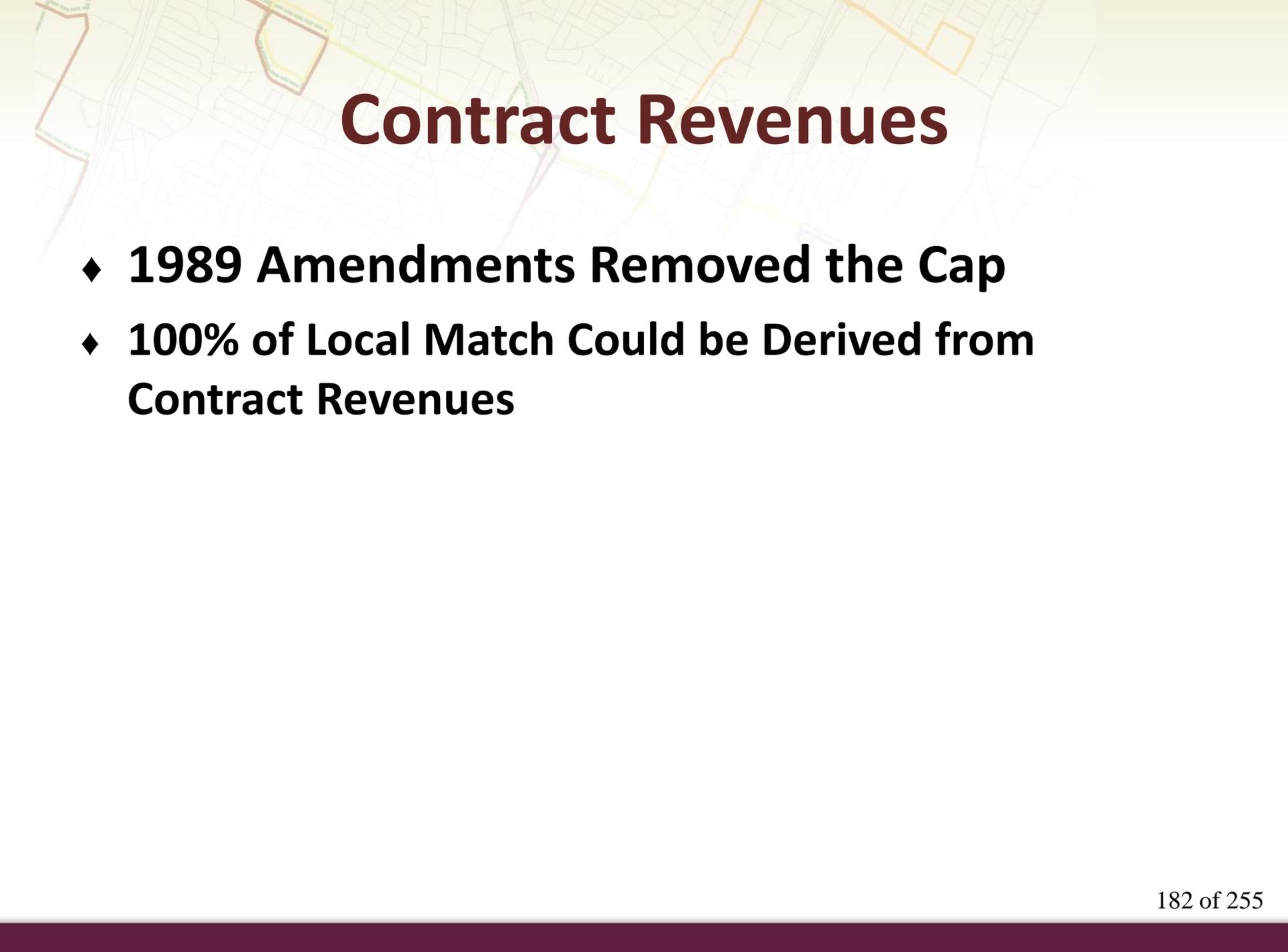
Contract Revenues

- ◆ **One Large Benefit for Transit Programs**
 - **Revenues Derived from the Provision of Service to Other Public or Nonprofit State or Local Human Services Can Be Used as Match, Even if the Source of Those Funds is Federal**
 - **Original to the Section 5311 Program in 1978**
 - **Expanded to all Other Major FTA Programs with SAFETEA-LU in 2005**
 - **Statutory Authority**
 - **49 U.S.C. § 5311(g)(3)(C)**



Contract Revenues

- ◆ **General Violation of a Fundamental Grants Principle – Cannot Use Federal Funds to Match Other Federal Funds**
- ◆ **History Originates from Early Input Solicited by USDOT in the Formulation of Initial Rules of Section 5311 Program**
- ◆ **Originally**
 - **Up to One-Half of the Local Share from this Source**



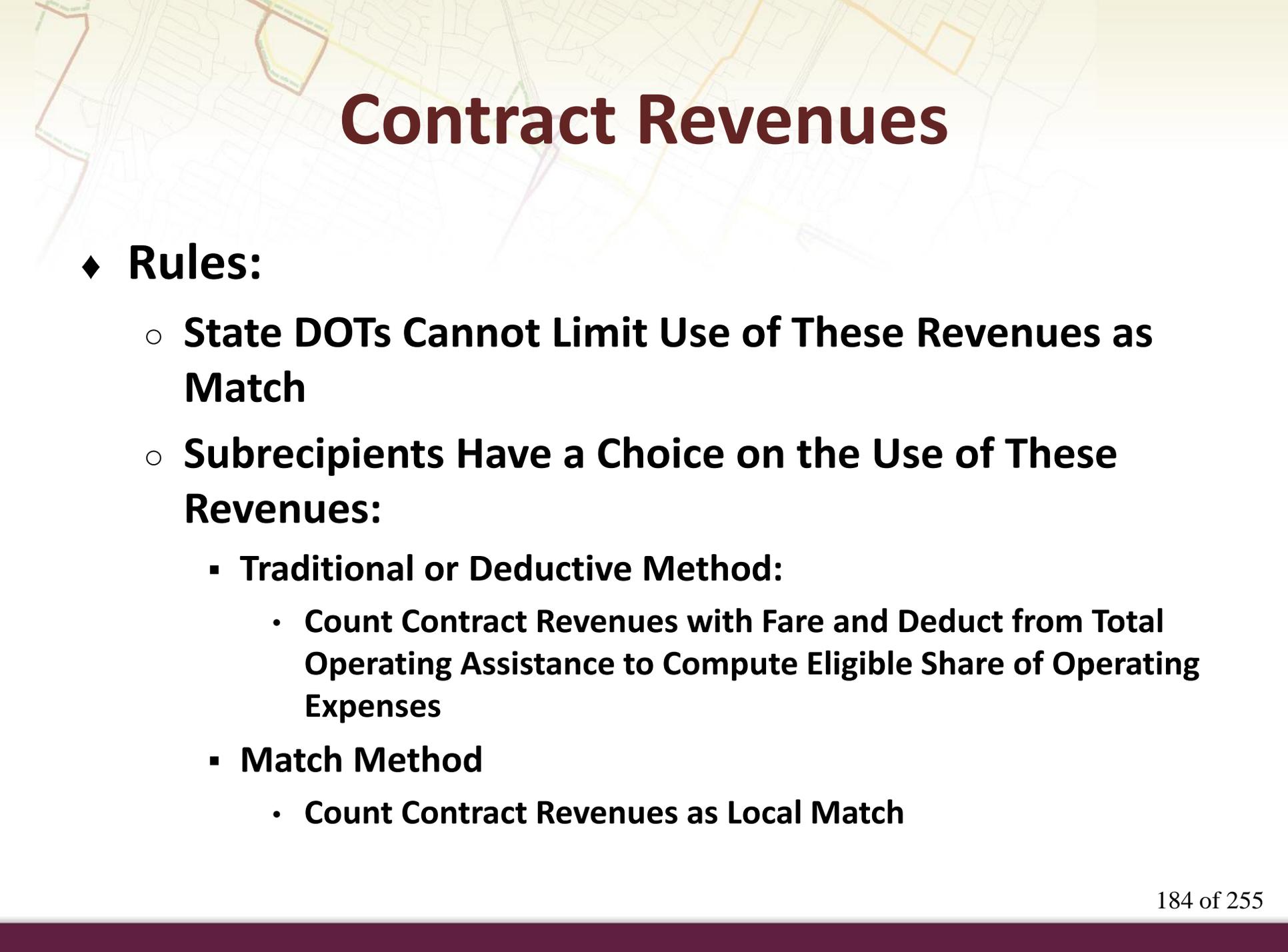
Contract Revenues

- ◆ **1989 Amendments Removed the Cap**
- ◆ **100% of Local Match Could be Derived from Contract Revenues**



Contract Revenues

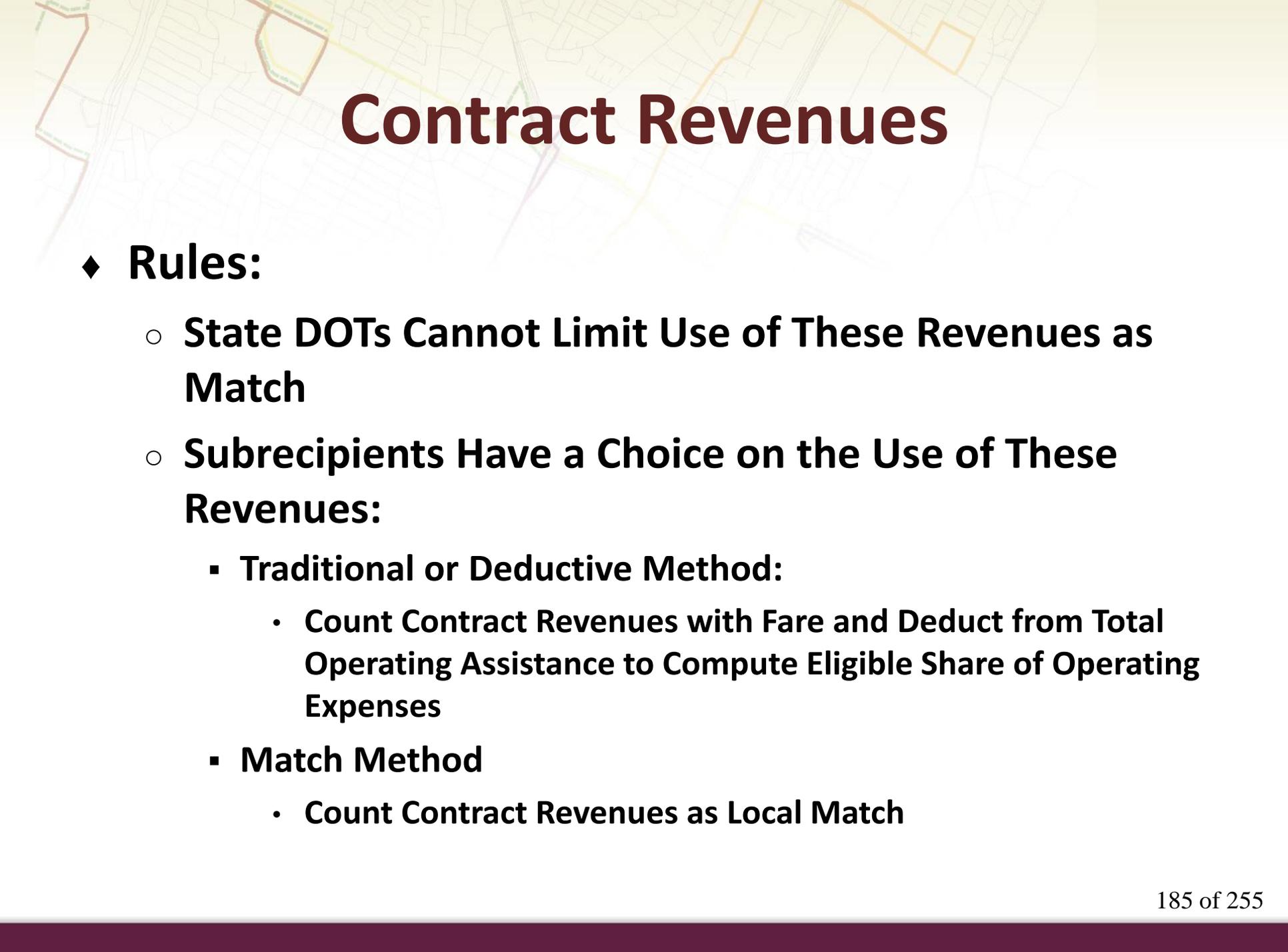
- ◆ **What are Some of These Sources?**
 - Medicaid
 - Title III-B (Older Americans Act)
 - TANF
 - Veteran's Administration Funds
- ◆ **There is No FTA List of Contract Revenue Sources**



Contract Revenues

◆ Rules:

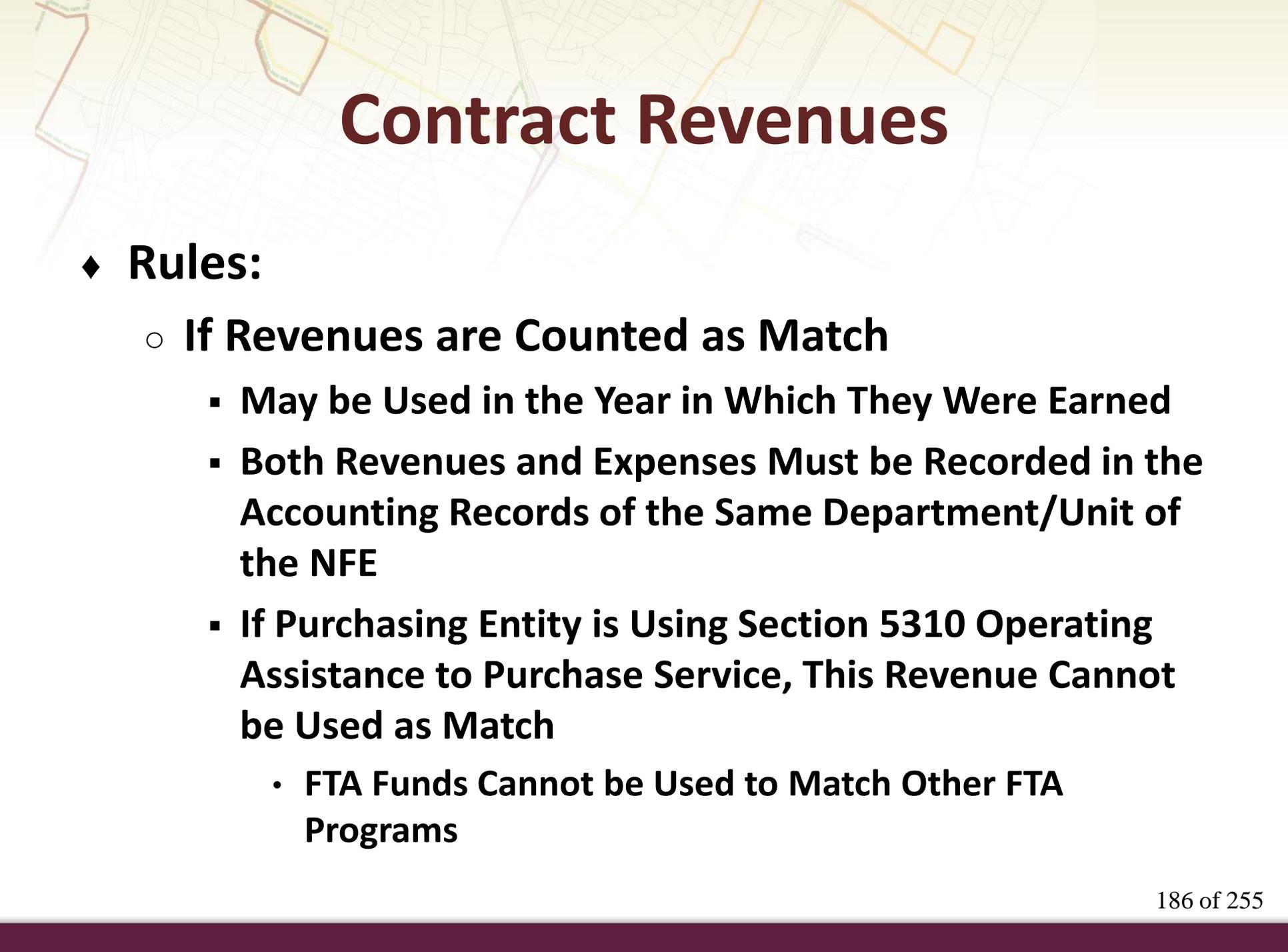
- **State DOTs Cannot Limit Use of These Revenues as Match**
- **Subrecipients Have a Choice on the Use of These Revenues:**
 - **Traditional or Deductive Method:**
 - **Count Contract Revenues with Fare and Deduct from Total Operating Assistance to Compute Eligible Share of Operating Expenses**
 - **Match Method**
 - **Count Contract Revenues as Local Match**



Contract Revenues

◆ Rules:

- **State DOTs Cannot Limit Use of These Revenues as Match**
- **Subrecipients Have a Choice on the Use of These Revenues:**
 - **Traditional or Deductive Method:**
 - **Count Contract Revenues with Fare and Deduct from Total Operating Assistance to Compute Eligible Share of Operating Expenses**
 - **Match Method**
 - **Count Contract Revenues as Local Match**



Contract Revenues

◆ Rules:

○ If Revenues are Counted as Match

- May be Used in the Year in Which They Were Earned
- Both Revenues and Expenses Must be Recorded in the Accounting Records of the Same Department/Unit of the NFE
- If Purchasing Entity is Using Section 5310 Operating Assistance to Purchase Service, This Revenue Cannot be Used as Match
 - FTA Funds Cannot be Used to Match Other FTA Programs

Sources of Match

Category	Scenario 1: Contract Revenues Counted as Fares	Scenario 1: Contract Revenues Counted as Local Match
Total Operating Expense	\$850,00	\$850,00
Total Operating Revenues		
Farebox and Related Revenues		
Fares	82,000	82,000
Contracts	165,000	
Organization Paid Fares		
Net Cost of Service	\$603,000	\$768,000
Federal Share of Operations	301,500	384,000
Local Share of Operations		
Non-Federal/Local/State Revenue	301,500	219,000
Contract Revenue		165,000



Module 8

CONTRIBUTIONS/DONATIONS

Donations/Contributions

- ◆ **Donations & Contributions (2 CFR § 200.434)**
 - **Definitions**
 - **In-Kind Contributions**
 - **Value of Non-Cash Contributions (Property or Services)**
 - » **Benefit a Federally Assisted Project or Program**
 - » **Contributed By Non-Federal Third Parties, Without Charge, To a Non-Federal Entity Under a Federal Award**
 - **May be Provided by the Non-Federal Entity or From Third Parties**

Donations/Contributions

- ◆ **Contributions & Donations (2 CFR § 200.434)**
 - **The Costs of Donations and Contributions From a Non-Federal Entity are Unallowable**
 - **Value of Services, Equipment, or Property Donated To the Non-Federal Entity May Not be Charged to the Federal Award as Either a Direct or Indirect (F&A) Cost**
 - **You Cannot Receive Grant Compensation for Donations**

Donations/Contributions

- ◆ **Contributions & Donations (2 CFR § 200.434)**
 - **The Value of Services and Property Donated to the Non-Federal Entity May Not Be Charged to the Federal Award Either As a Direct or Indirect (F&A) Cost**
 - **The Value of Donated Services and Property May Be Used To Meet Cost Sharing or Matching Requirements**

Donations/Contributions

- ◆ **Contributions & Donations (2 CFR § 200.434)**
 - **Must be Recorded in the NFE's Accounts**
 - **Expense**
 - **Revenue**
 - **Recordkeeping is Essential to Ensuring the Allowability of Such Donations as Match**

Donations/Contributions

- ◆ **Contributions & Donations (2 CFR § 200.434)**
 - **Allowability**
 - **Donations/Contributions Must Meet the All of the Following Conditions to Be Permitted as Match**
 - **Verifiable**
 - **Cannot be Included As a Contribution for Any Other Federal Awards**
 - **Necessary and Reasonable**
 - **Meet Allowability Standards**
 - **Not Paid As a Cost Under Any Other Federal Award**
 - **Documented in the Approved Project Budget**
 - **Conform to Other Provisions of 2 CFR § 200**

