2 CFR 200: Frequently Asked Questions

Publication: January 15, 2025

This document is designed to address common questions regarding the Office of Management and Budget's (OMB) guidance on Federal financial assistance in Title 2 of the Code of Federal Regulations (2 CFR), which includes the Uniform Grants Guidance in 2 CFR part 200 (also referred to as the Uniform Guidance). The questions and answers in this document originated in previous iterations of Frequently Asked Questions (FAQs) issued by OMB in 2014, 2020, and 2021, but were updated in some cases in this document to reflect OMB's 2024 revisions of the 2 CFR guidance (2024 Revisions) that became effective on October 1, 2024. OMB only retained questions and answers in this document that seemed to be of the most significance or continuing relevance for the Federal financial assistance community, including Federal agencies and recipients. OMB did not retain FAQs that were directly incorporated into the 2024 Revisions or on issues for which the policy is now clearly stated in the updated version of the guidance. In case of any discrepancy between this document and OMB's guidance in 2 CFR, the guidance published in 2 CFR prevails. Recipients should consult with Federal agencies regarding whether OMB's guidance in 2 CFR, including the Uniform Guidance, applies to a particular Federal award. Subrecipients should consult with the pass-through entity. Additional information about government-wide efforts to improve Federal financial assistance can be found on the website of the Council on Federal Financial Assistance (COFFA) (https://www.cfo.gov/coffa/).

Subpart B General Provisions

§ 200.101 Applicability.

1. What is the relationship of the Cost Accounting Standards (CAS) to the Uniform Guidance?

The Cost Accounting Standards Board (CASB) is an independent board chaired by OMB's Office of Federal Procurement Policy and is established by statute, 41 U.S.C. § 1501. The CASB has the exclusive authority to prescribe, amend, and rescind CAS, and interpretations of the standards. This is designed to achieve uniformity and consistency in the CAS governing the measurement, assignment, and allocation of costs to contracts with the Federal Government. The CAS are mandatory for use by all executive agencies and by contractors and subcontractors in estimating, accumulating, and reporting costs in connection with the pricing and administration of contracts and subcontracts when they are subject to CAS. As provided by its exclusive statutory authority, actions taken by the CASB to prescribe or amend rules, regulations, CAS, and modifications thereof, have the full force and effect of law. Section 200.419 of the Uniform Guidance provides only a brief summary of the CAS regulations; for authoritative CAS guidance and additional details, see 48 CFR Part 9900, et seq. and 48 CFR Part 30 (FAR). Section 200.101(c) explains that, although certain portions of part 200 apply

to specific types of contracts and subcontracts awarded by a Federal agency to a non-Federal entity, when the CAS are applicable to the contract or subcontract, they take precedence over part 200.

2. If the Federal agency awards a Federal Acquisition Regulation (FAR) based contract to the contractor, a recipient, to what extent is the Uniform Guidance applicable to the contract?

When a non-Federal entity is awarded a cost-reimbursement contract under the FAR, only subpart D, §§ 200.331 through 200.333, and subparts E and F of the Uniform Guidance are applicable. When a non-Federal entity is awarded a fixed-price contract or subcontract under the FAR, only subpart A, subpart B (except for §§ 200.111, 200.112, and 200.113), subpart D (only at § 200.303 and §§ 200.331 through 200.333), and subpart E of the Uniform Guidance are applicable to the contract, except that subpart E is not applicable to fixed-price contracts and subcontracts that are not negotiated. Section 200.101(c) explains that in cases of conflict between the requirements of applicable portions of the Uniform Guidance and the terms and conditions of a contract, the terms and conditions of the contract and the FAR prevail. As explained in the preceding question, the CAS also take precedence over the Uniform Guidance when applicable to a contract or subcontract. In addition, costs that are identified as unallowable under 41 U.S.C. 4304(a) and as stated in the FAR (48 CFR part 31, subpart 31.2, and 48 CFR 31.603) are always unallowable.

While the Subpart E cost principles are applicable to certain FAR based contracts, their practical impact is on negotiated prime contracts and subcontracts thereof. As a practical matter, the cost principles are not applicable in certain instances, including, for example, when the contract or subcontract is for the acquisition of a commercial item; a firm, fixed price contract or subcontract is awarded on the basis of adequate price competition without the submission of certified cost or pricing data; or the price is set by law or regulation. While the Subpart F audit requirements are applicable to FAR based contracts, those audit requirements are not sufficient to meet FAR contract audit requirements as a practical matter.

As explained above, certain other subparts of the Uniform Guidance are also applicable to FAR based contracts awarded by a Federal agency, and any subcontracts awarded in accordance with any flow down requirements from the prime contract or higher tier subcontract—but only to the extent that the Uniform Guidance provision is not inconsistent with the terms and conditions of the contract and FAR requirements. The terms and conditions of the contract and FAR requirements must be given effect as they cannot be read out of the contract, modified, or superseded by the Uniform Guidance provision. Any Uniform Guidance provision that addresses the same matter as covered by the terms of the contract and FAR requirements are, at the most, supplemental requirements secondary to, and in addition to, the FAR contract requirements.