Donations/Contributions

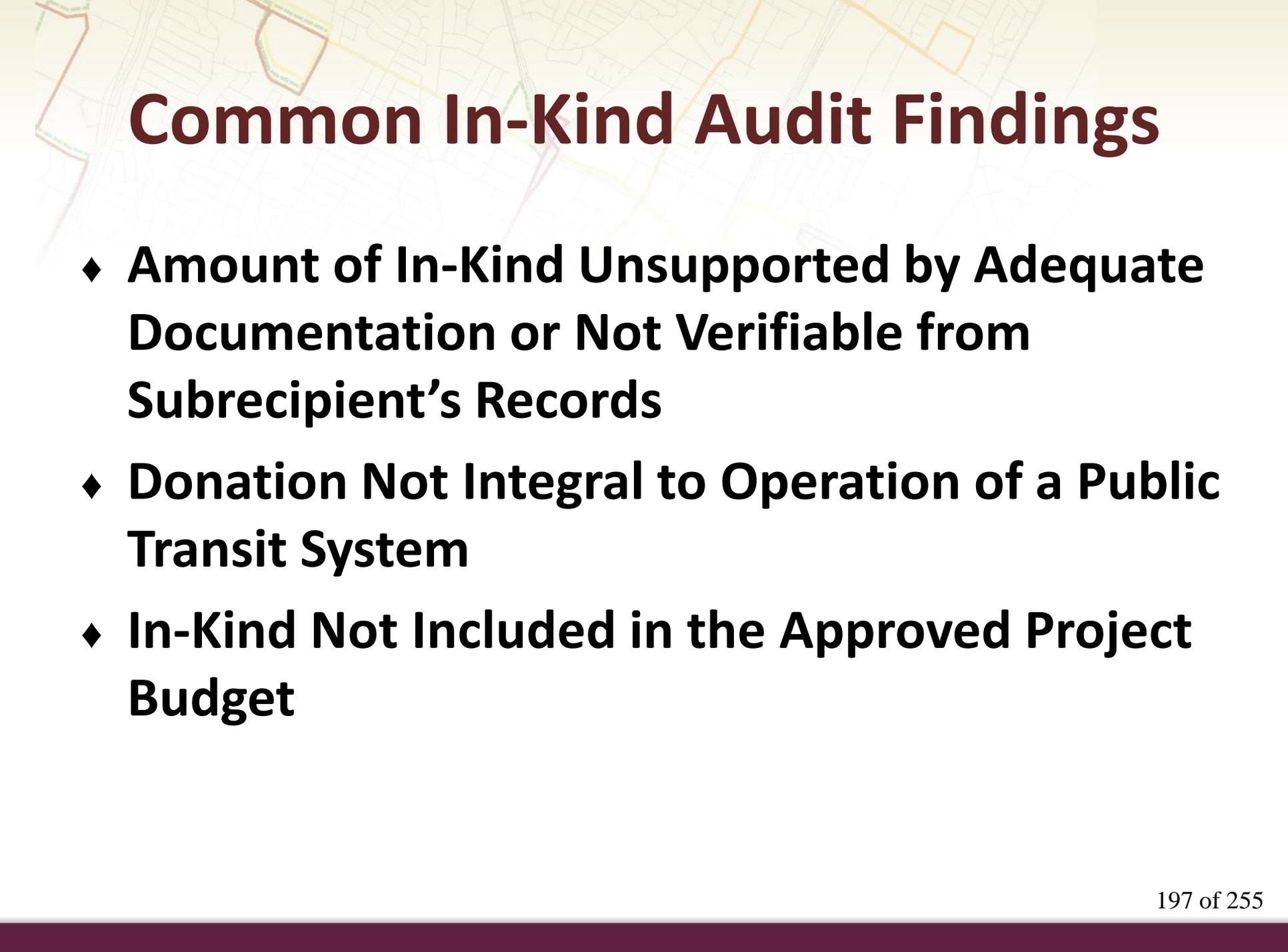
- ◆ **Contributions & Donations (2 CFR § 200.434)**
 - **Valuation of Contributions**
 - **Employees of a Third Party Organization**
 - **Use Employee's Regular Salary Rate (and Fringe) If Work Performed is Consistent With Those Job Duties**
 - **Equipment and Supplies**
 - **Fair Market Value at the Time of the Donation**

Donations/Contributions

- ◆ **Contributions & Donations (2 CFR § 200.434)**
 - **Valuation of Contributions**
 - **Method of Valuating Donations**
 - **If Title Passes From the Third Party to the Non-Federal Entity, Valuation May Vary Based on Grant Purpose**
 - » **Grant: Assist NFE in the Acquisition of Equipment, Building or Land**
 - **Aggregate Value of Donated Property May be Claimed**
 - » **Grant: Support Activities that Require Use of Equipment, Building or Land**
 - **Depreciation Only**

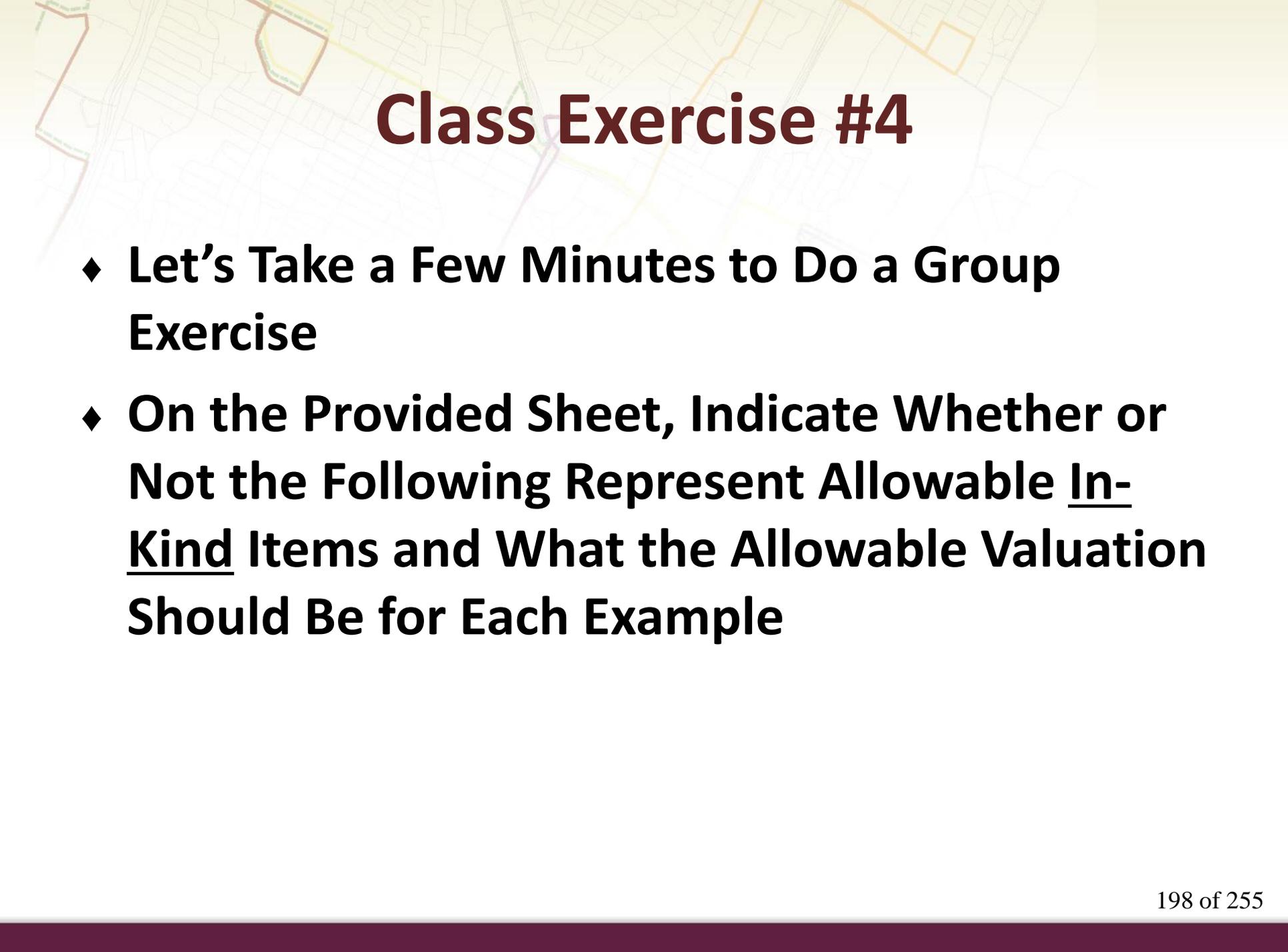
Donations/Contributions

- ◆ **Valuation of Contributions:**
 - **Method of Valuating Donations – Conditions**
 - **Property**
 - **Value Must Not Exceed Fair Market Value (FMV)**
 - » **Established by Independent Appraisal**
 - » **Uniform Relocation Assistance and Real Property Acquisition Policies Act Apply**
 - **Equipment**
 - **Value Must Not Exceed FMV of Equipment of Same Age & Condition at the Time of the Donation**
 - **Space**
 - **Value Must Not Exceed Fair Rental Value of Comparable Space As Established by Independent Appraisal of Comparable Space in a Privately Owned Building in the Same Locality**



Common In-Kind Audit Findings

- ◆ **Amount of In-Kind Unsupported by Adequate Documentation or Not Verifiable from Subrecipient's Records**
- ◆ **Donation Not Integral to Operation of a Public Transit System**
- ◆ **In-Kind Not Included in the Approved Project Budget**



Class Exercise #4

- ◆ **Let's Take a Few Minutes to Do a Group Exercise**
- ◆ **On the Provided Sheet, Indicate Whether or Not the Following Represent Allowable In-Kind Items and What the Allowable Valuation Should Be for Each Example**

Class Exercise #4

Donation	Allowable?	Evaluation Method <i>(Pick One)</i>	Valuation Options	Value
<p>Hewitt Packard donates six (6) desktop computers to the government. As transit has the oldest computers in the County, the County Administrator gives the machines to the public transit department</p>	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/>	<p>The Transit Director recalls seeing an advertisement for the same, similarly equipped model in a newspaper ad for \$899 per unit.</p>	
		<input type="checkbox"/>	<p>The Transit Manager calls on the owner of a local computer shop to provide an appraisal of the machines. He supplies a written appraisal of \$850.</p>	
		<input type="checkbox"/>	<p>The County Administrator provides the transit department with a letter from Hewitt-Packard provided with the donation that the computers have a value of \$800 per unit.</p>	

Class Exercise #4

Donation	Allowable?	Evaluation Method <i>(Pick One)</i>	Valuation Options	Value
<p>Hewitt Packard also provides a factory technician to travel to Ohio to install and connect the computers. The technician spends 3 hours installing the hardware.</p>	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/>	<p>The County has its own IT department so these costs cannot be claimed as in-kind.</p>	
		<input type="checkbox"/>	<p>The County claims the costs as an in-kind expense and values the contribution based on the salary and fringe of a comparable employee of the IT department (\$35.00 per hour).</p>	
		<input type="checkbox"/>	<p>The County claims the costs as an in-kind expense with a signed in-kind contribution letter sent from HP to the County noting the value (salary and fringe) of the technician of \$65.00 per hour.</p>	

Class Exercise #4

Donation	Allowable?	Evaluation Method <i>(Pick One)</i>	Valuation Options	Value
<p>A local artist finds a picture of system bus from the 1950s and develops a painting of the bus. He frames the painting and presents the art to the system on the 50th anniversary of the transit system.</p>	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/>	<p>The transit manager obtains an appraisal of the painting for \$400 and \$100 for the frame and claims this as in-kind.</p>	
		<input type="checkbox"/>	<p>The transit manager, recalling FTA's art in transit program, claims the painting based on the artist's statement that, if offered for sale, he would ask \$800 for the painting.</p>	
		<input type="checkbox"/>	<p>The transit system does not claim this gift as an contributed expense.</p>	

Class Exercise #4 Answers

Donation	Allowable?	Evaluation Method <i>(Pick One)</i>	Valuation Options	Value
<p>Hewitt Packard donates six (6) desktop computers to the government. As transit has the oldest computers in the County, the County Administrator gives the machines to the public transit department</p>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/>	<p>The Transit Director recalls seeing an advertisement for the same, similarly equipped model in a newspaper ad for \$899 per unit.</p>	
		<input type="checkbox"/>	<p>The Transit Manager calls on the owner of a local computer shop to provide an appraisal of the machines. He supplies a written appraisal of \$850.</p>	
		<input checked="" type="checkbox"/>	<p>The County Administrator provides the transit department with a letter from Hewitt-Packard provided with the donation that the computers have a value of \$800 per unit.</p>	<p>\$4,800</p>

Class Exercise #4 Answers

Donation	Allowable?	Evaluation Method <i>(Pick One)</i>	Valuation Options	Value
<p>Hewitt Packard also provides a factory technician to travel to Ohio to install and connect the computers. The technical spends 3 hours installing the hardware.</p>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/>	<p>The County has its own IT department so these costs cannot be claimed as in-kind.</p>	
		<input type="checkbox"/>	<p>The County claims the costs as an in-kind expense and values the contribution based on the salary and fringe of a comparable employee of the IT department (\$35.00 per hour).</p>	
		<input checked="" type="checkbox"/>	<p>The County claims the costs as an in-kind expense with a signed in-kind contribution letter sent from HP to the County noting the value (salary and fringe) of the technician of \$65.00 per hour.</p>	<p>\$195</p>

Class Exercise #4 Answers

Donation	Allowable?	Evaluation Method <i>(Pick One)</i>	Valuation Options	Value
<p>A local artist finds a picture of system bus from the 1950s and develops a painting of the bus. He frames the painting and presents the art to the system on the 50th anniversary of the transit system.</p>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input type="checkbox"/>	<p>The transit manager obtains an appraisal of the painting for \$400 and \$100 for the frame and claims this as in-kind.</p>	
		<input type="checkbox"/>	<p>The transit manager, recalling FTA's art in transit program, claims the painting based on the artist's statement that, if offered for sale, he would ask \$800 for the painting.</p>	
		<input checked="" type="checkbox"/>	<p>The transit system does not claim this gift as an contributed expense.</p>	



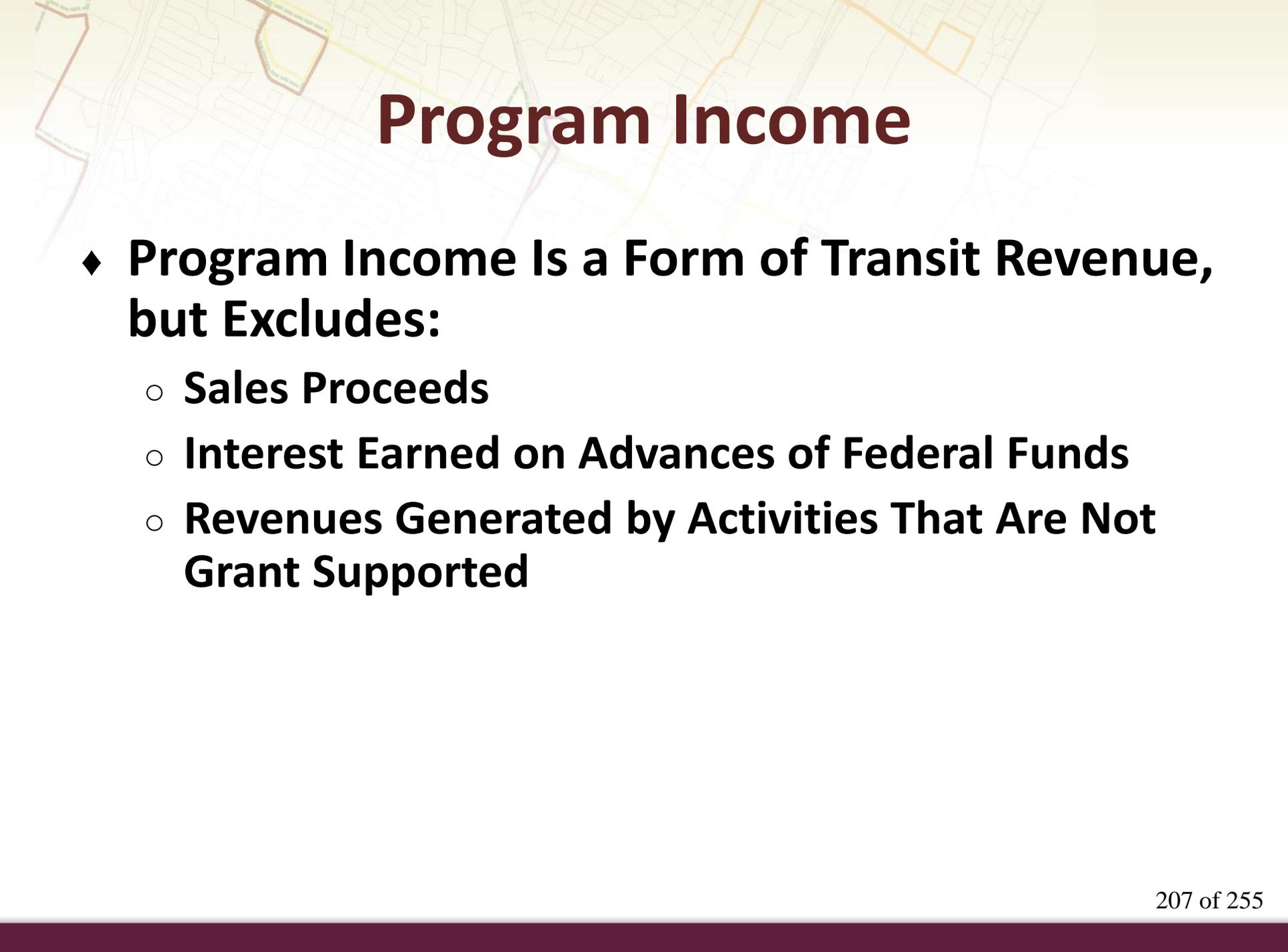
Module 9

PROGRAM INCOME

Program Income

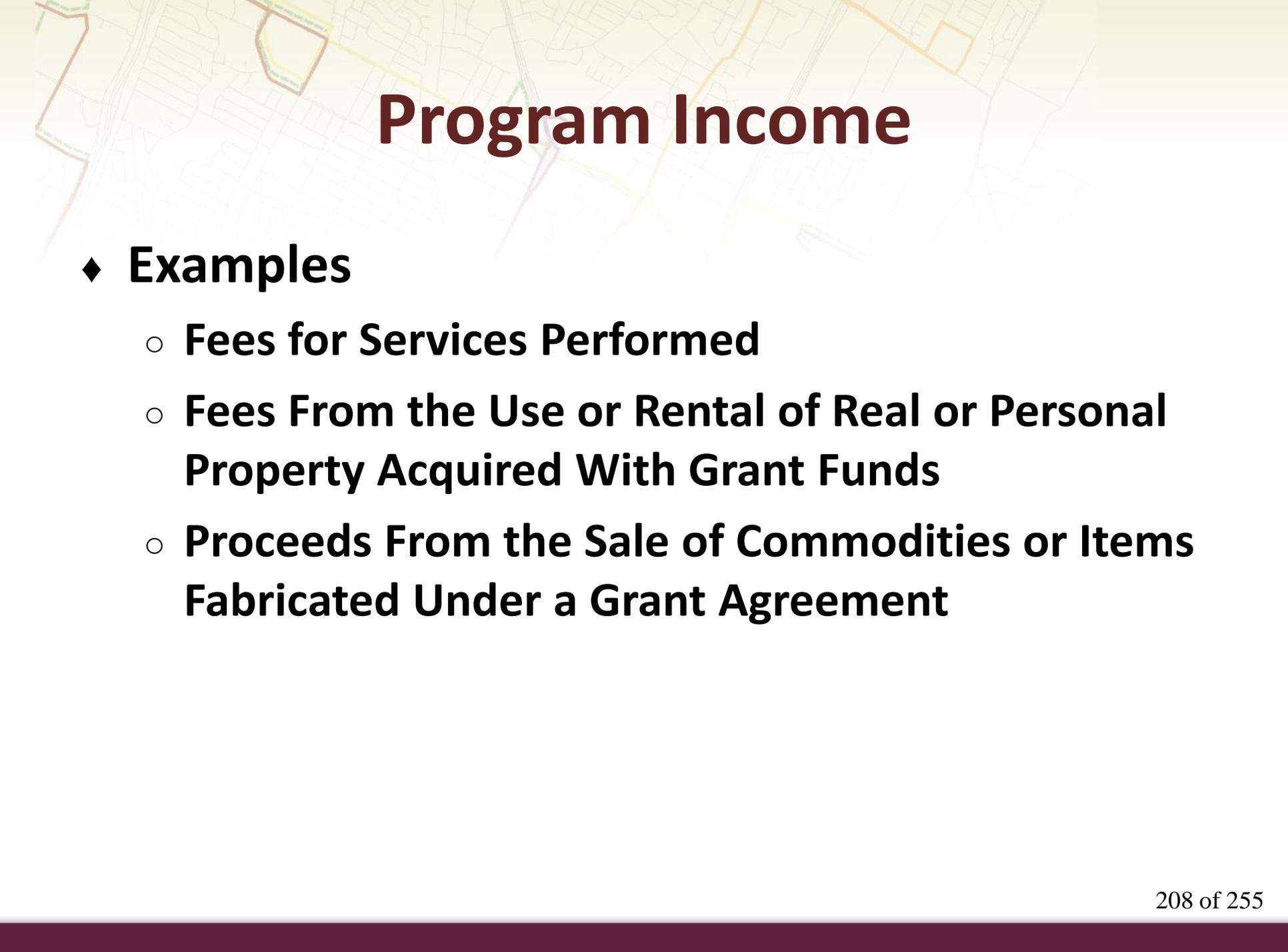
- ◆ **Program Income Is Revenue Generated Directly or Indirectly From Grant-Supported Activities (*i.e.*, Income Generated by Grant Funds After They Have Been Applied to Authorized Grant Purposes)**