§ 200.112 Conflict of interest.

3. Does Uniform Guidance's policy on conflict of interest refer to conflicts of interest in research?

No. The policy in 2 CFR § 200.112 refers to conflicts that might arise around how a recipient expends funds under a Federal award. These types of decisions include, for example, selection of a subrecipient or procurements as described in 2 CFR § 200.318. Federal agencies may, however, have special policies or regulations specific to investigator financial conflicts of interest.

4. Does the policy on conflict of interest apply when a pass-through entity issues a subaward to support a research and development project?

Yes. The terms and conditions of Federal awards, including conflict of interest requirements (2 CFR § 200.112), flow down to subrecipients through their subawards unless otherwise notified in the terms and conditions of the Federal award. Recipients should consult the Federal agency for more information.

5. Does § 200.112 refer to scientific conflicts of interest that might arise in the research community?

No. The policy in 2 CFR § 200.112 refers to conflicts that might arise around how a recipient expends funds under a Federal award. These types of decisions include, for example, selection of a subrecipient or procurements as described in § 200.318. Federal agencies may have special policies or regulations specific to scientific conflicts of interest.

Subpart C Pre-Federal Award Requirements and Contents of Federal Awards

§ 200.201 Use of grants, cooperative agreements, fixed amount awards, and contracts.

6. What standards are used when deciding to use a fixed amount award, particularly when a project scope is specific and what constitutes adequate cost, historical, or unit price data?

Fixed amount (fixed price) awards are appropriate when the work that is to be performed can be priced with a reasonable degree of certainty. More specifically, Section 200.201(b)(1) states that fixed amount awards and subawards can be used when the project scope has measurable goals and objectives and if accurate cost, historical, or unit cost data is available to establish a fixed budget on a reasonable estimate of costs. Examples of mechanisms to establish an appropriate amount for a fixed amount award include the recipient's past experience with similar types of work for which outcomes and the award's costs can be reliably predicted, or the recipient can easily obtain estimates (e.g., bids, quotes, catalog pricing) for significant cost elements to establish an amount. Federal agencies that are interested in using fixed amount awards or allowing pass-through entities to use fixed amount subawards, and have specific questions about them, should consult with OMB.

7. Section 200.201(b)(2) states that a fixed amount award (or subaward) cannot be used in programs that require a mandatory cost share. Do salary costs that exceed a Federal agency's salary cap constitute "mandatory cost-sharing" for the purpose of determining whether a fixed amount award or subaward can be used?

No, salary costs above a Federal agency's cap are not a mandatory cost share or match but, instead, are the result of limitations on the amount of salary costs that may be charged to the Federal award, and are paid at the discretion of the recipient. Since these salary costs above a Federal agency's cap are not a mandatory cost share or match, a fixed amount award or subaward can be used.

8. What reporting and documentation requirements should the recipient provide to the awarding agency to fulfill the certification requirement for Fixed Amount Awards?

The Federal agency or pass-through entity may specify the form or format required to certify completion or that the level of effort was expended. If no format is specified, the recipient should certify completion to the Federal agency (or the subrecipient should certify to the pass-through entity) as a part of the closeout process. The 2024 Revisions clarify that records should be maintained and made available for audits. 2 CFR 200.201(b)(1)

provides that recipients and subrecipients of fixed amount awards are subject to record retention requirements contained in 2 CFR §§ 200.334 through 200.338. It also explains that fixed amount awards do not absolve the recipient or subrecipient of the responsibilities of making records available for review during an audit.

§ 200.203 Requirement to provide public notice of Federal financial assistance programs.

9. What are exigent circumstances mentioned in § 200.203(a)(3) and who determines whether they exist?

Exigent circumstances refer to situations requiring unusual or immediate action, usually an emergency situation. The guidance text recognizes that timing requirements imposed by a Federal statute may also present exigent circumstances. Whether exigent circumstances exist is determined by the Federal agency on a case-by-case basis.

§ 200.206 Federal agency review of risk posed by applicants.

10. What guidelines are auditors given to determine financial stability of a non-Federal entity when reviewing the risk posed by applicants provided in §200.206?

The guidance in this section applies to the Federal agency's review of risk posed by applicants before an applicant receives an award, not the risk assessment process used by auditors. Guidance given to auditors for reviewing risk can be found in Subpart F of the Uniform Guidance and GAGAS.

11. How can Federal agencies adjust an agreement's requirements when a risk-evaluation indicates that it may be merited?

Depending on the findings of a risk assessment conducted by a Federal agency, the Federal agency may impose more stringent requirements or relax specific requirements. This may be done through a variety of mechanisms, including incorporating special terms and conditions that align with the areas of risk or modifying the Federal agency's monitoring plan for the Federal award. Federal agencies are encouraged to work with the recipient to negotiate a constructive way to ensure alignment with the Uniform Guidance. This process and decision should be documented following the Federal agency's policies and procedures and may be revisited periodically during the period of performance for the Federal award. (See §200.206(c).)