Program Income

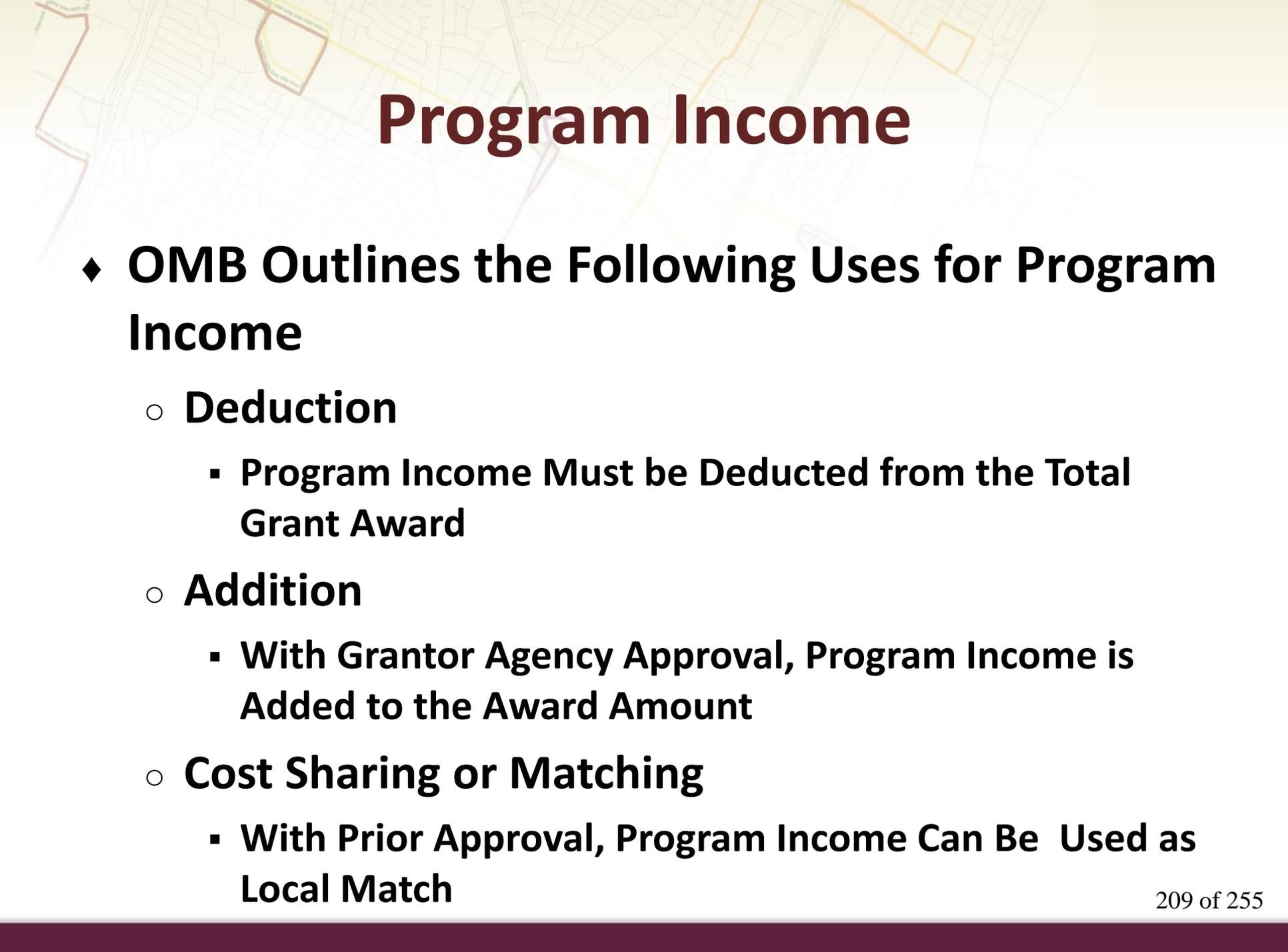
- ◆ **Program Income Is a Form of Transit Revenue, but Excludes:**
 - **Sales Proceeds**
 - **Interest Earned on Advances of Federal Funds**
 - **Revenues Generated by Activities That Are Not Grant Supported**



Program Income

◆ Examples

- Fees for Services Performed
- Fees From the Use or Rental of Real or Personal Property Acquired With Grant Funds
- Proceeds From the Sale of Commodities or Items Fabricated Under a Grant Agreement



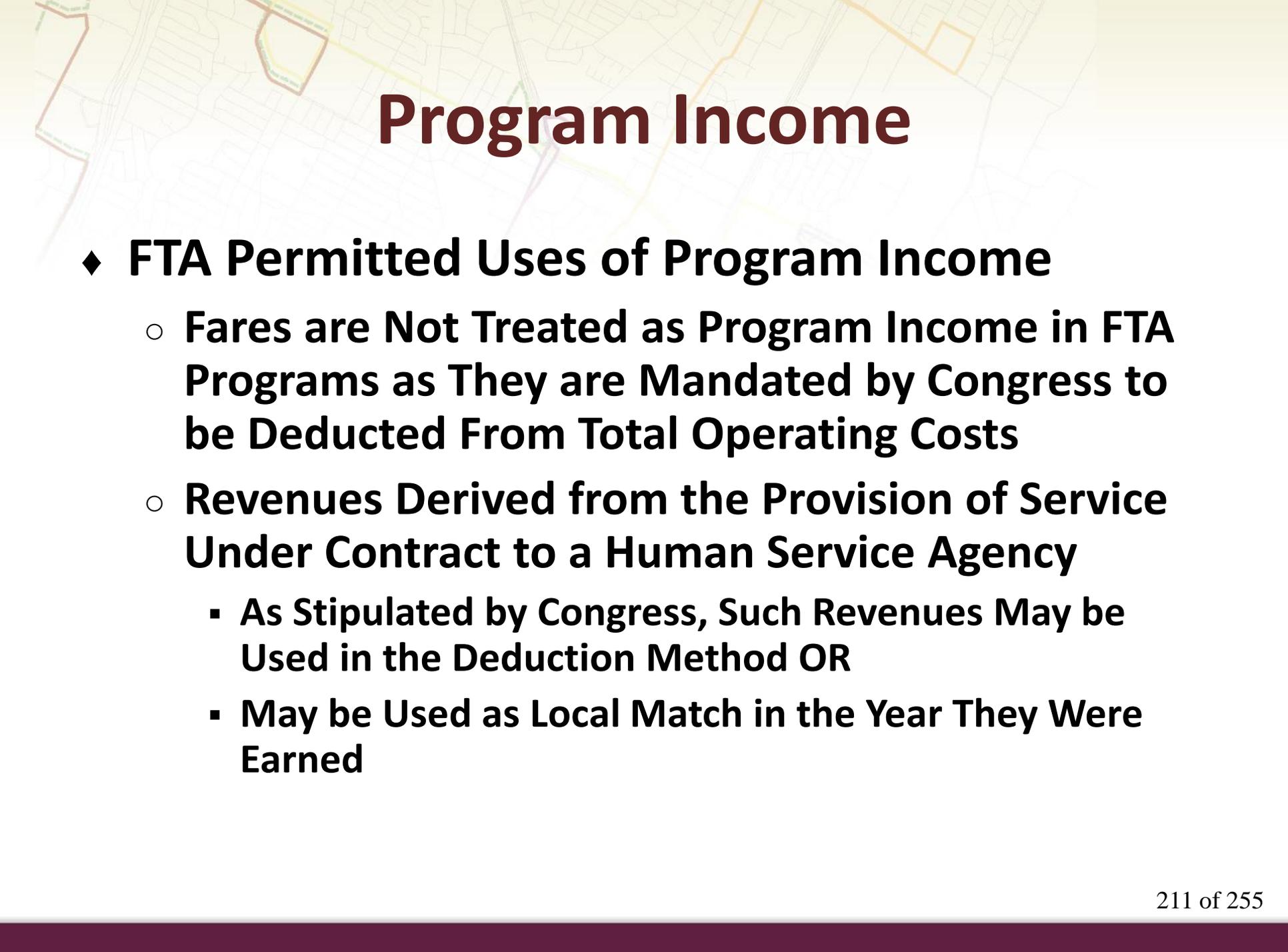
Program Income

- ◆ **OMB Outlines the Following Uses for Program Income**
 - **Deduction**
 - **Program Income Must be Deducted from the Total Grant Award**
 - **Addition**
 - **With Grantor Agency Approval, Program Income is Added to the Award Amount**
 - **Cost Sharing or Matching**
 - **With Prior Approval, Program Income Can Be Used as Local Match**



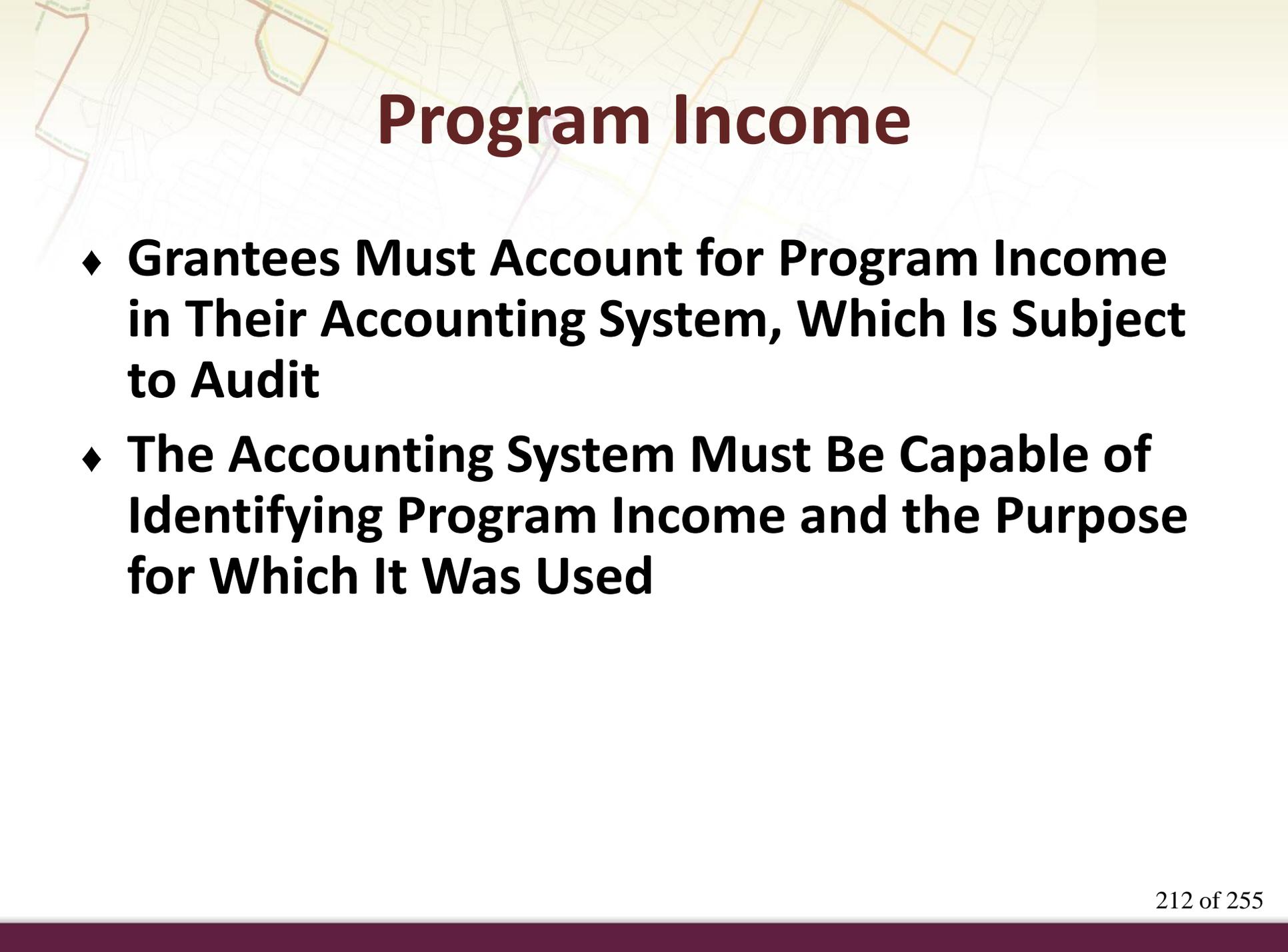
Program Income

- ◆ **FTA Permitted Uses of Program Income**
 - **Grantees May Retain Program Income So Long As It Is Used Only for Transit Purposes**
 - **Capital**
 - **Operating Expenses**
 - **Program Income May Not Be Used To Reduce the Local Share of the Grant From Which It Was Earned, But May Be Used In Future Grants**



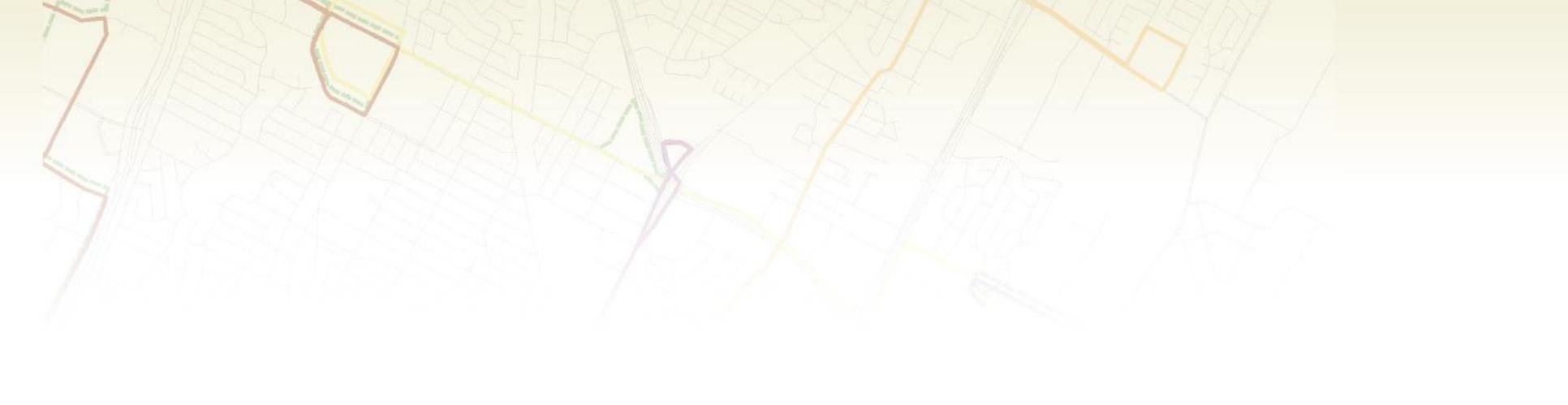
Program Income

- ◆ **FTA Permitted Uses of Program Income**
 - **Fares are Not Treated as Program Income in FTA Programs as They are Mandated by Congress to be Deducted From Total Operating Costs**
 - **Revenues Derived from the Provision of Service Under Contract to a Human Service Agency**
 - **As Stipulated by Congress, Such Revenues May be Used in the Deduction Method OR**
 - **May be Used as Local Match in the Year They Were Earned**

A background map showing a street grid with several colored overlays: a red outline, a green outline, and a yellow line. The title 'Program Income' is centered at the top in a dark red font.

Program Income

- ◆ **Grantees Must Account for Program Income in Their Accounting System, Which Is Subject to Audit**
- ◆ **The Accounting System Must Be Capable of Identifying Program Income and the Purpose for Which It Was Used**



Module 10

CHART OF ACCOUNTS, THE ACCOUNTING SYSTEM, AND INTERNAL CONTROLS

Single Audit Requirements

◆ Basic Principle

- **Compliance with the Uniform Guidance is Significantly Enhanced with the Proper Accounting Software and a Well-Designed Chart of Accounts**
- **Issue:**
 - **Many Rural Transit Providers Were Not Established as a Transit Agency**
 - **Chart of Accounts Designed and Created to Serve Other Program Needs**

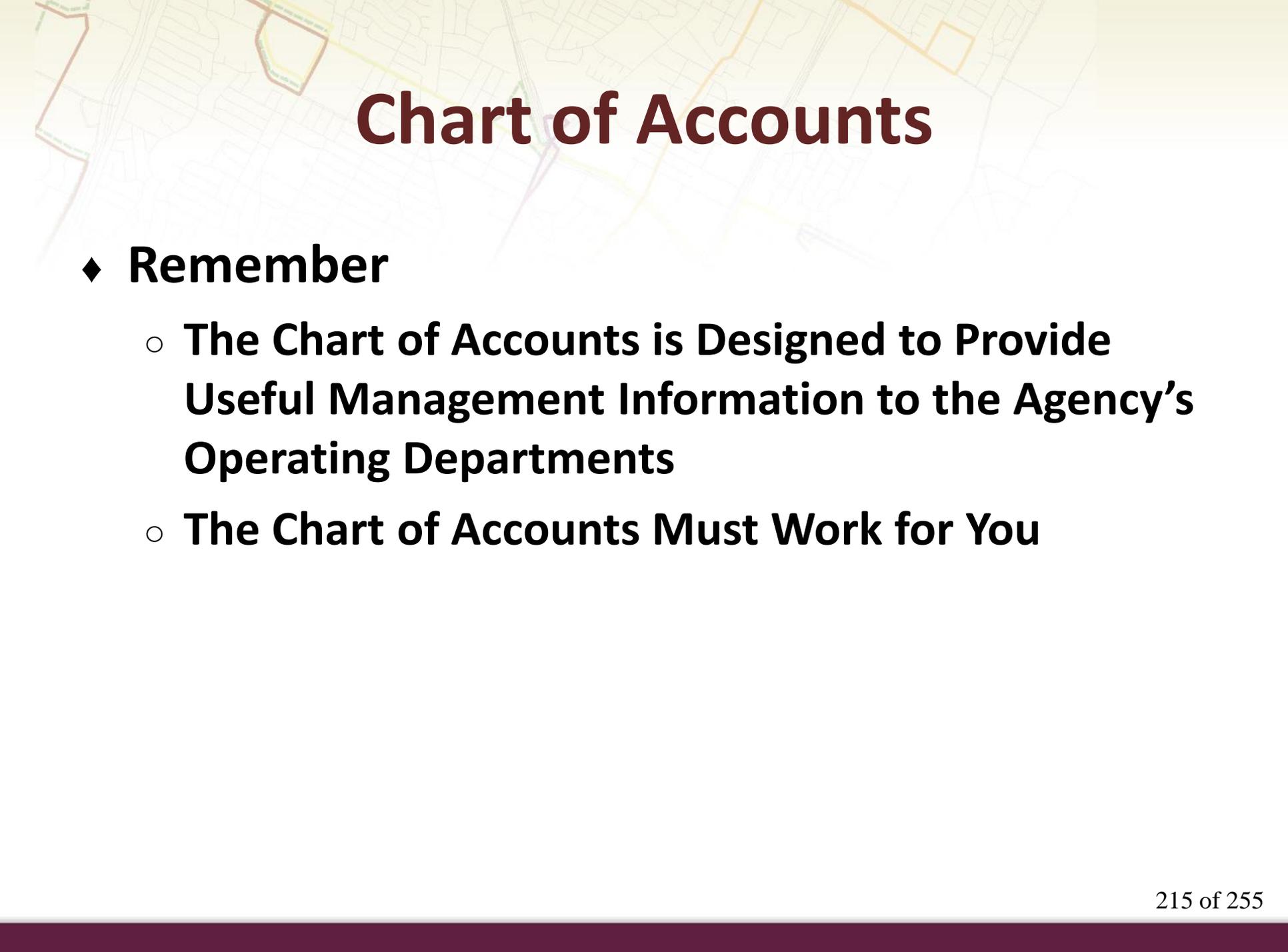


Chart of Accounts

◆ Remember

- **The Chart of Accounts is Designed to Provide Useful Management Information to the Agency's Operating Departments**
- **The Chart of Accounts Must Work for You**