§ 200.216 Prohibition on certain telecommunications and video surveillance equipment or services.

12. What are "covered telecommunications equipment or services"?

Section 889 of the NDAA of 2019 defines "covered telecommunications equipment or services" to mean telecommunications and video surveillance equipment or services produced by Huawei Technologies Company, ZTE Corporation, Hytera Communications Corporation, Hangzhou Hikvision Digital Technology Company, or Dahua Technology Company (or any subsidiary or affiliate of such entities). "Covered telecommunications equipment or services" also includes telecommunications or video surveillance equipment or services provided by an entity that the Secretary of Defense, in consultation with the Director of the National Intelligence or the Director of the Federal Bureau of Investigation, reasonably believes to be an entity that is owned or controlled by the government of a covered foreign country. Additional entities identified as covered entities will be identified as described in the question below.

13. How do you know if an entity has been added to the list of covered entities?

Entities added to this list will be incorporated into the excluded parties list in the SAM (SAM.gov). When a user conducts a search of the excluded parties list, a record will appear describing the nature of the exclusion for any entity identified as covered by this prohibition.

14. What is the covered foreign country?

The People's Republic of China.

15. Can this prohibition be waived for grants and loans?

Unlike Federal procurement, the prohibition cannot be waived for Federal assistance such as grants and loans.

16. Is it mandatory to include a specific provision in Federal awards and notices of funding opportunity issued on or after August 13, 2020?

The awarding Federal agency must take positive steps to ensure that recipients are aware of the requirements associated with this provision as of August 13, 2020. While referencing 2 CFR Part 200 may likely suffice, including a specific provision may be a best practice in order to ensure clarity, especially because this is a new requirement.

17. Does the Section 889 prohibition apply to existing Federal awards as of August 13, 2020?

Yes. The section 889 prohibition on covered telecommunications and video surveillance services or equipment is effective on all expenditures charged to Federal awards as of August 13, 2020, including awards made before that date.

18. Will this prohibition impact fixed amount awards where payment is based upon the achievement of milestones and not based on actual costs?

Yes, the prohibition on covered telecommunications and video surveillance services or equipment applies and the recipient's budget must not include the cost of covered telecommunications and video surveillance services or equipment in their fixed amount award.

19. Can a Federal award be provided to a recipient when they use covered telecommunications equipment or services?

Yes, as long as the Federal award does not pay for the covered telecommunications and video surveillance services or equipment that the recipient uses. If the Federal agency suspects that the goods and services being procured under the award may in fact be prohibited, it must take appropriate action, consistent with its policies and procedures, and in accordance with the guidance in 2 CFR Part 200.339.

20. Can a Federal award be used to procure goods or services, unrelated to prohibited services or equipment, from an entity that uses such equipment and services?

Yes.

21. Do recipients need to certify that goods or services procured under a Federal award are not for covered telecommunications equipment or services?

Yes, when the recipient signs an award agreement, they are certifying that they will comply with all applicable laws, rules, and regulations, including the prohibition on covered telecommunications equipment and services. If the Federal agency suspects that the goods and services being procured under the award may in fact be prohibited, it must follow its own policies and procedures to take appropriate action that aligns with the guidance in 2 CFR Part 200. OMB is separately evaluating the certifications and representations statement in SAM and will make any necessary updates.

22. Can recipients use the costs associated with covered telecommunications equipment or services or equipment to meet their cost sharing or match requirements?

No, such costs are unallowable costs.

23. Can recipients use program income generated by a Federal award to cover the costs associated with covered telecommunications equipment or equipment?

No. Program income must be used for allowable costs in accordance with 2 CFR § 200.307.

24. Will prohibition on covered telecommunications impact awards that use the de minimis indirect cost rate, as the 15 percent is based on MTDC and not specific indirect costs elements?

No, the prohibition on covered telecommunications and video surveillance services or equipment does not affect a recipient's use of the de minimis indirect cost rate; however, the recipient must review its costs used to determine its de minimis indirect cost rate to ensure that unallowable costs are not included in the calculation. The MTDC cannot include unallowable costs in its calculation of the de minimis indirect cost rate.

25. When a recipient normally charges prohibited services or equipment through their indirect cost pool, can a Federal award cover the same recipient's indirect costs?

No, like other unallowable costs, covered telecommunications and video surveillance services or equipment costs must not be charged either directly or indirectly to Federal awards. The recipient must separately negotiate an indirect cost rate for their Federal awards that excludes these costs from the indirect cost pool and base amount chargeable to its Federal award(s).

26. How will covered telecommunications equipment or services, as an unallowable expense, be implemented for indirect cost rates?

Federally approved indirect cost rate agreements finalized prior to August 13, 2020 generally do not need to be reopened or amended, but may need to be adjusted in accordance with 2 CFR § 200.411. The recipient must review its current indirect cost rate proposal or previously negotiated rate to ensure that it does not include expenses associated with covered telecommunications equipment or services because the recipient must certify that the costs included in its proposal are allowable. If a recipient has not included the covered

telecommunications equipment or services, then it should include a statement with each indirect cost proposal affirming that it has not included any costs described in 2 CFR § 200.216. If a recipient finds that it has included the covered telecommunications equipment or services in an indirect cost proposal currently under review or a previously negotiated rate, then it should immediately contact the cognizant agency for indirect costs to revise the indirect cost proposal or negotiated rate.

27. How will Federal agencies identify covered telecommunications and video surveillance services or equipment as unallowable costs in the negotiation and random audit selection of indirect costs?

Federal agencies must adapt their policies and procedures to review the costs associated with the prohibited telecommunications and video surveillance services or equipment. 2 CFR Part 200 requires the recipient to certify that all costs within the negotiated indirect cost rate are allowable in accordance with 2 CFR Part 200, Subpart E (Cost Principles). The covered telecommunications and video surveillance services or equipment mentioned in Sec. 889 of the NDAA of 2019 are considered unallowable under 2 CFR Part 200, Subpart E (Cost Principles).

28. What are Federal agencies' responsibilities to monitor adherence to this provision?

Federal agencies are responsible for the implementation of this provision for their awards, as they are for the other compliance requirements in 2 CFR Part 200, and must incorporate oversight of this provision into their existing the monitoring and compliance oversight of Federal awards. Adherence to these new requirements will also be reviewed for costs incurred on or after August 13, 2020 in future Single Audits and other audits of recipient spending.

29. How should a Federal agency handle a recipient that procured covered telecommunications equipment or services or equipment under a Federal award?

If a recipient procures covered technology under a Federal award, the Federal agency must follow its policies and procedures associated with monitoring Federal awards and, when appropriate, pursue remedies for noncompliance, which must align with the guidance provided in 2 CFR Part 200.

Subpart D Post Federal Award Requirements

§ 200.303 Internal controls.

30. How is the recipient expected to comply with the guidance in the Green Book in 2 CFR § 200.303 (Internal Controls)?

The requirement is that the recipient must establish and maintain effective internal controls over Federal awards that provide reasonable assurance that awards are being managed in compliance with Federal statutes, regulation, and the Federal award terms and conditions. The Uniform Guidance also refers recipients to two documents for best practices: (1) Standards for Internal Control in the Federal Government (Green Book); and (2) Internal Control Framework issued by the Committee on Sponsoring Organizations (COSO).) While recipients must have effective internal controls, there is no expectation or requirement that the recipient document or evaluate internal controls prescriptively in accordance with the two best practices documents or

that the recipient or auditor reconcile technical differences between them. They are provided solely to alert the recipient to source documents for best practices. Recipients and their auditors will need to exercise judgment in determining the most appropriate and cost-effective internal controls in a given environment or circumstance to provide reasonable assurance for compliance with Federal program requirements.

§ 200.305 Federal payment.

31. Does § 200.305(b)(1) require recipients to request payments on an advance basis, even if it has not requested that its funding method be changed?

No. § 200.305(b)(1) requires Federal agencies to provide advance payments as the default payment method for recipients of Federal awards. This status is conditioned upon the recipient's compliance with the Uniform Guidance.

§ 200.307 Program income.

32. Should the income from license fees and royalties of nonprofit organizations be excluded from the definition of program income as required by the Bayh-Dole Act (35 U.S.C. § 202(c)(7))?

Yes, program income from license fees and royalties on research funded by a Federal award should be excluded from program income (2 CFR § 200.307(e)(3)). U.S. law or statute takes precedence over the Uniform Guidance. In this case, the Bayh-Dole Act requires that a portion of the license fees and royalties on patents are required to be returned to the inventor and the balance is to be used for education and research.

§ 200.313 Equipment.

33. Does the inclusion of information technology systems in the definition of equipment mean that the lesser of the capitalization level established by the non-Federal entity for financial statement purposes or $10,000 applies to software?

Yes, the maximum capitalization level of $10,000 applies to software, regardless of the level used for financial statement purposes. This definition encompasses purchased software that comes with the hardware with a unit cost greater than $10,000. It does not include internally developed software projects which are capitalized in accordance with GAAP for financial statement purposes.

34. What does conditional title mean and does this affect how recipients account for equipment ownership?

Conditional title means that equipment ownership vests in the recipient at the time of acquisition and that it is contingent on meeting the requirements for use, management, and disposition of the equipment as required in 2 CFR § 200.313. A conditional title means a clear title is withheld by the Federal agency until conditions and requirements specified in the terms and conditions of a Federal award have been fulfilled. There is not any change in the Uniform Guidance for how recipients should account for equipment ownership.

§ 200.318 General procurement standards.

35. Does the insertion of "or duplicative" in 2 CFR § 200.318(d) mean that IHE will have to revert to equipment screening procedures that were previously eliminated?