Accounting System

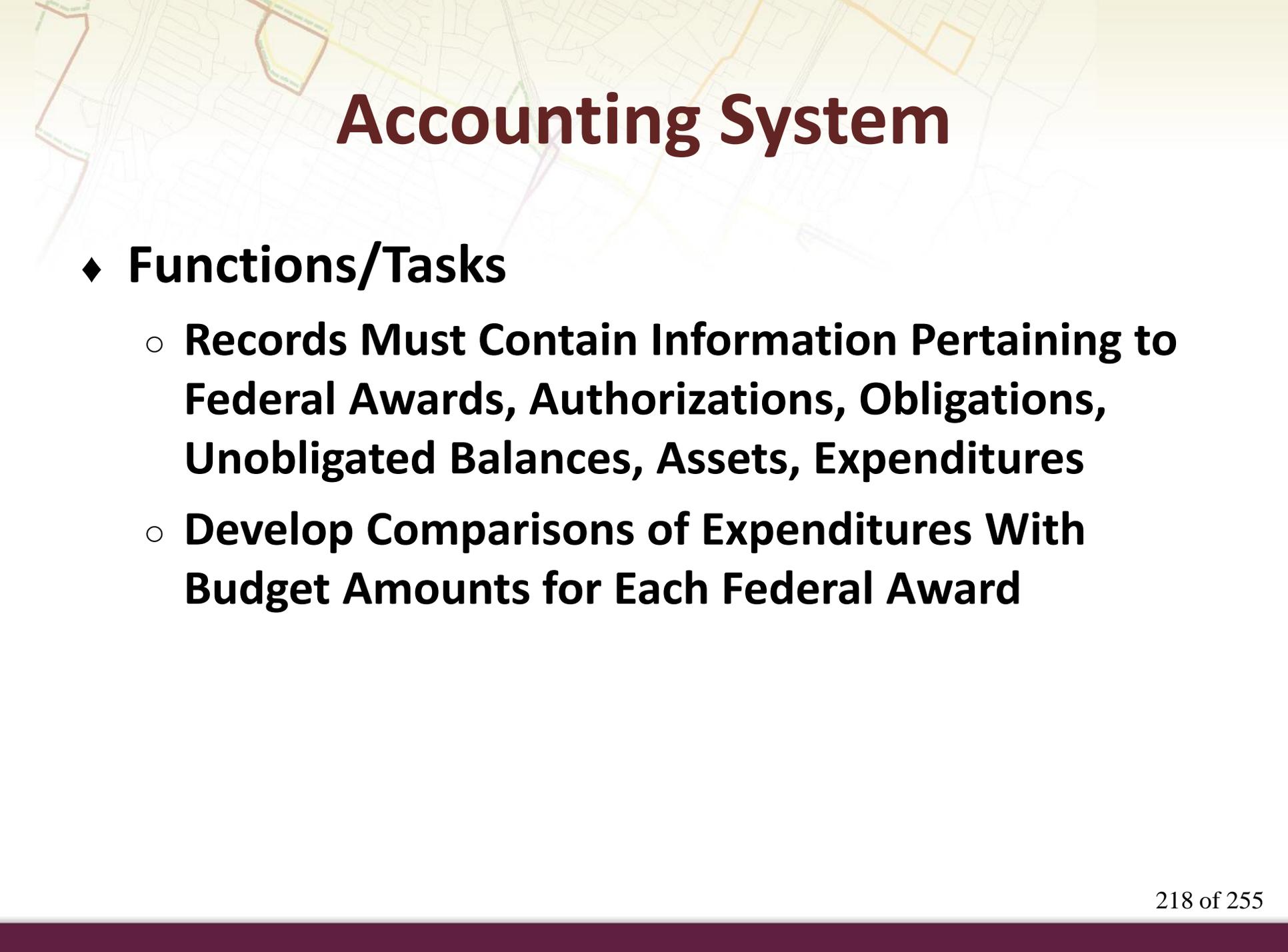
◆ Functions/Tasks

- **Identify, in Its Accounting Records, All Federal Awards Received and Expended and the Federal Programs Under Which They Were Received**
- **Maintain Accurate, Current, and Complete Disclosure of the Financial Results of Each Federal Award or Program in Accordance With the Financial Reporting and Monitoring Requirements Stipulated in 2 CFR § § 200.327 and 200.328**

Accounting System

◆ Functions/Tasks

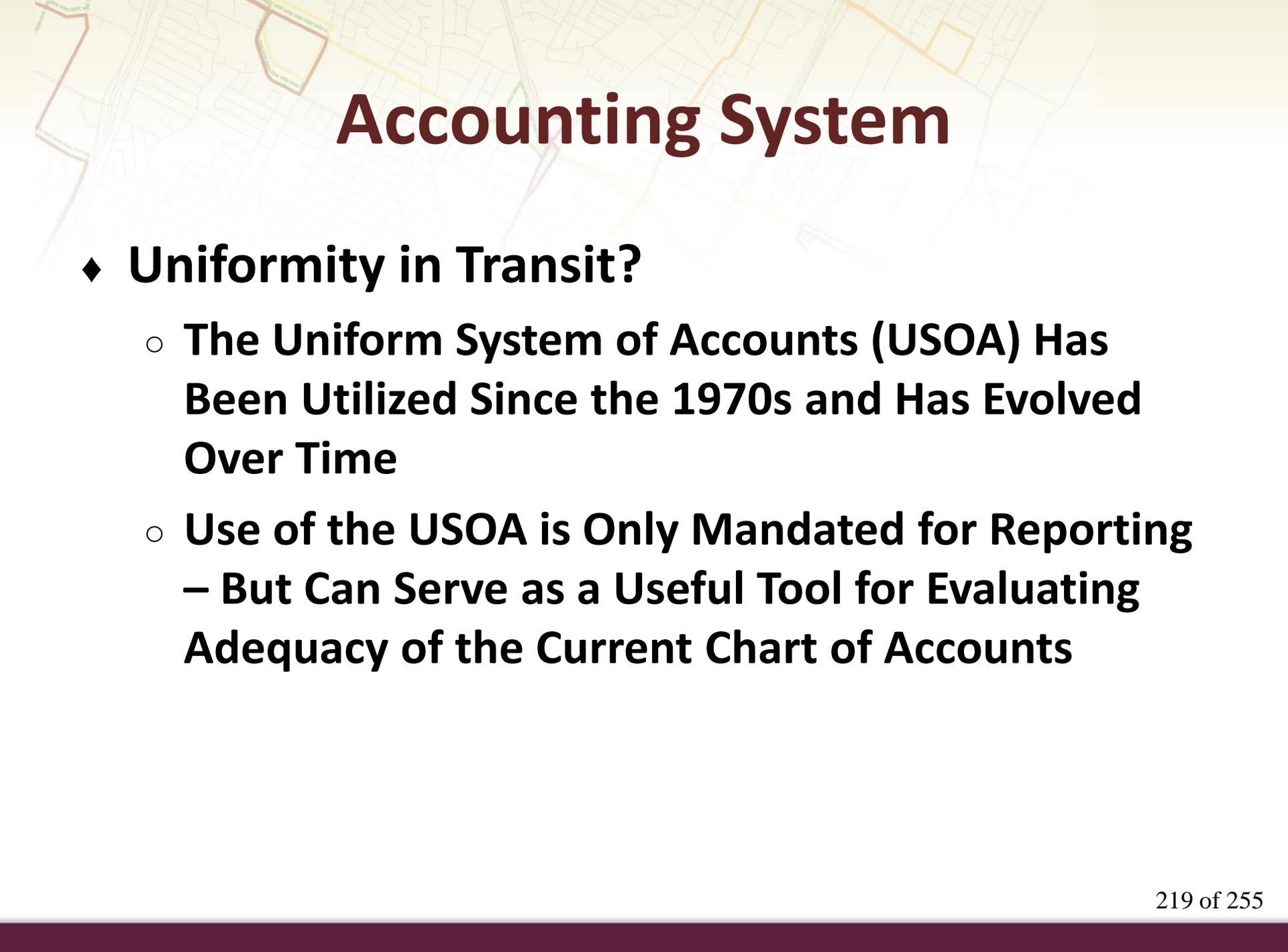
- **Identify, in Its Accounting Records, All Federal Awards Received and Expended and the Federal Programs Under Which They Were Received**
- **Maintain Accurate, Current, and Complete Disclosure of the Financial Results of Each Federal Award or Program in Accordance With the Financial Reporting and Monitoring Requirements Stipulated in 2 CFR § § 200.327 and 200.328**



Accounting System

◆ Functions/Tasks

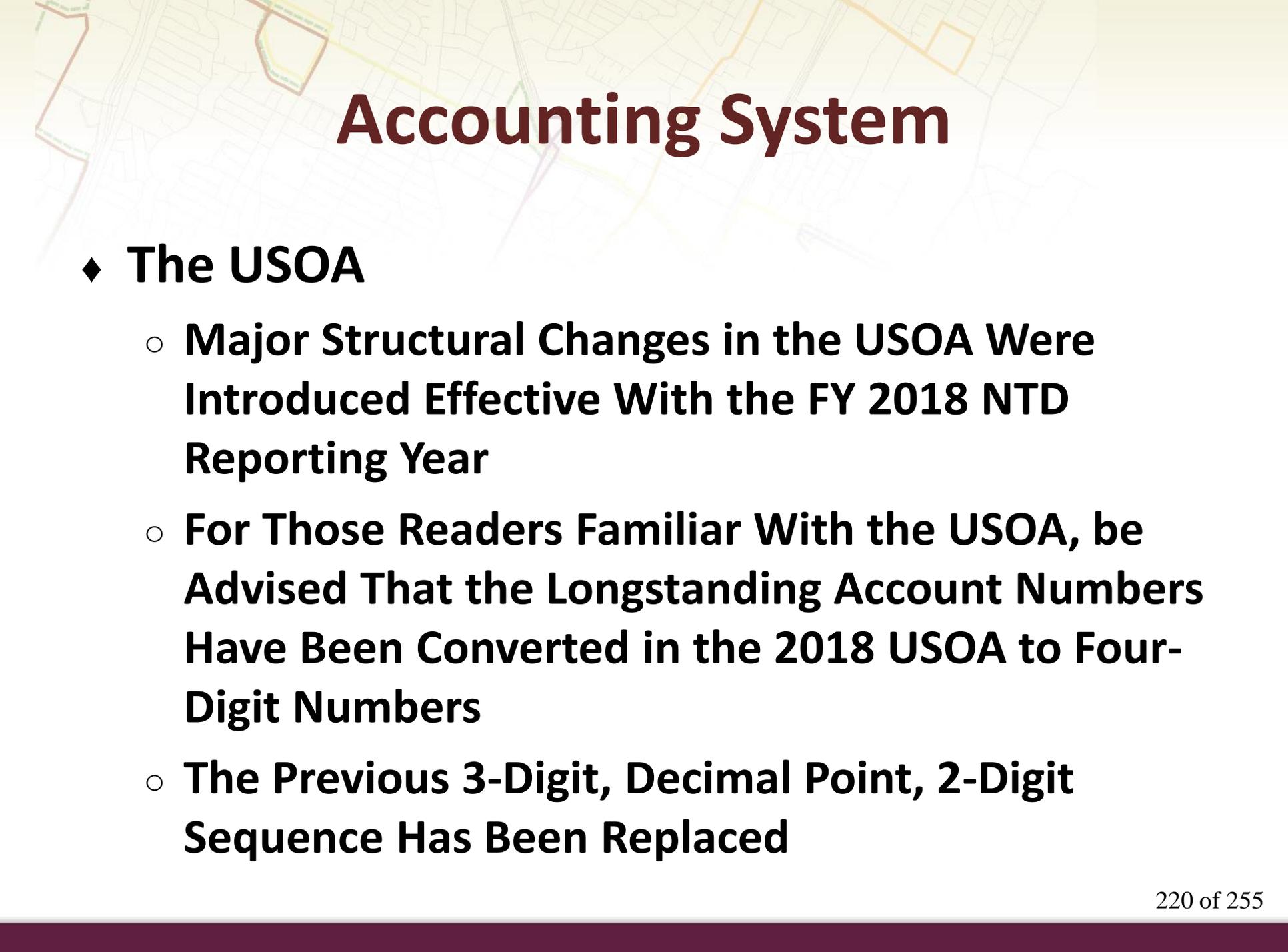
- **Records Must Contain Information Pertaining to Federal Awards, Authorizations, Obligations, Unobligated Balances, Assets, Expenditures**
- **Develop Comparisons of Expenditures With Budget Amounts for Each Federal Award**



Accounting System

◆ **Uniformity in Transit?**

- **The Uniform System of Accounts (USOA) Has Been Utilized Since the 1970s and Has Evolved Over Time**
- **Use of the USOA is Only Mandated for Reporting – But Can Serve as a Useful Tool for Evaluating Adequacy of the Current Chart of Accounts**



Accounting System

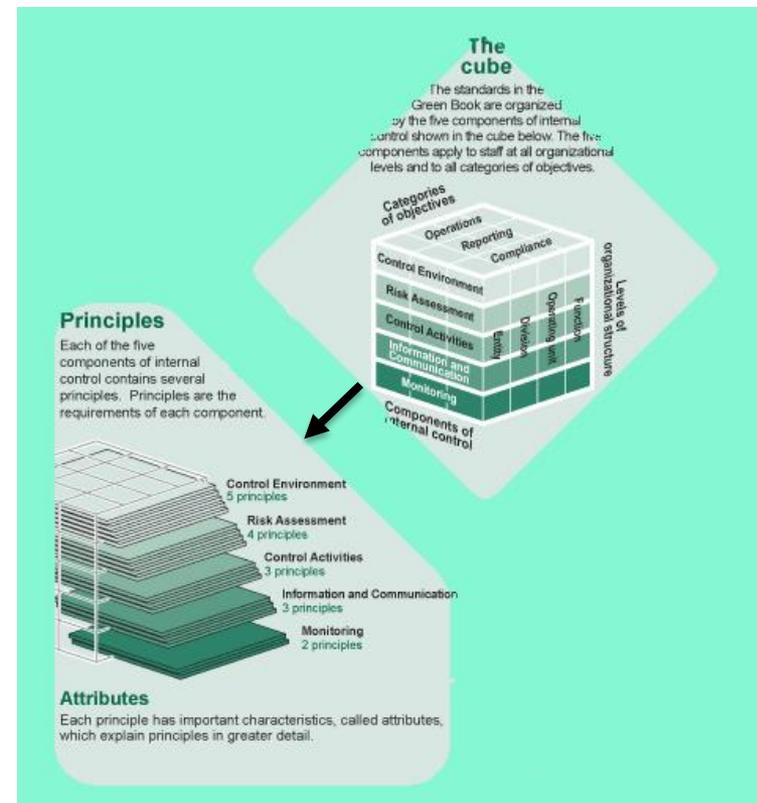
◆ The USOA

- Major Structural Changes in the USOA Were Introduced Effective With the FY 2018 NTD Reporting Year
- For Those Readers Familiar With the USOA, be Advised That the Longstanding Account Numbers Have Been Converted in the 2018 USOA to Four-Digit Numbers
- The Previous 3-Digit, Decimal Point, 2-Digit Sequence Has Been Replaced

Post-Award Requirements

◆ Internal Controls (2 CFR § 200.303)

- Establish and Maintain Effective Internal Control Over the Federal Award That Provides Reasonable Assurance That the Non-Federal Entity Is Managing the Federal Award in Compliance With Federal Statutes, Regulations, and the Terms and Conditions of the Federal Award





Internal Controls

◆ Defined

- **Internal Controls Are Processes, Implemented by a Non-Federal Entity, Designed to Provide Reasonable Assurance Regarding the Achievement of Objectives in the Following Categories:**
 - **Effectiveness and Efficiency of Operations**
 - **Reliability of Reporting for Internal and External Use**
 - **Compliance With Applicable Laws and Regulations**

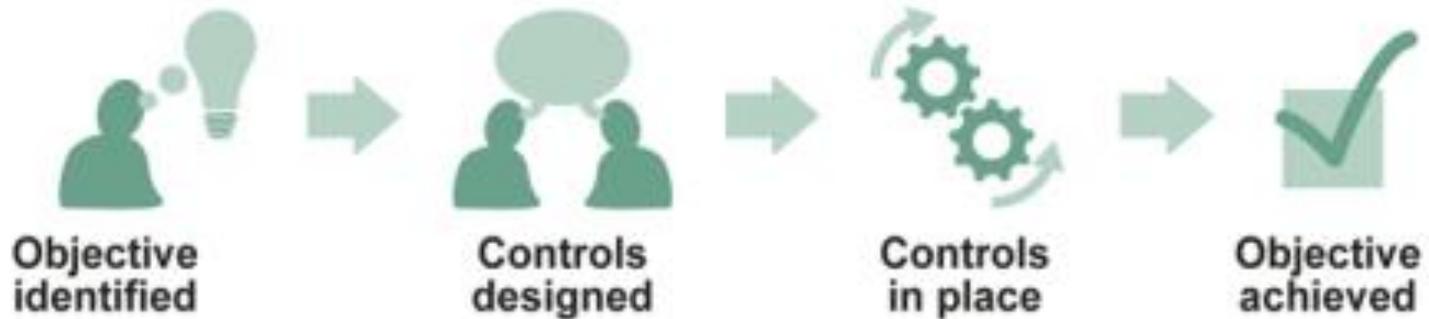
Post-Award Requirements

- ◆ **Internal Control (2 CFR § 200.303)**
 - **Subrecipient Requirements**
 - **Effective Control Over, and Accountability For, All Funds, Property, and Other Assets**
 - **The Non-Federal Entity Must Adequately Safeguard All Assets and Assure That They Are Used Solely For Authorized Purposes**
 - **Provides Reasonable Assurance That the Non-Federal Entity Is Managing the Federal Award In Compliance With Federal Statutes, Regulations, and the Terms And Conditions of the Federal Award**

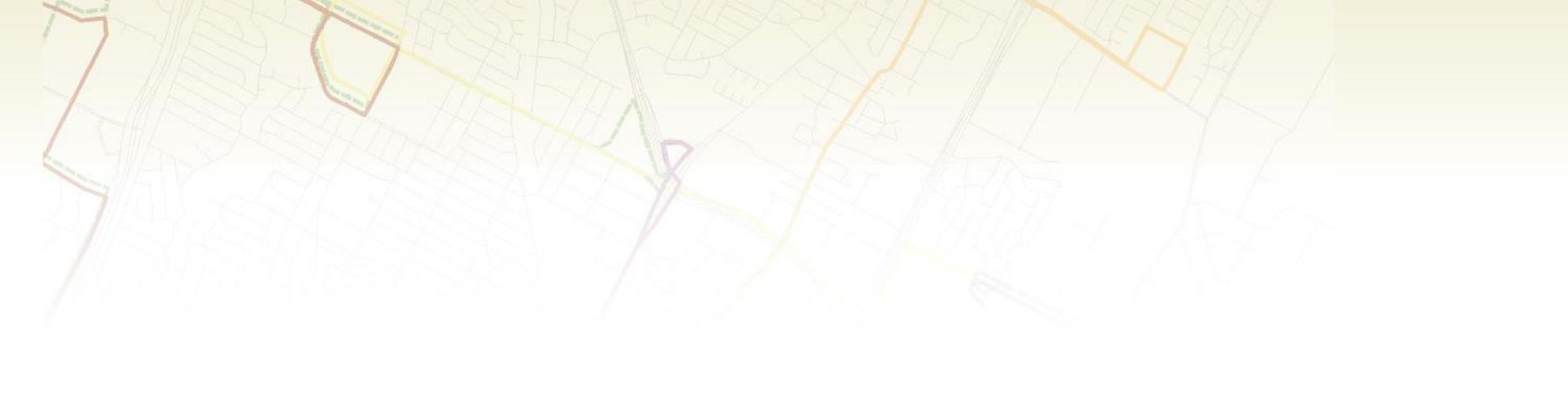
Post-Award Requirements

◆ Internal Controls

- Some Shift of this Function from Audit to Grants Management

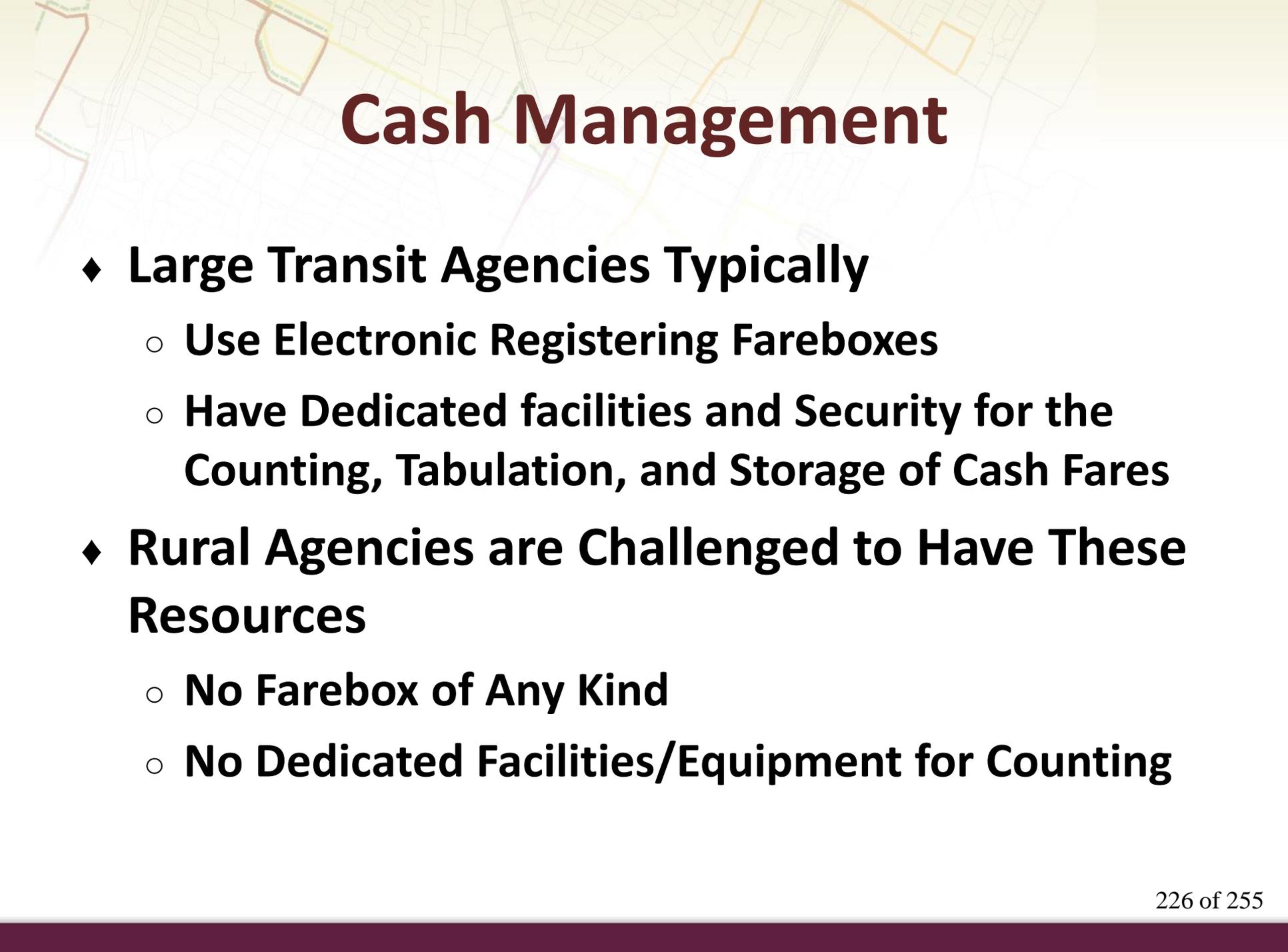


Source: GAO. | GAO-14-704G



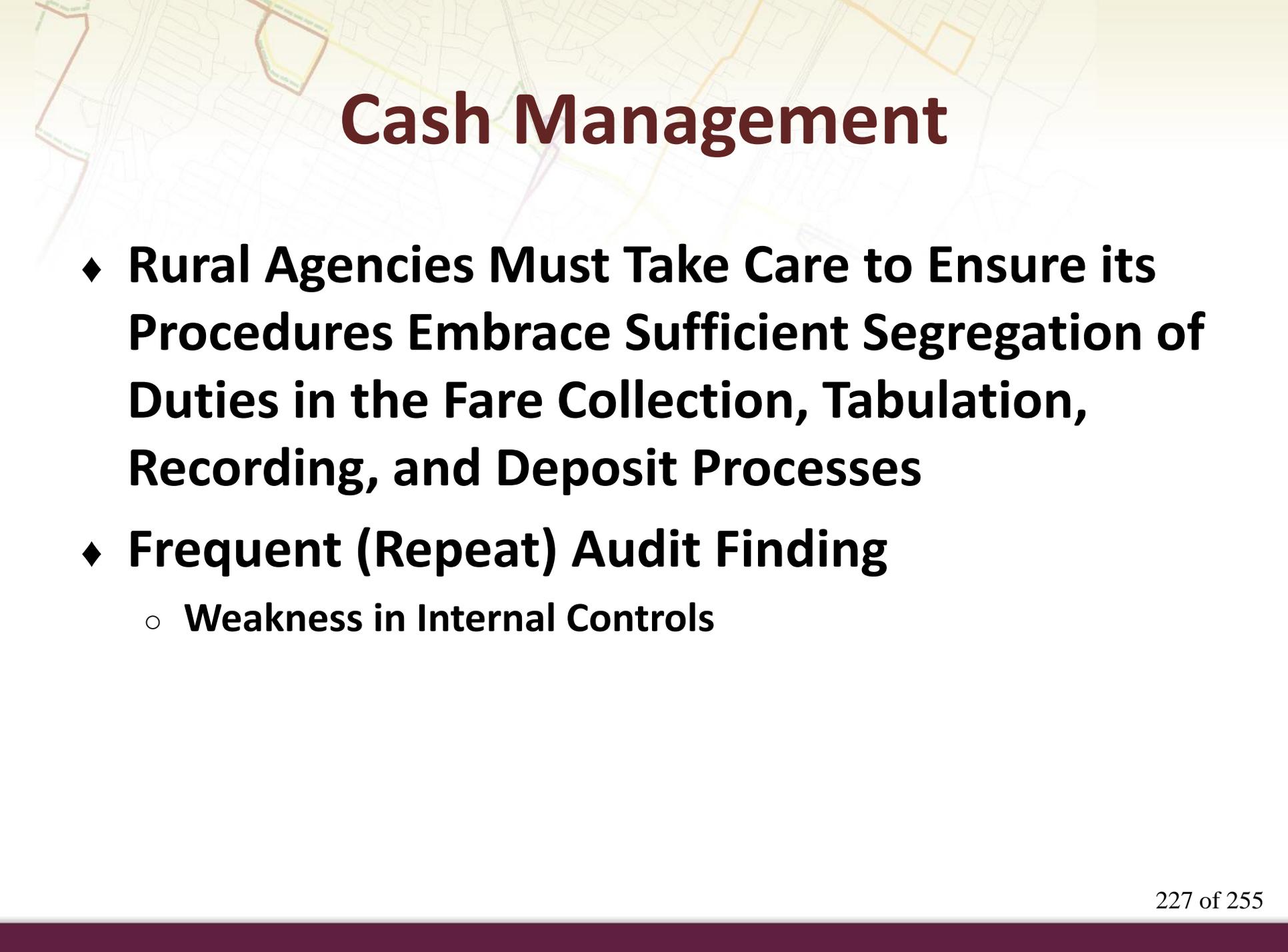
Module 11

BEST PRACTICES IN CASH MANAGEMENT



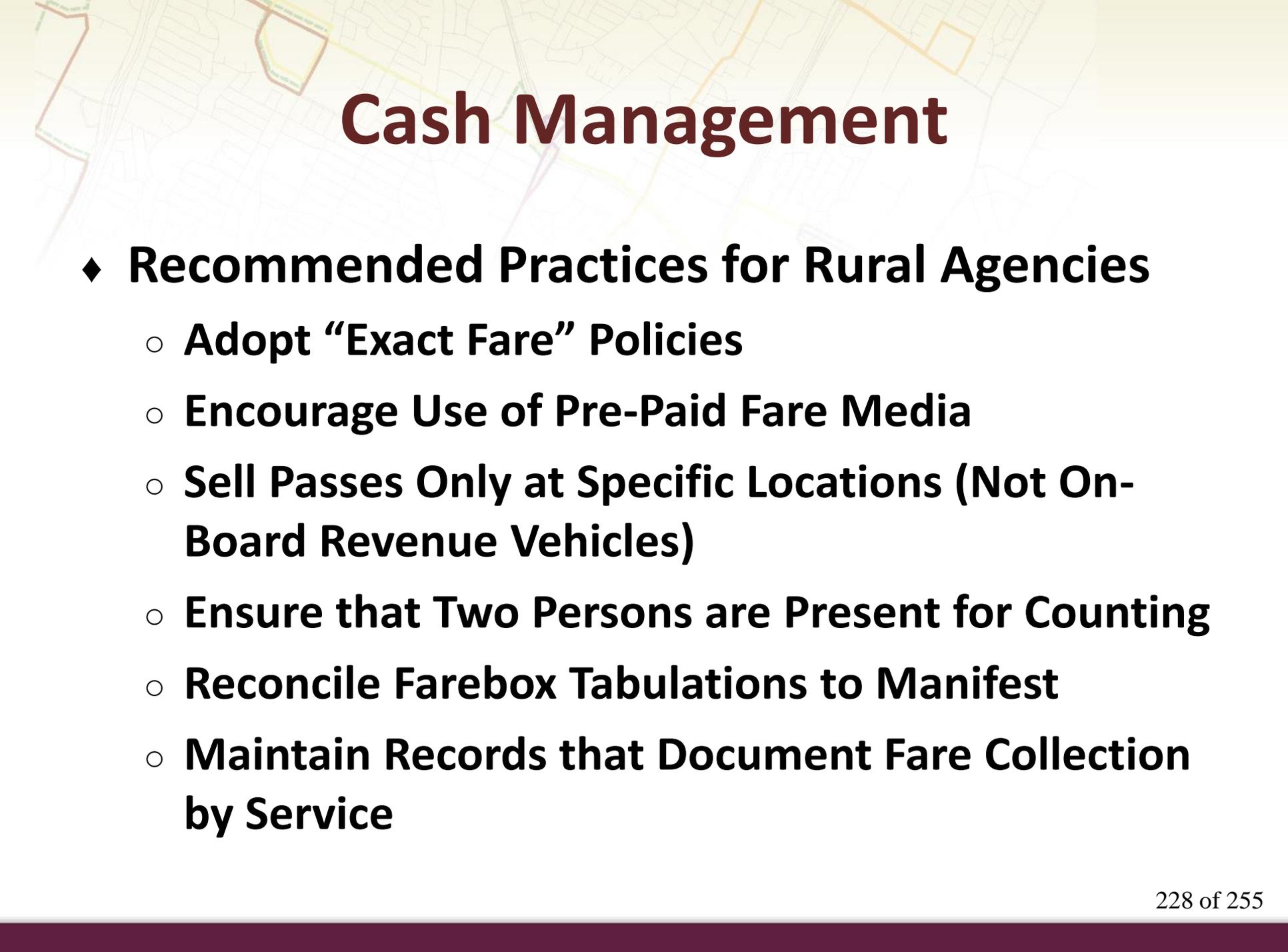
Cash Management

- ◆ **Large Transit Agencies Typically**
 - **Use Electronic Registering Fareboxes**
 - **Have Dedicated facilities and Security for the Counting, Tabulation, and Storage of Cash Fares**
- ◆ **Rural Agencies are Challenged to Have These Resources**
 - **No Farebox of Any Kind**
 - **No Dedicated Facilities/Equipment for Counting**



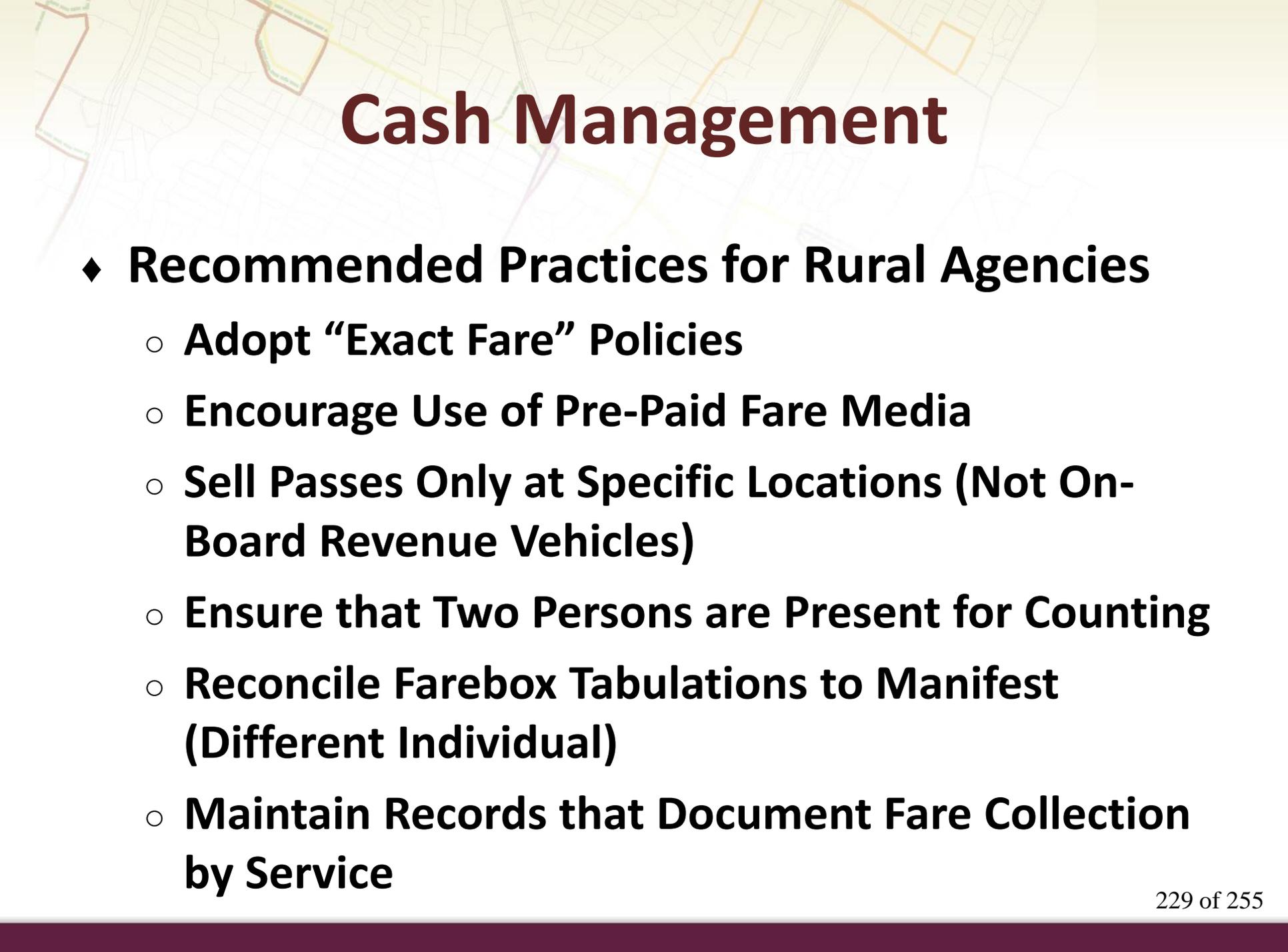
Cash Management

- ◆ **Rural Agencies Must Take Care to Ensure its Procedures Embrace Sufficient Segregation of Duties in the Fare Collection, Tabulation, Recording, and Deposit Processes**
- ◆ **Frequent (Repeat) Audit Finding**
 - **Weakness in Internal Controls**



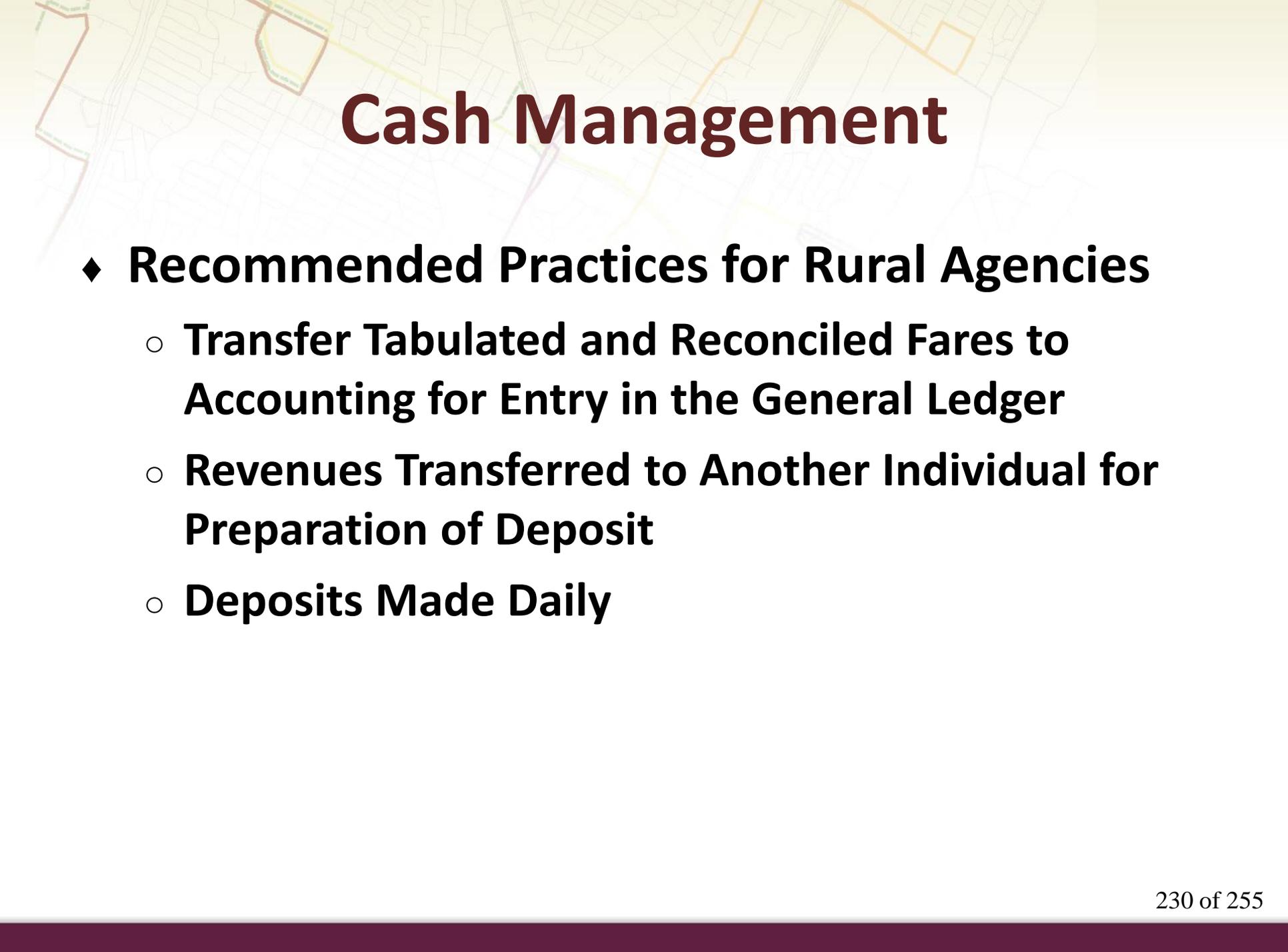
Cash Management

- ◆ **Recommended Practices for Rural Agencies**
 - **Adopt “Exact Fare” Policies**
 - **Encourage Use of Pre-Paid Fare Media**
 - **Sell Passes Only at Specific Locations (Not On-Board Revenue Vehicles)**
 - **Ensure that Two Persons are Present for Counting**
 - **Reconcile Farebox Tabulations to Manifest**
 - **Maintain Records that Document Fare Collection by Service**



Cash Management

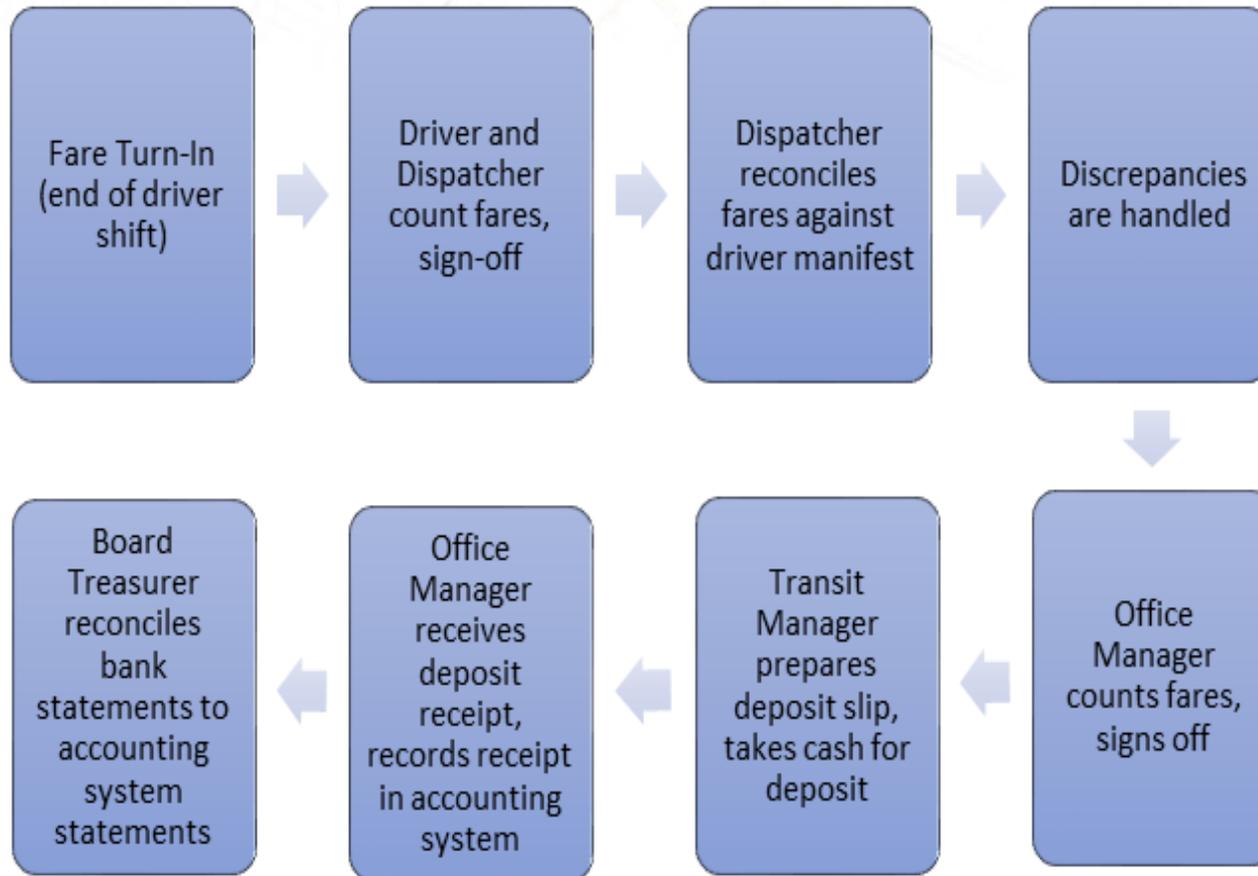
- ◆ **Recommended Practices for Rural Agencies**
 - **Adopt “Exact Fare” Policies**
 - **Encourage Use of Pre-Paid Fare Media**
 - **Sell Passes Only at Specific Locations (Not On-Board Revenue Vehicles)**
 - **Ensure that Two Persons are Present for Counting**
 - **Reconcile Farebox Tabulations to Manifest (Different Individual)**
 - **Maintain Records that Document Fare Collection by Service**



Cash Management

- ◆ **Recommended Practices for Rural Agencies**
 - **Transfer Tabulated and Reconciled Fares to Accounting for Entry in the General Ledger**
 - **Revenues Transferred to Another Individual for Preparation of Deposit**
 - **Deposits Made Daily**