The Uniform Guidance in § 200.318(d) states that the recipient's procedures must avoid acquisition of unnecessary or duplicative items. Consideration should be given to consolidating or breaking out procurements to obtain a more economical purchase. Where appropriate, an analysis will be made of lease versus purchase alternatives, and any other appropriate analysis to determine the most economical approach. This language does not require any specific equipment screening procedures.

36. Can a procurement by noncompetitive proposals be used when items are needed from a particular source for scientific reasons and would this be for any dollar amount?

This option is available at all dollar amounts, provided it complies with the general procurement standards under § 200.318, including documentation requirements in § 200.318(i). See § 200.320(c).

37. Do the competition requirements apply to each individual purchase, or can they be leveraged for strategic sourcing agreements, shared services arrangements, or other efficient uses of funds?

Section 200.318 paragraphs (d) and (e) encourage recipients to build into their procurement policies practices that consolidate procurements where appropriate to make most efficient use of Federal funds.

38. Procurement by noncompetitive proposals: Frequently, researchers need to acquire items from a particular source for scientific reasons; would this constitute a valid reason for a procurement by noncompetitive proposals? Is this method of procurement available for procurements of any dollar amount?

Yes, this would be a valid reason, and yes, this option is available at all dollar amounts, provided it complies with the general procurement standards under § 200.318, including documentation requirements in § 200.318(i), and noncompetitive procurement requirements in § 200.320.

§ 200.320 Procurement methods.

39. Does the Uniform Guidance place requirements on recipients for charge card purchases under a Federal award, such as limits to a threshold amount?

Charge or purchase cards can be used for micro-purchases as long as the recipient has documented and approved procedures for such purchases (§ 200.320(a)(1)). The Uniform Guidance does not require recipients to limit charge card purchases to a particular threshold amount. The Uniform Guidance provides requirements for the internal control framework that surround any purchase, but does not provide any guidance related to whether the recipient uses cash, charge cards, checks, or any other payment medium for the transaction.

40. Do the Uniform Guidance procurement standards apply to procurements made for indirect costs (i.e., hiring a plumber to fix a broken pipe in a shared use building)?
No. The Uniform Guidance procurement standards apply to only procurements for goods and services that are directly charged to a Federal award.

41. How are procurements of micro-purchase and small purchases under the simplified acquisition threshold less burdensome than those above it?

These two methods of procurement have more limited requirements. For example, micro-purchases may be awarded without soliciting competitive price or rate quotations if certain conditions are met. Procurements under the simplified acquisition threshold (SAT) do not require more formal, competitive procurement, as is the case with formal procurement methods above the SAT.

42. Does the Uniform Guidance procurement standards apply to procurements made for indirect costs (for example: would a recipient need to follow them when hiring a plumber to fix a broken pipe in the headquarters building?)

No. The Uniform Guidance procurement standards do not apply to procurements made charged to indirect costs.

§ 200.331 Subrecipient and contractor determinations.

43. Can recipients continue to refer to subawards to nonprofit organizations as "contracts"?

Yes, recipients may refer to their subawards to nonprofit organizations as "contracts." Recipients may call an agreement with a nonprofit organization whatever they like, but the agreement is considered and treated as either a contract or subaward based on a determination made by the pass-through entity in accordance with section 200.331.

§ 200.332 Requirements for pass-through entities.

44. Are pass-through entities required to assess the risk of non-compliance for each applicant prior to making a subaward?

Section 200.332(c) requires risk assessments of subrecipients. While there is no requirement for pass-through entities to perform these assessments before making subawards, pass-through entities are encouraged to conduct the risk assessments prior to making subawards. Doing so before making the subaward helps determine the appropriate monitoring tools pass-through entities should use for their subrecipients. Pass-through entities may use their own judgment regarding the most appropriate timing for the assessments. Regardless of the timing chosen, the pass-through entity should document its procedures for assessing risk.

45. Can a pass-through entity request written confirmation from a subrecipient of the completion of a Single Audit and any audit findings relating to its subaward?

Yes. A confirmation from the subrecipient is sufficient to meet the requirements of § 200.332(e)(2) and § 200.332(g). In addition, the pass-through entities can view and verify the Single Audit reporting packages that are now publicly available through the FAC. Subrecipients are required to include a pass-through entity identifying number on both the SEFA and the Single Audit Data Collection Form (SF-SAC) to aid the pass-through entity in searching for and identifying the reporting packages of their subrecipients in the FAC.

§ 200.333 Fixed amount subawards.

46. Can a pass-through entity issue multiple fixed amount subawards to one subrecipient?

More than one fixed amount subaward can be issued to the same subrecipient if necessary to complete the objectives of a Federal award. It is expected, however, that each fixed amount subaward will have its own distinct statement of work and be priced for the work and deliverables that will be due under that subaward, and that prior approval of the Federal agency is required, as outlined in § 200.333. Recipients having special circumstances, including an unanticipated need to increase a fixed price subaward above the threshold, should consult with their Federal agency for guidance on how to complete the planned scope of work with the least amount of administrative burden.