Cash Management



Cash Management

◆ Pass Sales

- **Controlled Outlets**
- **Numbered Passes/Passbooks**
 - **All Passes/Books Accounted for in Inventory**
- **Printed with Specialty (Difficult to Copy) Graphic**
- **Printed on Non-Standard Paper Stock**

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Module 12

ROLE OF GDOT SUBRECIPIENTS IN A SINGLE AUDIT



Single Audit Requirements

- ◆ **Single Audit Threshold (2 CFR § 200.501)**
 - **Major Programs**
 - **Changes in Criteria/Thresholds**
 - **Percentage of Coverage**
 - **Rules Have Changed That Will Reduce the Percentage of Audit Tests Based on Risk and Program Type**

Single Audit Requirements

- ◆ **Single Audit Threshold (2 CFR § 200.501)**
 - **Now \$750,000**
 - **Estimated 5,000 out of 37,000 Entities Will Drop Below This Threshold**
 - **OMB Estimates That New Threshold Will Cover Entities Expending 99% of All Federal Awards**

Single Audit Requirements

- ◆ **Single Audit Threshold (2 CFR § 200.501)**
 - **Entities That Fall Below New Threshold**
 - **Records Must Be Available For Review or Audit By Appropriate Officials of the Federal Agency, Pass-Through Entity, and Government Accountability Office (GAO)**
 - **Funding Agencies**
 - **May Request Program Audits**
 - **May Request Program to be Audited as a Major Program**

Single Audit Requirements

- ◆ **Single Audit Threshold (2 CFR § 200.501)**
 - **Effective Dates**
 - **December 26, 2014**
 - **If Your Entity's Fiscal Year Begins on or After December 26, 2014, Your Audit Must Be Conducted Following the New Guidelines**
 - **Thus, Any Entity Operating on January 1 – December 31 Fiscal Year Must Comply This Year**

Single Audit Requirements

- ◆ **Audit Period (2 CFR § 200.504)**
 - Typically, Performed on an Annual Basis
 - Some Minor Exceptions



Single Audit Requirements

- ◆ **Auditee Responsibilities (2 CFR § 200.510)**
 - **Preparation of Financial Statements**
 - **Schedule of Expenditures of Federal Awards (SEFA)**
 - **A Description of Significant Accounting Policies Used In Preparing The Schedule**
 - **A Summary Schedule of Prior Audit Findings**
 - **The Auditee Must Also Prepare a Corrective Action Plan for Current Year Audit Findings**

Single Audit Requirements

- ◆ **Auditee Responsibilities (2 CFR § 200.510)**
 - **Schedule of Expenditures of Federal Awards (SEFA)**
 - **List of Individual Federal Awards**
 - **Name/Cluster Name**
 - **Subrecipients**
 - » **Name of Pass-Through Agency**
 - » **Grant Identification Number**
 - » **CFDA Number (Section 5311 – 20.509)**
 - » **Total Amounts Provided**
 - » **Significant Accounting Policies**
 - » **Statement as to Whether Entity Used *de minimis* Indirect Rate**

Single Audit Requirements

- ◆ **Auditee Responsibilities (2 CFR § 200.510)**
 - **Optional Elements**
 - **Multiple Federal Award Years**
 - **Separate Listing of Amounts Expended, By Year**
 - **Filing with Audit Clearinghouse**
 - **Usually a Requirement to File with Federal Funding Source**
 - **Corrective Action Plan**

Single Audit Requirements

- ◆ **Auditee Responsibilities (2 CFR § 200.510)**
 - **Auditee Must Prepare a Summary Schedule of Prior Audit Findings**
 - **Include Audit Reference Number**
 - **Status**
 - **May Exclude**
 - **Those Findings Corrected**
 - **Those Findings No Longer Valid or Warranting Further Action**
 - » **Reasons Must be Described**
 - **Two Years Have Passed**
 - **Federal Agency /Pass-Through Entity Not Following Up**
 - **Management Decision Was Not Issued**

Single Audit Requirements

- ◆ **Auditee Responsibilities (2 CFR § 200.510)**
 - **Corrective Action Plan For Current Year Audit Findings**
 - **Must Address Each Finding**
 - **Name of Contact Person Responsible for Corrective Action**
 - **Action Planned**
 - **Anticipated Completion Date**
 - **Rebuttal**
 - **The Corrective Action Plan Must Include An Explanation and Specific Reasons Why the Entity Believes Corrective Action is Not Required**

Single Audit Requirements

- ◆ **Auditee Responsibilities (2 CFR § 200.510)**
 - **Specific Timeframes for Completion**
 - **Report Must be Submitted to Federal Audit Clearinghouse (FAC) Within 30 Calendar Days After Receipt of Audit Report**
 - or
 - **Nine Months After End of Audit Period**
 - **Must Be Available to the Public**
 - **Some Exceptions for Indian Tribal Organizations**

Single Audit Requirements

- ◆ **Auditee Responsibilities (2 CFR § 200.510)**
 - **The Evaluation By the Federal Awarding Agency or Pass-Through Entity of the Audit Findings and Corrective Action Plan and the Issuance of a Written Decision to the Auditee As to What Corrective Action Is Necessary**

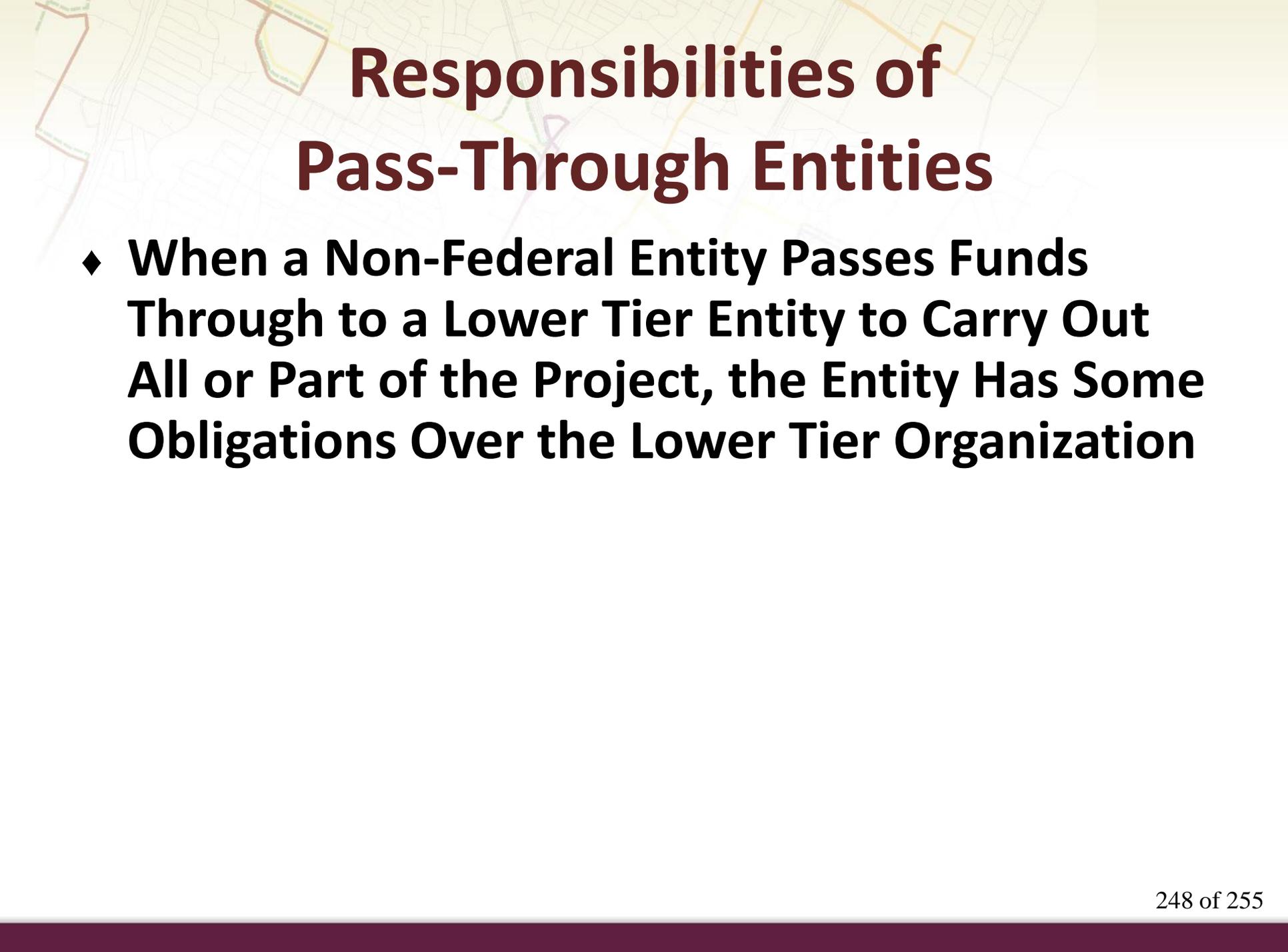
Single Audit Requirements

- ◆ **Auditee Responsibilities (2 CFR § 200.510)**
 - **Must Clearly State**
 - **Whether Finding is Sustained**
 - **Reasons for Decision**
 - **Expected Auditee Action**
 - **Repay Disallowed Cost**
 - **Make Financial Adjustments**
 - **Other Action**
 - **Appeals Process**
 - **Must Be Issued Within Six (6) Months of Acceptance of Audit Report**



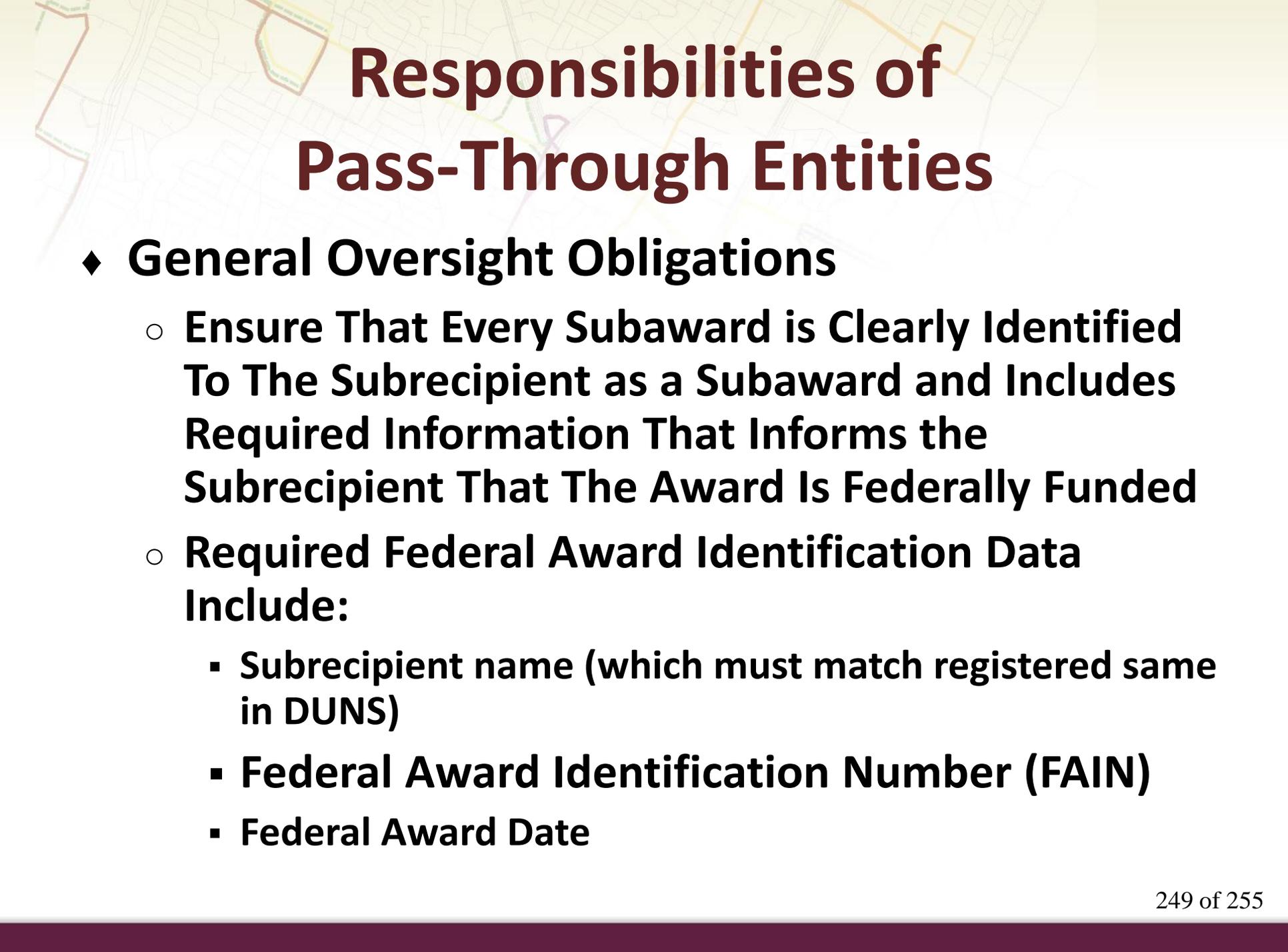
Module 13

MONITORING LOWER TIER SUBRECIPIENTS



Responsibilities of Pass-Through Entities

- ◆ **When a Non-Federal Entity Passes Funds Through to a Lower Tier Entity to Carry Out All or Part of the Project, the Entity Has Some Obligations Over the Lower Tier Organization**



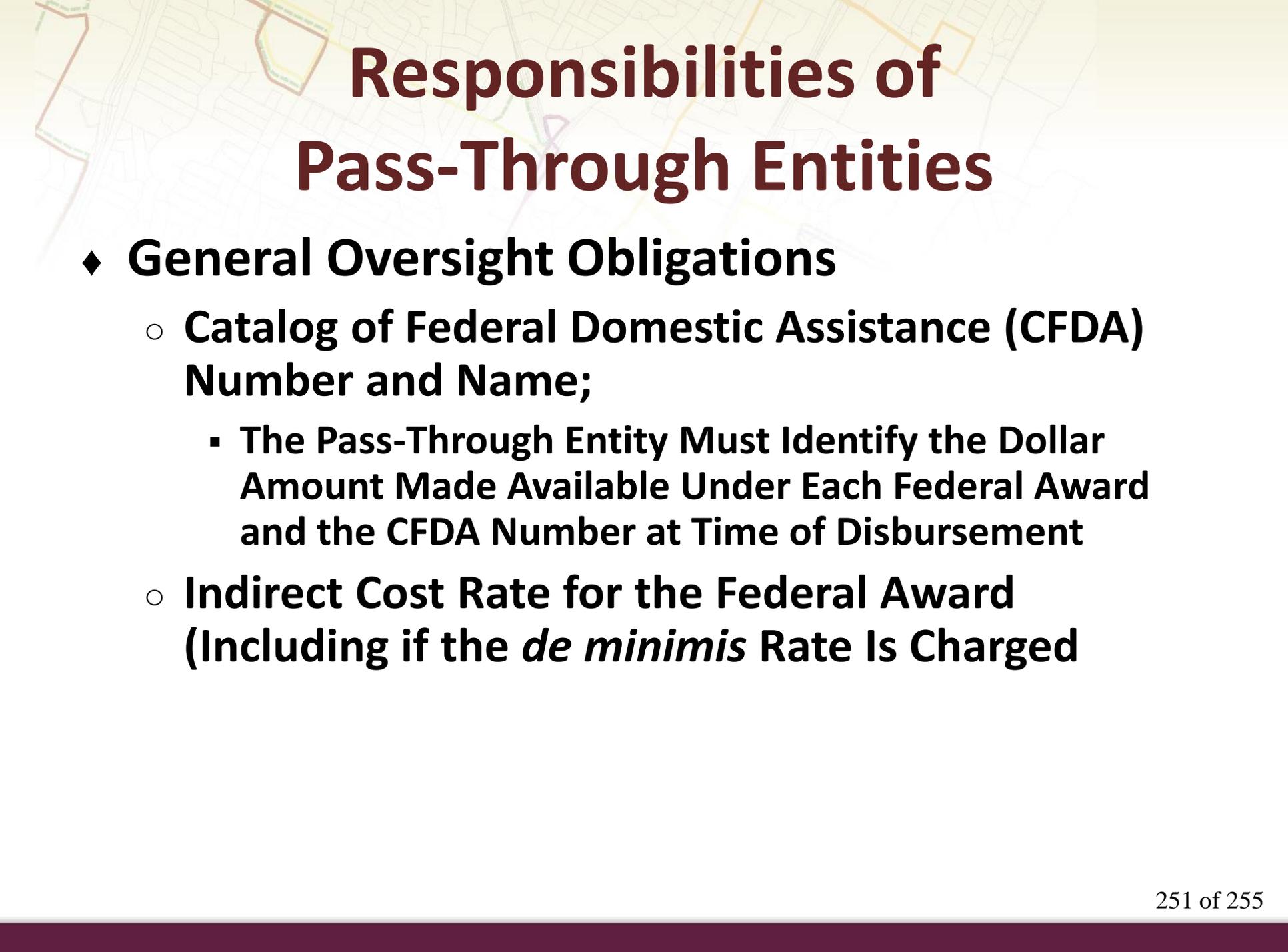
Responsibilities of Pass-Through Entities

◆ General Oversight Obligations

- **Ensure That Every Subaward is Clearly Identified To The Subrecipient as a Subaward and Includes Required Information That Informs the Subrecipient That The Award Is Federally Funded**
- **Required Federal Award Identification Data Include:**
 - **Subrecipient name (which must match registered same in DUNS)**
 - **Federal Award Identification Number (FAIN)**
 - **Federal Award Date**

Responsibilities of Pass-Through Entities

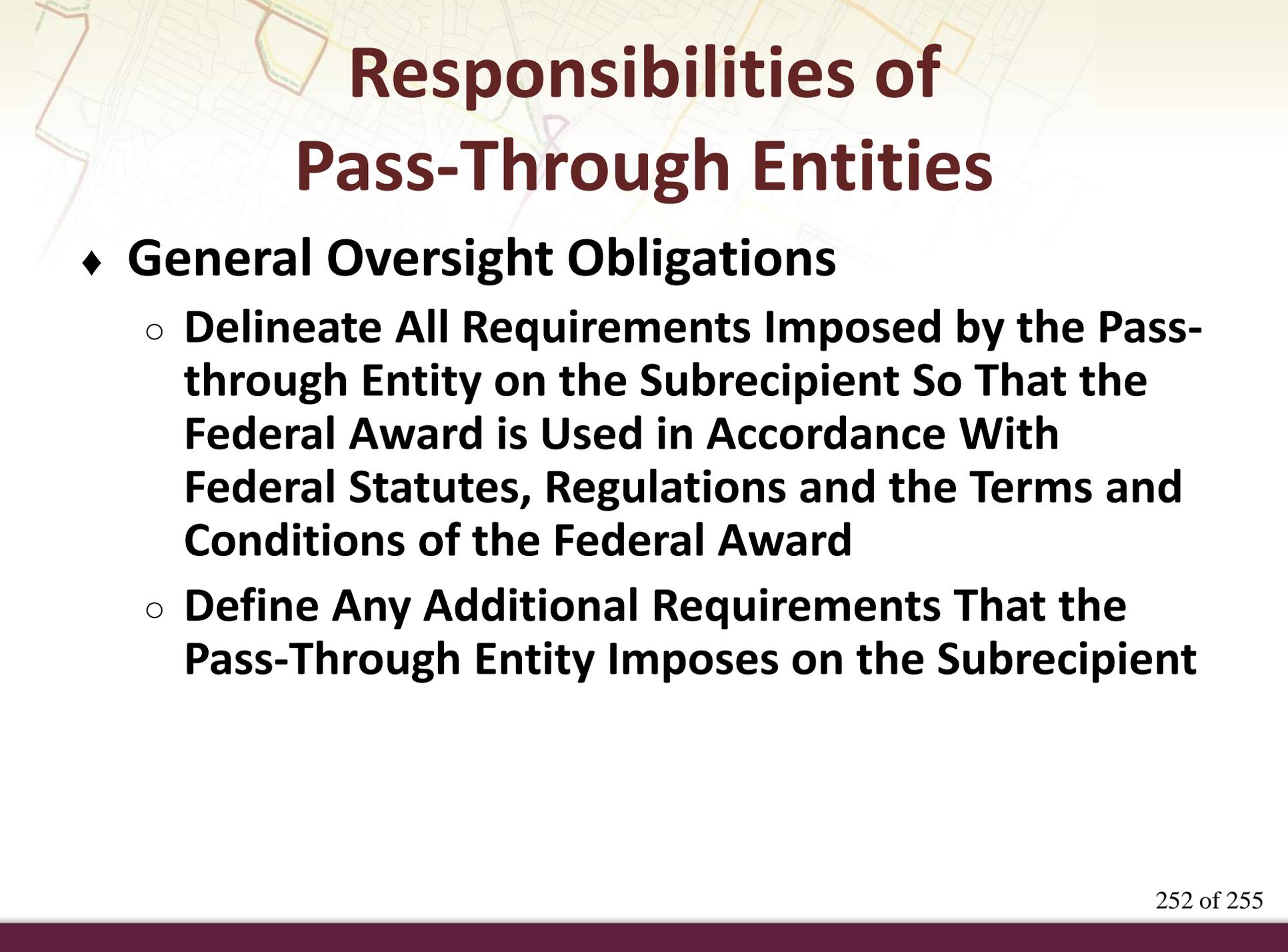
- ◆ **General Oversight Obligations**
 - **Amount of Federal Funds Obligated By This Action**
 - **Total Amount of Federal Funds Obligated to the Subrecipient**
 - **Total Amount Of The Federal Award**
 - **Federal Award Project Description, as Required, to be Responsive to the Federal Funding Accountability And Transparency Act (FFATA)**
 - **Name of Federal Awarding Agency, Pass-through Entity, and Contact Information**