Subpart E Cost Principles

§ 200.400 Policy Guide.

47. Staff in postdoctoral positions engaged in research, while not generally pursuing an additional degree, are expected to be actively engaged in their training and career development under their research appointments. Does § 200.400(f) require recognition of the dual role of postdoctoral staff as both trainees and employees when appointed as a researcher on research grants?

Yes, section 200.400(f) requires the recognition of the dual role of all pre- and post-doctoral staff, who are appointed to research positions with the intent that the research experience will further their training and support the development of skills critical to pursue careers as independent investigators or other related careers. Neither pre- nor post-doctoral staff need to be specifically appointed in 'training' positions to require recognition of this dual role. The requirements and expectations of their appointment will support recognition of this dual role per § 200.400(f).

48. How does the usage of the term "profit" in § 200.400(g) apply, if at all, to Federal awards with or performed by nonprofit organizations?

The guidance in section § 200.400(g) states that "the recipient must not earn or keep any profit resulting from Federal financial assistance unless expressly authorized by the terms and conditions of the Federal award." The guidance in § 200.400(g) is intended only to make this long-standing requirement explicit for purposes of accountability and oversight. It has always been true that costs under Federal awards must be reasonable, allocable, and allowable. By definition, this has always excluded any additional increment for profit beyond cost for recipients executing Federal awards or subawards. The 2024 Revisions clarify that when "the required activities of a fixed amount award were completed in accordance with the terms and conditions of the award, the unexpended funds retained by the recipient or subrecipient are not considered profit."

38. How do the Cost Principles in subpart E apply to fixed amount awards and subawards?
For fixed amount awards, as referenced in § 200.400 and § 200.401, the cost principles should be used as a guide when proposing (pricing) the work that will be performed but are not formally used as compliance requirements for these types of awards. In other words, the recipient and the Federal agency, or the pass-through entity and the subrecipient, will use the principles along with historic information about the work to be performed to establish the amount that should be paid for the work to be performed. Once the price is established and the fixed amount award or subaward is issued, payments are based on achievement of milestones (e.g., per patient, per procedure, per assay, or per milestone) and not on the actual costs incurred.

39. I have a Federal award that qualifies as a major project or activity and I am directly charging administrative costs to it. When I receive incremental funding on my project next spring, I understand I am going to now need prior written approval from the Federal agency to continue charging those costs to the new incremental funds. If I list my intention to continue charging those costs in my next continuation progress report and the Federal agency issues my award without making any mention of my request, does that count as prior written approval?

It depends. Recipients should refer to the terms and conditions of their Federal award or address their questions to the Federal agency awarding official (or pass-through entity if appropriate) to clarify when pre-approval has been granted.

§ 200.414 Indirect costs.

49. Are indirect costs and administrative costs considered the same when a Federal statute places a limit or a cap on administrative costs?

It depends on the treatment of the costs. The term administrative costs pertains to both indirect and direct costs, depending on whether the administrative support can be identified directly or indirectly to the cost objective. These costs can be both personnel and non-personnel, and both direct and indirect. Direct administrative costs are associated with the overall program management and administration. They are not directly related to the provision of services to participants and are otherwise allocable to the program cost objectives. By contrast, indirect costs, such as rent and accounting, are incurred by the entity and cannot be readily attributed to a specific program or Federal award because they are shared across all programs. Any limitation or cap applies to the combined claims for indirect and direct administration costs. Generally, direct administration costs differ from indirect charges in that the latter are considered organization-wide costs. In some instances, administrative costs are allocable as a direct cost to a grant.

50. Does an administrative cap mean capping both the "facilities and administrative" component of an indirect cost rate?

No. The terms "administrative costs" and "indirect costs" are sometimes used interchangeably. Therefore, you should review the authorizing program statute to determine if it has a definition of administrative costs and if it aligns with the costs that are contained in the F&A rate. If it aligns and the recipient is not incurring direct administrative costs, then all administrative costs that are part of the F&A rate must also align with any cost limitation specified in the program or grant in which these costs are being applied.

51. Can a pass-through entity that paid actual or negotiated indirect costs to a subrecipient later impose the 15 percent de minimis rate on future subawards to the same subrecipient?

The 15 percent de minimis rate is for recipients that do not have a current negotiated indirect cost rate (including provisional). If a pass-through entity paid negotiated or actual indirect costs to a specific subrecipient in the past, they should continue to negotiate and award indirect costs to that subrecipient in accordance with their prior practice. If a pass-through entity does not have a current negotiated actual indirect cost rate agreement with that subrecipient, then the subrecipient can use the 15 percent de minimis rate or negotiate a rate with that subrecipient, which could be based on a prior negotiated agreement.

52. Can a Federal agency or pass-through entity restrict recipients' or subrecipients' use of indirect costs to the de minimis rate?

No. Federal agencies and pass-through entities must recognize a federally approved negotiated indirect cost rate.