Responsibilities of Pass-Through Entities

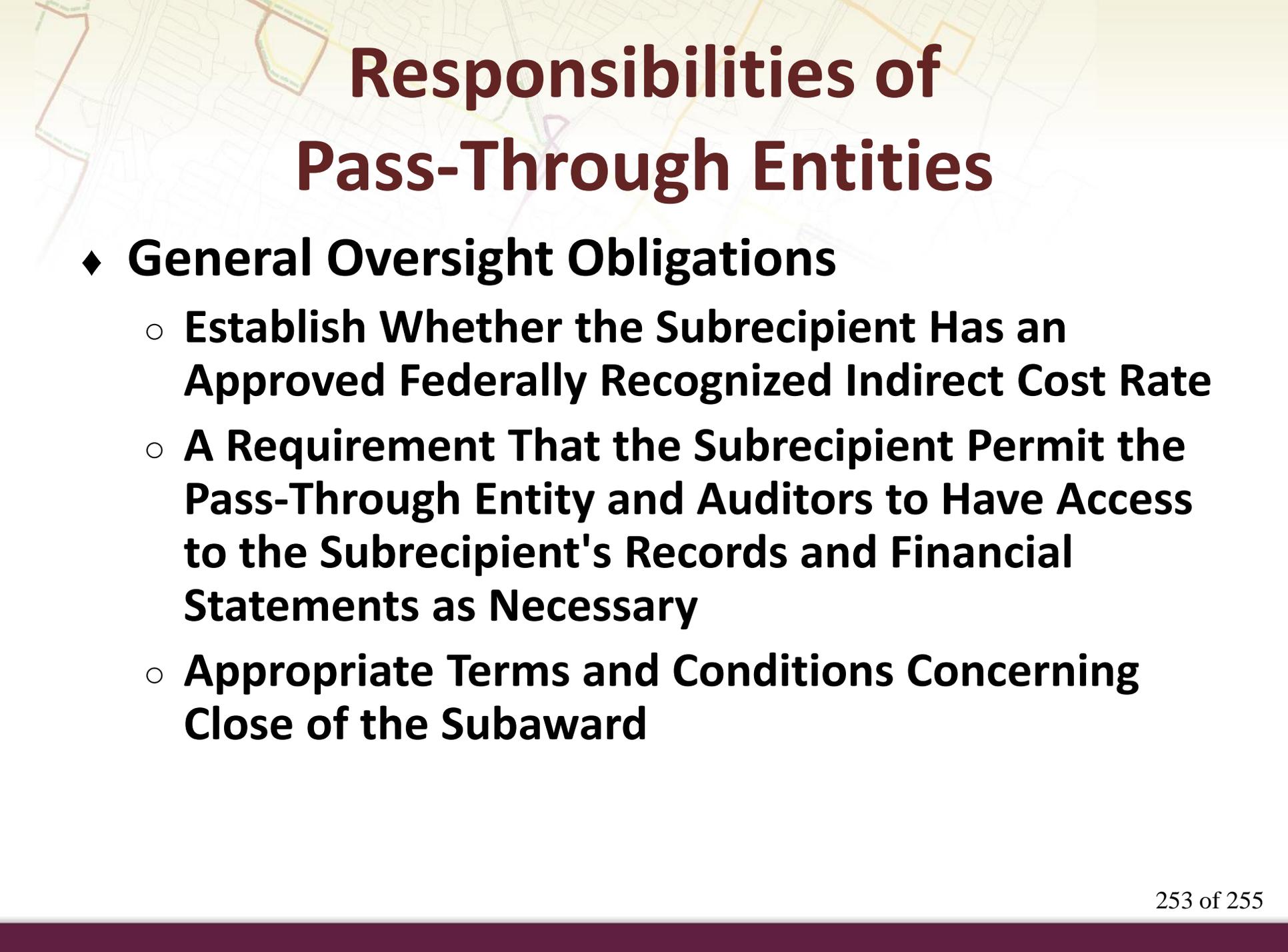
◆ General Oversight Obligations

- **Catalog of Federal Domestic Assistance (CFDA) Number and Name;**
 - **The Pass-Through Entity Must Identify the Dollar Amount Made Available Under Each Federal Award and the CFDA Number at Time of Disbursement**
- **Indirect Cost Rate for the Federal Award (Including if the *de minimis* Rate Is Charged**

The background of the slide features a faint, stylized map of a city or town. The map is composed of various colored lines and shapes, including red, green, yellow, and purple, which likely represent different zones, parks, or administrative boundaries. The map is centered and occupies the upper portion of the slide, behind the main title.

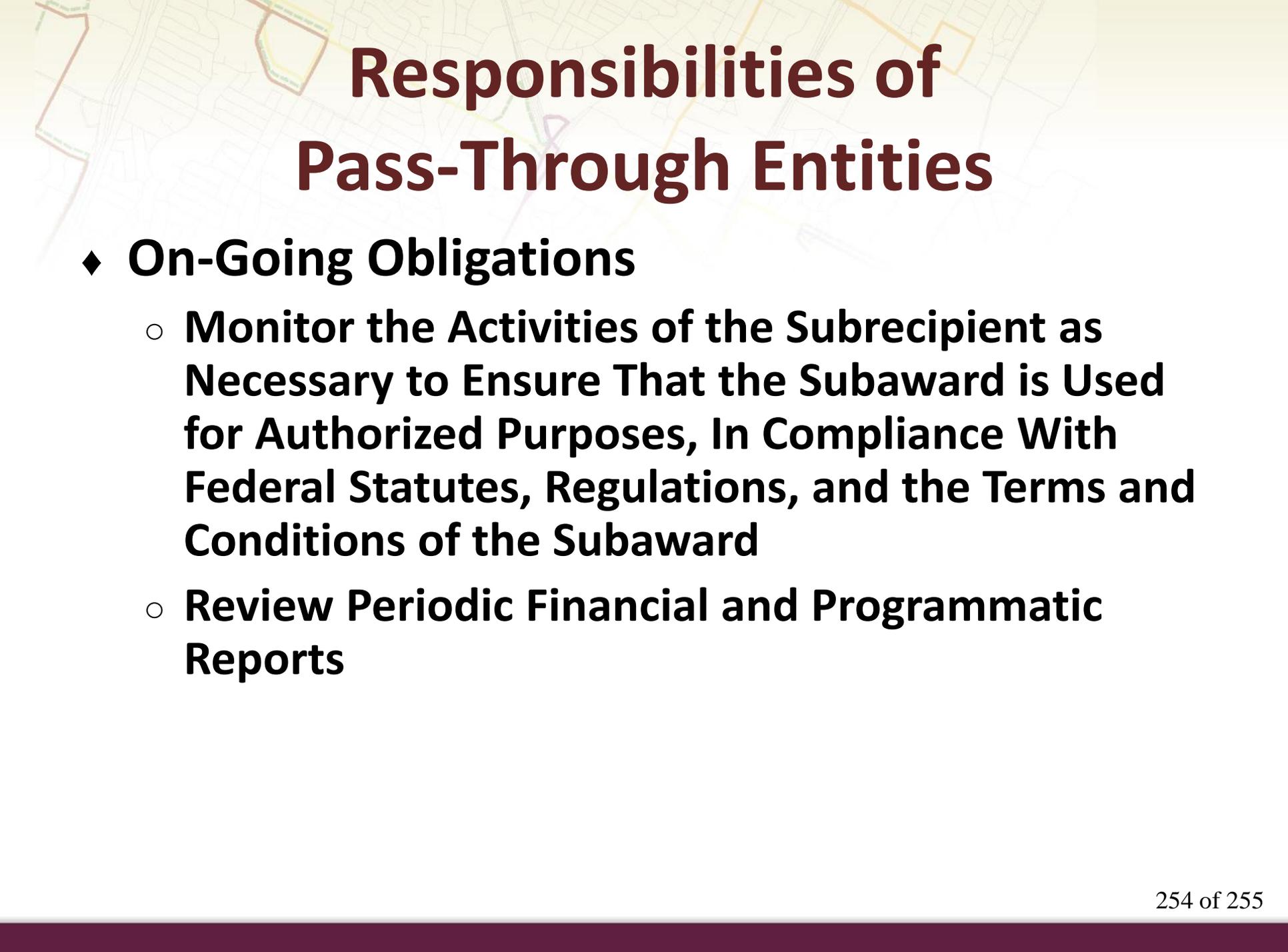
Responsibilities of Pass-Through Entities

- ◆ **General Oversight Obligations**
 - **Delineate All Requirements Imposed by the Pass-through Entity on the Subrecipient So That the Federal Award is Used in Accordance With Federal Statutes, Regulations and the Terms and Conditions of the Federal Award**
 - **Define Any Additional Requirements That the Pass-Through Entity Imposes on the Subrecipient**



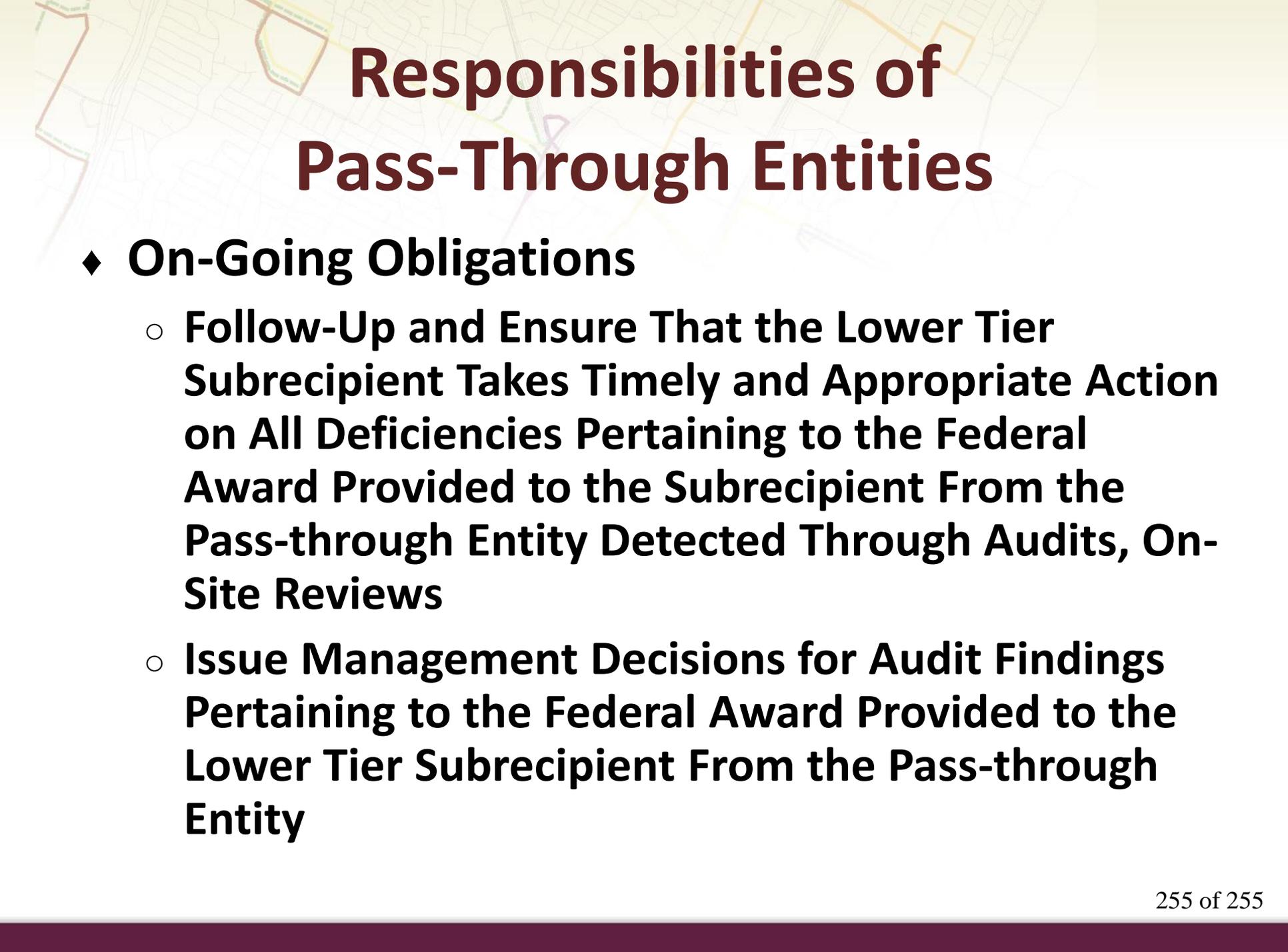
Responsibilities of Pass-Through Entities

- ◆ **General Oversight Obligations**
 - **Establish Whether the Subrecipient Has an Approved Federally Recognized Indirect Cost Rate**
 - **A Requirement That the Subrecipient Permit the Pass-Through Entity and Auditors to Have Access to the Subrecipient's Records and Financial Statements as Necessary**
 - **Appropriate Terms and Conditions Concerning Close of the Subaward**



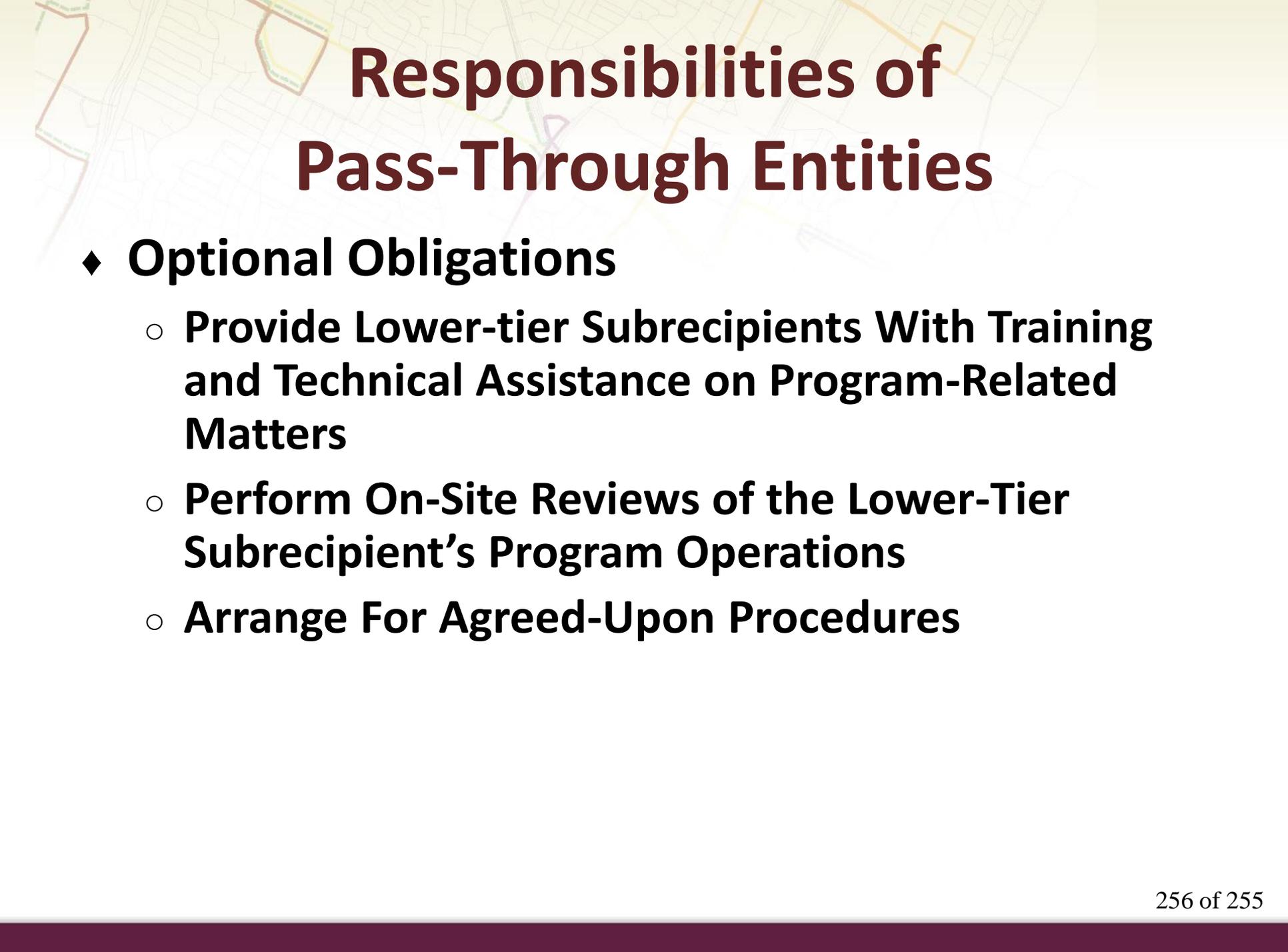
Responsibilities of Pass-Through Entities

- ◆ **On-Going Obligations**
 - **Monitor the Activities of the Subrecipient as Necessary to Ensure That the Subaward is Used for Authorized Purposes, In Compliance With Federal Statutes, Regulations, and the Terms and Conditions of the Subaward**
 - **Review Periodic Financial and Programmatic Reports**



Responsibilities of Pass-Through Entities

- ◆ **On-Going Obligations**
 - **Follow-Up and Ensure That the Lower Tier Subrecipient Takes Timely and Appropriate Action on All Deficiencies Pertaining to the Federal Award Provided to the Subrecipient From the Pass-through Entity Detected Through Audits, On-Site Reviews**
 - **Issue Management Decisions for Audit Findings Pertaining to the Federal Award Provided to the Lower Tier Subrecipient From the Pass-through Entity**

A background map showing a street grid with several colored overlays: a red outline, a green outline, and a purple outline, possibly representing different zones or areas of interest.

Responsibilities of Pass-Through Entities

◆ **Optional Obligations**

- **Provide Lower-tier Subrecipients With Training and Technical Assistance on Program-Related Matters**
- **Perform On-Site Reviews of the Lower-Tier Subrecipient's Program Operations**
- **Arrange For Agreed-Upon Procedures**

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Module 14

OTHER GRANT MANAGEMENT PRINCIPLES (POST-AWARD REQUIREMENTS)

Post-Award Requirements

◆ Divided into Sections

- Standards for Financial Management
- Property Standards
- Procurement Standards
- Performance and Financial Monitoring and Reporting
- Subrecipient Monitoring and Management
- Record Retention and Access
- Remedies for Noncompliance
- Closeout
- Post-Closeout Adjustments
- Collection of Amounts Due

Post-Award Requirements

- ◆ **Financial Management Systems (2 CFR § 200.302)**
 - **Additionally, the Systems Must**
 - **Identify, in Its Accounts, of All Federal Awards Received and Expended and the Federal Programs Under Which They Were Received**
 - **Federal Program and Federal Award Identification Must Include, as Applicable, the CFDA Title and Number, Federal Award Identification Number and Year, Name of the Federal Agency, and Name of the Pass-Through Entity, If Any**

Post-Award Requirements

- ◆ **Financial Management Systems (2 CFR § 200.302)**
 - **Additionally, the Systems Must**
 - **Accurate, Current, and Complete Disclosure of the Financial Results of Each Federal Award or Program**
 - **If a Federal Awarding Agency Requires Reporting on An Accrual Basis From a Recipient That Maintains Its Records on Other Than an Accrual Basis, the Recipient Must Not be Required to Establish an Accrual Accounting System**

Post-Award Requirements

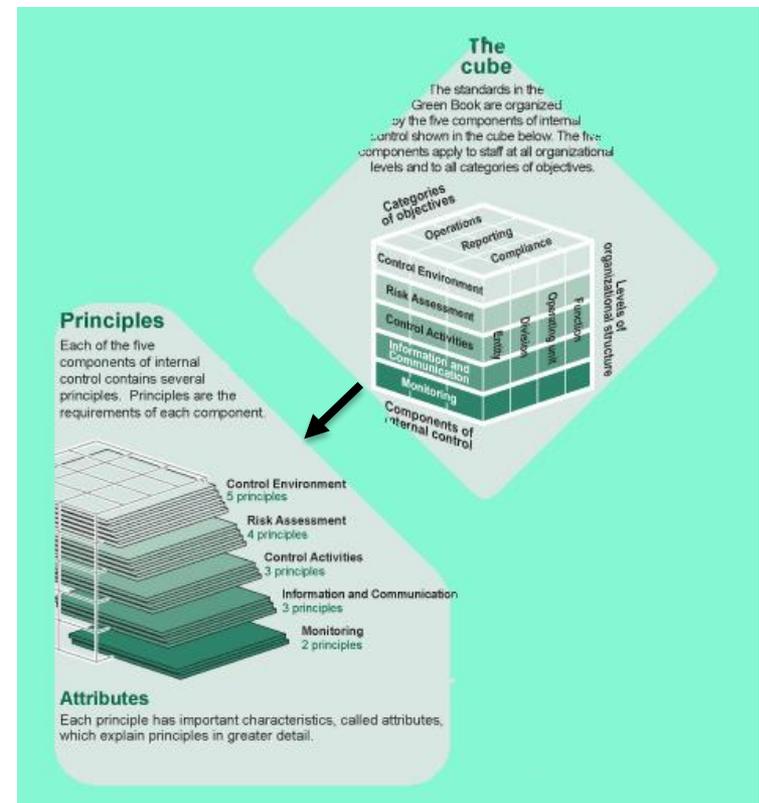
- ◆ **Financial Management Systems (2 CFR § 200.302)**
 - **Additionally, the Systems Must**
 - **Records That Identify Adequately the Source and Application of Funds for Federally-Funded Activities**
 - **These Records Must Contain Information Pertaining to Federal Awards, Authorizations, Obligations, Unobligated Balances, Assets, Expenditures, Income and Interest and be Supported by Source Documentation**