53. If a recipient allows its negotiated indirect cost rate to expire, is it eligible to use the de minimis rate?

Yes. The recipient should inform their cognizant agency for indirect costs that it will be utilizing the de minimis rate and will not be submitting indirect cost proposals for future years. Negotiated provisional rates and fixed rates need to be resolved and the carry-forward for the last year of the fixed-rate will need to be resolved with the cognizant agency for indirect costs.

54. If an organization elects to use the de minimis rate at the beginning of an award, is it applicable to the award's entire period of performance?

The de minimis rate may not be applicable during the entire period of performance of an award. If a recipient elects to negotiate an indirect cost rate and the negotiated rate begins prior to the end of an award's period of performance, they may apply the negotiated rate to the award for costs moving forward. The recipient should inform their Federal agency or pass-through entity of the change prior to incurring costs on the award. Federal agencies and pass-through entities are not required to reissue awards issued prior to the effective date of the indirect cost negotiation agreement. Accordingly, the de minimis rate may be applicable to the period of performance of the award if the total award amount is known and made available to the organization at the time of award.

55. Can a recipient conducting a single function, funded predominately by Federal awards, elect to charge the de minimis rate if they currently only charge direct costs to their awards?

No. If all costs are charged directly to the Federal award (e.g., space costs, utility and administrative costs), the recipient must not also charge the de minimis rate. Costs must be consistently charged as either indirect or direct cost, and may not be double-charged or inconsistently charged.

56. If a subrecipient requests to negotiate an indirect cost rate, does the pass-through entity have to facilitate the negotiation to establish the rate?

The pass-through entity must determine the appropriate rate in collaboration with the subrecipient. See § 200.332; 2 CFR Part 200, Appendix III (C.7).

57. If a pass-through entity negotiates indirect costs with a subrecipient, are all pass-through entities obligated to negotiate a rate with that subrecipient?

No. The pass-through entity must determine the appropriate rate in collaboration with the subrecipient. See § 200.332.

58. If there is a disagreement in the interpretation of negotiated indirect cost rates under the Uniform Guidance, how should this situation be resolved?

The Uniform Guidance includes processes and procedures for ensuring an objective and fair negotiation of rates. When there are areas of disagreement, recipients and their cognizant agency for indirect costs should follow the processes and procedures, and work toward resolving disagreements in a collaborative manner. The recipient or subrecipient may notify OMB of any disputes with Federal agencies regarding the application of a federally negotiated indirect cost rate. However, OMB did not establish itself as a formal arbiter of indirect cost rate disputes.

59. Can a Federal agency or pass-through entity allow a recipient with a negotiated indirect cost rate to voluntarily charge less than or waive their indirect rate to an award?

The recipient should consult with the Federal agency or pass-through entity. If a recipient receiving a Federal award or subaward voluntarily chooses to waive indirect costs or charge less than the negotiated indirect cost rate, Federal agencies and pass-through entities may allow this. The indirect costs not being applied to the award can be considered cost-share with the approval of the Federal agency. The decision must be made solely by the recipient that is eligible for indirect cost rate reimbursement, and must not be encouraged or coerced in any way by the Federal agency or pass-through entity.

60. What should a recipient do if a pass-through entity will not honor its federally negotiated indirect cost rate agreement?

The pass-through entity may be subject to the remedies for non-compliance specified in § 200.339.

61. Is it acceptable to require a subrecipient to accept a rate lower than 15 percent MTDC via negotiation, or in lieu of their negotiated indirect rate? If a subrecipient requests to establish a rate via negotiation, does the pass-through entity have to establish the rate via negotiation?

If the subrecipient already has a negotiated rate with the Federal government, the negotiated rate must be used. It also is not permissible for pass-through entities to require a recipient or subrecipient without a negotiated rate to use less than the de minimis rate unless required by Federal statute or regulation. The cost principles are designed to provide that the Federal awards pay their fair share of the costs recognized under these principles. Pass-through entities may, but are not required, to negotiate a rate with a proposed subrecipient who asks to do so.

62. When a pass-through entity uses Federal funds and its own non-Federal funds to make a subaward, can it allow an indirect cost rate only for the Federal portion of the subaward?

The recipient must apply the negotiated indirect cost rate consistently for Federal and non-Federal funds for making the subaward. See § 200.400(e).

63. Is there a limit on the number of layers of subrecipients at which the requirement to pay indirect costs is no longer applicable? For example, a state may pass-through Federal grant funds to a local government. The local government may then pass all or some of the funds through to a local nonprofit, which then also utilizes the services of other nonprofit providers as subrecipients.

No, there is no limit under the Uniform Guidance, but the Federal award may have a limit.

64. States often blend several Federal funding streams to pay for services performed by nonprofit organizations. Each Federal funding stream may have a different set of requirements, particularly as it relates to indirect costs — some with statutory caps on indirect costs and others without a cap and are covered by the new provision in the Uniform Guidance. How should a pass-through entity calculate the indirect cost rate it must reimburse the nonprofit?