Post-Award Requirements

- ◆ **Financial Management Systems (2 CFR § 200.302)**
 - **Additionally, the Systems Must**
 - **Effective Control Over, and Accountability for, All Funds, Property, and Other Assets**
 - **The Non-Federal Entity Must Adequately Safeguard All Assets and Assure that They are Used Solely for Authorized Purposes**

Post-Award Requirements

- ◆ **Internal Controls (2 CFR § 200.303)**
 - **Establish and Maintain Effective Internal Control Over the Federal Award That Provides Reasonable Assurance That the Non-Federal Entity Is Managing the Federal Award in Compliance With Federal Statutes, Regulations, and the Terms and Conditions of the Federal Award**



Post-Award Requirements

◆ Internal Control (2 CFR § 200.303)

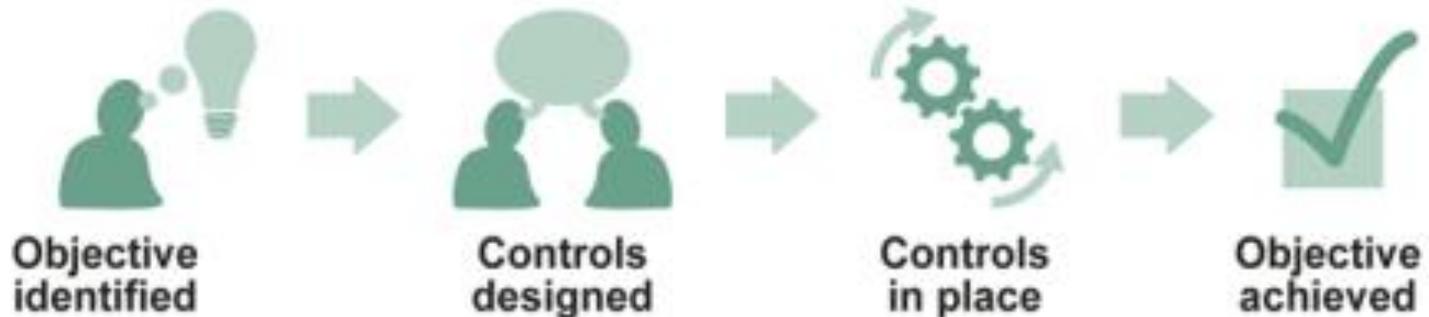
○ Subrecipient Requirements

- **Effective Control Over, and Accountability For, All Funds, Property, and Other Assets**
- **The Non-Federal Entity Must Adequately Safeguard All Assets and Assure That They Are Used Solely For Authorized Purposes**
- **Provides Reasonable Assurance That the Non-Federal Entity Is Managing the Federal Award In Compliance With Federal Statutes, Regulations, and the Terms And Conditions of the Federal Award**

Post-Award Requirements

◆ Internal Controls

- Some Shift of this Function from Audit to Grants Management



Source: GAO. | GAO-14-704G

Post-Award Requirements

◆ **Cost Sharing/Matching (2 CFR § 200.306)**

○ **Requirements**

- **Verifiable From the Non-Federal Entity's Records**
- **Not Included as Contributions for any Other Federal Award**
- **Are Necessary and Reasonable for Accomplishment of the Project**
- **Are Allowable Under the Cost Principles**
- **Are Not Paid By the Federal Government Under Another Federal Award, Except Where The Federal Statute Authorizing a Program Specifically Provides That Federal Funds Made Available for Such Program Can Be Applied to Matching or Cost Sharing Requirements Of Other Federal Programs**

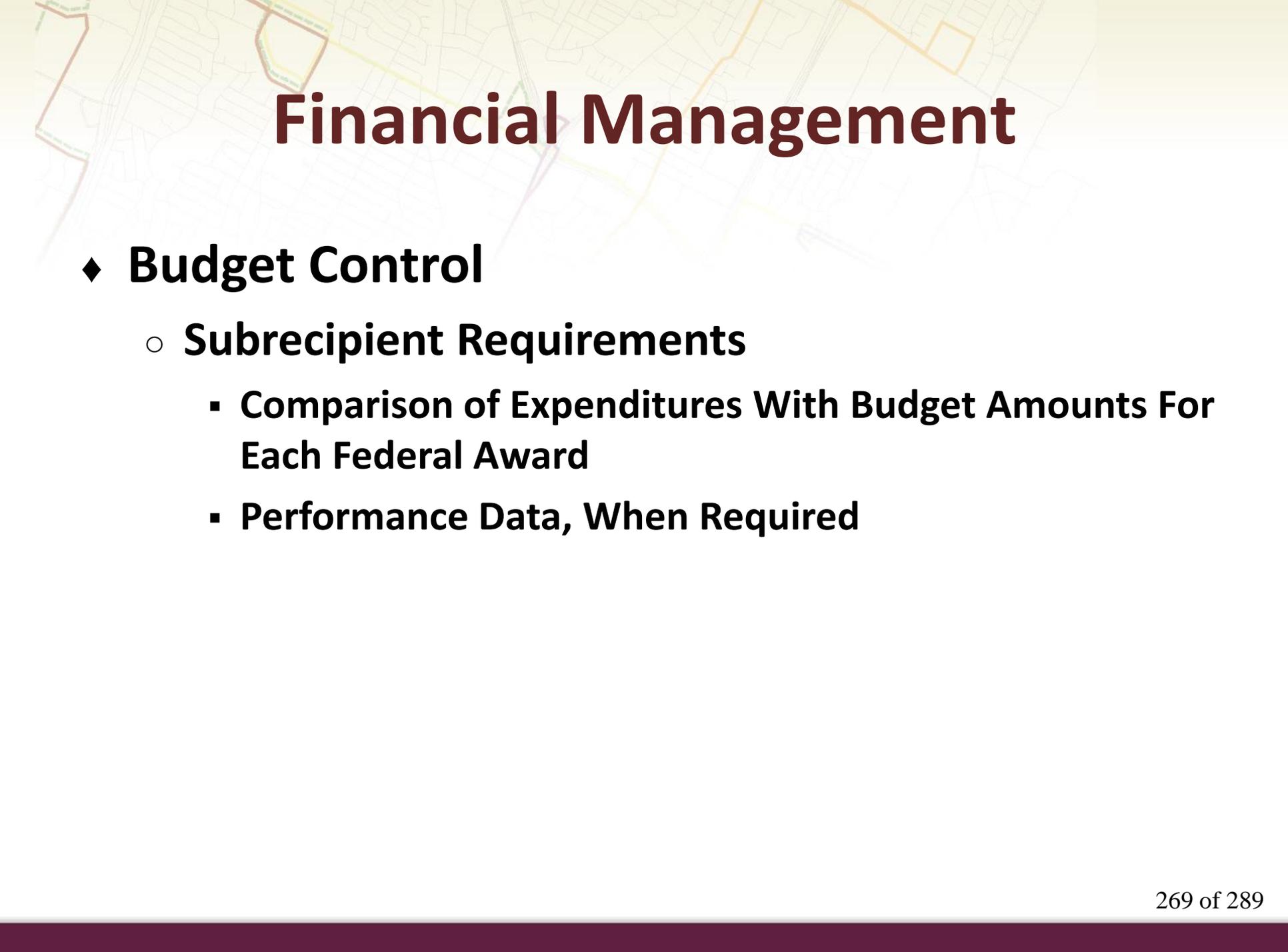
Post-Award Requirements

- ◆ **Cost Sharing/Matching (2 CFR § 200.306)**
 - **Requirements**
 - **Are Provided For in the Approved Budget When Required by the Federal Awarding Agency**
 - **Conform to Other Provisions of the Super Circular**



Post-Award Requirements

- ◆ **Cost Sharing/Matching (2 CFR § 200.306)**
 - **If Proposed Match Meets Requirements, Must be Accepted**
 - **In-Kind**
 - **Not An Open Book – Many Requirements Must be Meet**
 - **Key Elements**
 - **Valuation and Methods of Valuation**



Financial Management

◆ Budget Control

○ Subrecipient Requirements

- Comparison of Expenditures With Budget Amounts For Each Federal Award
- Performance Data, When Required



Property Standards

◆ **Protecting Federally-Funded Assets**

○ **Insurance**

- **The Non-Federal Entity Must, At a Minimum, Provide the Equivalent Insurance Coverage For Real Property and Equipment Acquired or Improved With Federal Funds As Provided to Property Owned By The Non-Federal Entity**



Property Standards

◆ Real Property

- Title
- Use
- Disposition



Property Standards

- ◆ **Equipment**
 - **Title**
 - **Use**
 - **Disposition**
- ◆ **Supplies**
- ◆ **Intangible Property**



Procurement Standards

- ◆ **Procurement (2 CFR § 200.318)**
 - **Written Standards of Conduct**
 - **Technical Capacity**

Procurement Standards

- ◆ **Standards of Conduct (2 CFR § 200.318(c)(1))**
 - **Every Non-Federal Entity Must Maintain Written Standards of Conduct**
 - **Applies to Officers, Employees, Agents, Board Members, or by Contractors or Subrecipients or Their Agents, Immediate Family Members**
 - **Personal Conflicts of Interest**
 - **Gifts**
 - **Violations**

Procurement Standards

- ◆ **Award to Responsible Contractors (2 CFR § 200.318(h))**
 - **The Non-Federal Entity Must Award Contracts Only to Responsible Contractors Possessing the Ability to Perform Successfully Under the Terms and Conditions of a Proposed Procurement**
 - **Consideration Will Be Given to Such Matters as Contractor Integrity, Compliance With Public Policy, Record of Past Performance, and Financial and Technical Resources**



Procurement Standards

- ◆ **Technical Capacity**

- **General Requirement**

- **Grantees Must Undertake Its Procurements Effectively and Efficiently in Compliance with Applicable Federal, State, and Local Requirements**

Procurement Standards

- ◆ **Settlement of Disputes (2 CFR § 200.318(k))**
 - **The Non-Federal Entity Alone Must Be Responsible, in Accordance With Good Administrative Practice and Sound Business Judgment, for The Settlement of all Contractual and Administrative Issues Arising Out of Procurements**

Procurement Standards

- ◆ **Award to Responsible Contractors (2 CFR § 200.319)**
 - **All Procurement Transactions Must Be Conducted in a Manner Providing Full and Open Competition**
 - **Embraces Elements FTA Has Always Included in its Third Party Contracting Guidelines Circular (4220.1D)**



Procurement Standards

- ◆ **Written Procurement Procedures**
 - **Solicitations**
 - **Clear Descriptions**
 - **Nonrestrictive Specifications**
 - **Quality Requirements**
 - **Performance Specifications**
 - **Brand Name or Equal**



Procurement Standards

- ◆ **Written Procurement Procedures**
 - **Inclusion of All Third Party Contract Provisions in Lower Tier Contracts**
 - **Caution Regarding Industry Contracts**



Procurement Standards

- ◆ **Written Procurement Procedures (2 CFR § 200.319(c))**
 - **Solicitations**
 - **Clear Descriptions**
 - **Nonrestrictive Specifications**
 - **Quality Requirements**
 - **Performance Specifications**
 - **Brand Name or Equal**

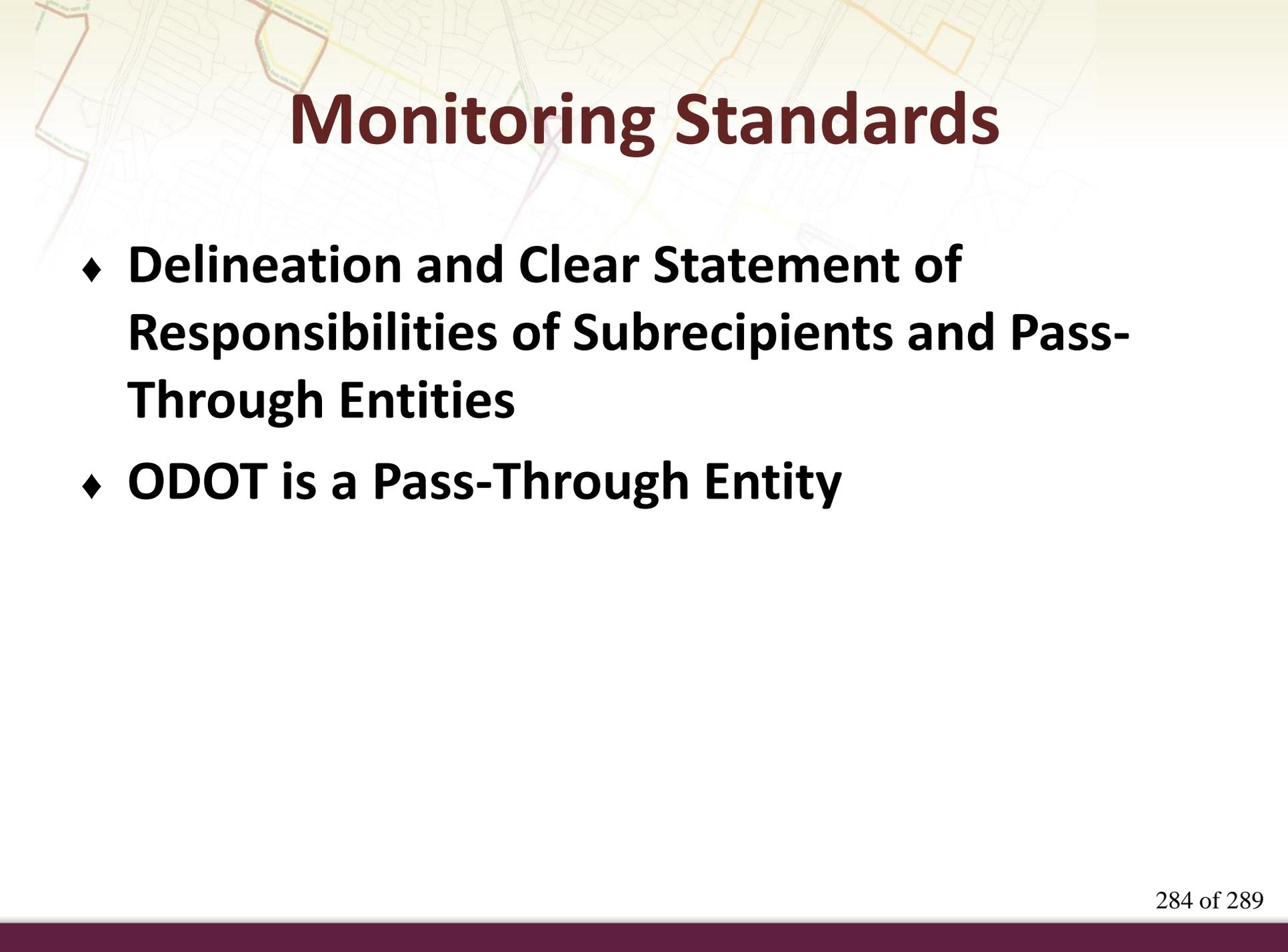
Procurement Standards

- ◆ **Written Procurement Procedures (2 CFR § 200.319(c))**
 - **Inclusion of All Third Party Contract Provisions in Lower Tier Contracts**
 - **Caution Regarding Industry Contracts**



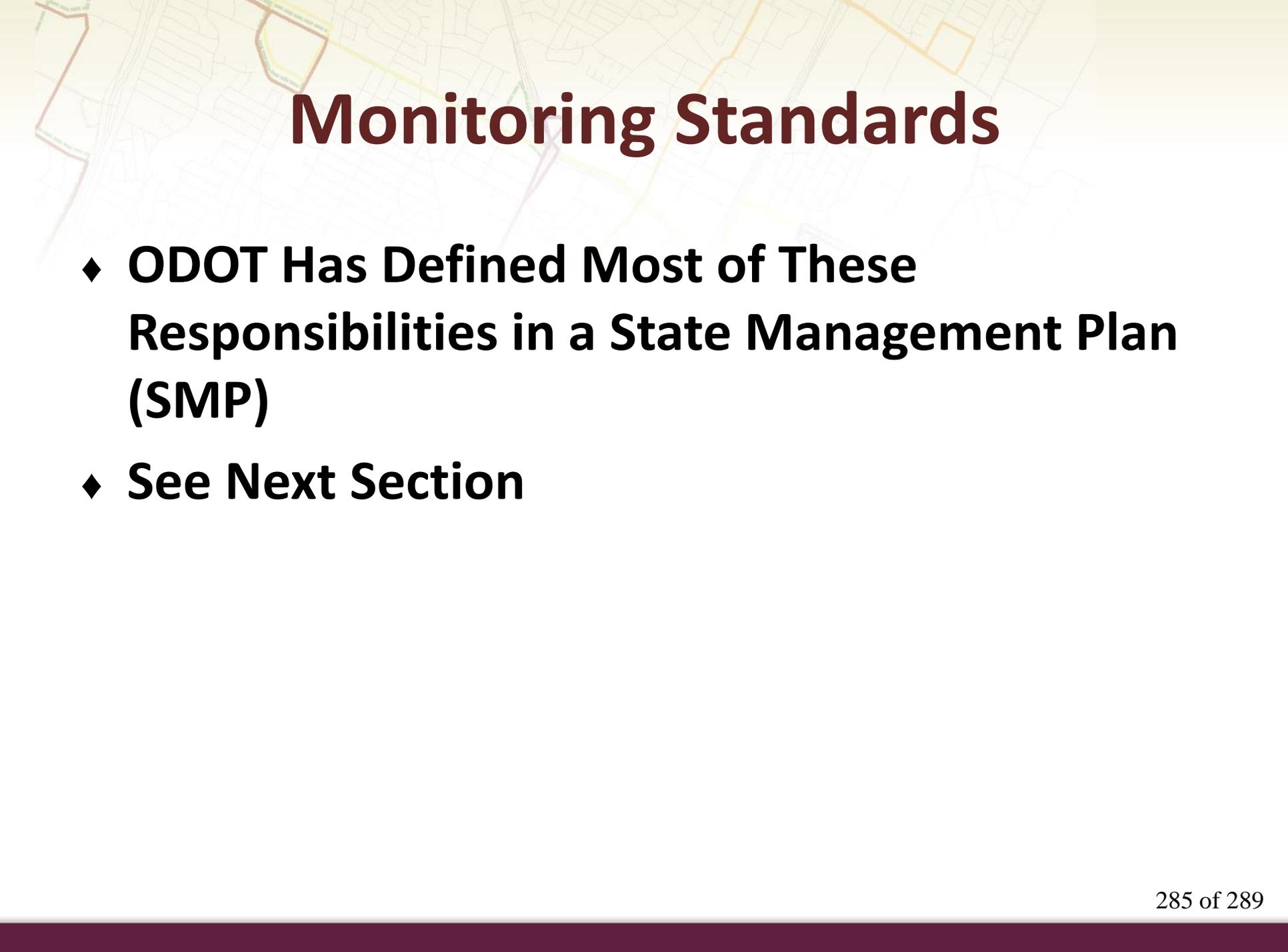
Procurement Standards

- ◆ **Procurement Methods Employed**
- ◆ **Legal Restrictions**
- ◆ **Third Party Contract Provisions**
- ◆ **Sources**
- ◆ **Resolution of Issues**



Monitoring Standards

- ◆ **Delineation and Clear Statement of Responsibilities of Subrecipients and Pass-Through Entities**
- ◆ **ODOT is a Pass-Through Entity**



Monitoring Standards

- ◆ **ODOT Has Defined Most of These Responsibilities in a State Management Plan (SMP)**
- ◆ **See Next Section**

Post-Award Requirements

- ◆ **Record Retention (2 CFR § 200.333)**
 - **Basic Requirement**
 - **Three Years From the Date of Submission of Final Expenditure Report**
or
 - **Three Years From Date of Annual Financial Report**
 - **Exceptions**
 - **Litigation, Claim, or Audits Initiated Prior to Close of Three Year Period**
 - **Notification in Writing From Federal Award, Cognizant, or Pass-Through Agency**

Post-Award Requirements

- ◆ **Record Retention (2 CFR § 200.333)**
 - **Federal Agencies and Pass-Through Entities Must Adhere to the Requirements of 2 CFR § 200.333 on Retention**
 - **May Not Impose Longer Standards**
 - **Formats**
 - **Preferred: Machine Readable Documents**
 - **Paper Must be Accepted (No More than Original and Two Copies)**
 - **Paper Record May be Converted to Machine Readable Electronic Formats**

Post-Award Requirements

- ◆ **Access to Records (2 CFR § 200.336)**
 - **The Federal Agency, Inspectors General, the Comptroller General of the United States, and ODOT Must Have the Right of Access to Any Documents, Papers, or Other Records**
 - **The Right Also Includes Timely and Reasonable Access to the Entity's Personnel For the Purpose of Interview and Discussion Related to Documents**



Presenter

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