Any statutory limitations on the use of funding continue to be in effect if those funds are applied to another Federal award. For payments of indirect cost to the subrecipients, the pass-through entity must follow any statutory caps required by the funding streams. If a recipient wishes to blend funds from multiple Federal awards and apply only one set of terms and conditions to all the funds, the terms and conditions of that arrangement must be agreed to in advance by all participating Federal agencies.

65. Not all entities charge indirect cost rates. Will they now be forced to establish such rates?

No. Recipients that are able to allocate and charge 100 percent of their costs directly may continue to do so. Claiming reimbursement for indirect costs is never mandatory; a recipient may conclude that the amount it would recover would be immaterial and not worth the effort needed to obtain it.

66. What should I do if my pass-through entity will not honor my entity's federally negotiated indirect cost rate agreement?

As with any instance where a recipient does not comply with the guidance, the pass-through entity will be subject to any of the measures available in sections 200.339 through 200.343, Remedies for Non-Compliance, depending on the Federal agencies oversight of their Federal award.

67. Is the de minimis rate for organizations that do not have a current indirect cost rate at § 200.414(f) available to governmental organizations or tribal government entities which do not have a current negotiated indirect cost rate?

Yes. State and local government departments that receive less than $35 million in direct Federal funding per year may use the 15 percent de minimis indirect cost rate and must keep the documentation of this decision on file. Each governmental department or agency below the $35 million threshold not using the de minimis rate but desiring reimbursement of indirect costs must develop an indirect cost proposal in accordance with the requirements of the Uniform Guidance and maintain the proposal and related supporting documentation for audit. See § 200.414(f); and Appendix VII of Part 200.

Federally recognized Indian tribes may also use the 15 percent de minimis indirect cost rate and must keep the documentation of this decision on file. Each Indian tribe not using the de minimis rate but desiring reimbursement of indirect costs must submit its indirect cost proposal to the Department of the Interior (its cognizant agency for indirect costs). See § 200.414(f); and Appendix VII of Part 200.

The 2024 Revisions did not intend to extend the flexibility to use the 15 percent de minimis indirect cost rate to governmental departments or agencies over the $35 million threshold. As in the past, an entity in this category must submit its indirect cost rate proposal to its cognizant agency for indirect costs. See Appendix VII of Part 200; 89 FR 30046 (Apr. 22, 2024), at 30093.

68. Are recipients eligible for multiple four-year extensions?

No. Only one extension (up to four years) of a recipient's current negotiated rate may be granted.

69. How can a recipient with negotiated fixed-rates with carry-forward effectively use the option for an extension of a current negotiated indirect cost rate provided by 200.414(g)?

A fixed-rate with carry-forward agreement cannot be extended. If a recipient with a fixed-rate with carry-forward agreement would like to take advantage of the flexibilities in this provision of the Uniform Guidance, it would need to first negotiate a final or predetermined rate, which could then be extended, subject to the approval of the cognizant agency. This rate could then be extended, subject to the approval of the cognizant agency for indirect costs. The carry-forward for the last year of the fixed-rate would need to be resolved in accordance with cognizant agency for indirect cost procedures.

70. In section 200.414(g) of the Uniform Guidance, what is meant by a "one-time extension" of "current rates?"

A current negotiated indirect cost rate is the negotiated rate in effect (i.e., not expired) when the recipient requests a rate extension. Rate extension requests will only be considered once in a rate negotiation cycle. Such requests should be submitted 60 days prior to the due date of the next proposal for indirect costs, but cognizant agencies for indirect costs can accept extension requests submitted later than that on a case-by-case basis.

71. Section 200.414(g) allows any recipient that has a federally negotiated indirect cost rate to apply for a one-time extension of its current negotiated indirect cost rates for a period of up to four years. This extension will be subject to the review and approval of the cognizant agency for indirect costs. Are there any documentation requirements that must be submitted? Are recipients eligible for multiple rates?

The intent of allowing for indirect cost rate extensions is to minimize the administrative burden for the recipient. As such, documentation requirements to support a four-year indirect cost rate extension should be kept to a minimum. A recipient can apply for a one-time extension (up to four years) on its most current negotiated rate. Subsequent one-time extensions (up to four years) are available if a renegotiation is completed between each extension request. Once there is a new negotiated indirect cost rate in effect, a recipient could request a one-time extension on that rate.

72. When should a recipient contact the cognizant agency for indirect costs to request extension of their current negotiated rate?

Such requests should be submitted prior to the due date of the next proposal for indirect costs, but cognizant agencies for indirect costs can accept extension requests submitted later than that on a case-by-case basis.

73. Can a recipient extend their rate for up to 4 years even if it is a really old rate (for example, from 10 years ago)?

Yes, a recipient may request an extension to an old rate. However, the extension is subject to the review and approval of the cognizant agency for indirect costs. Requests for extensions may be for periods of less than four years.

74. Do Federal agencies have guidelines regarding documentation requirements for negotiating indirect cost rates?

Yes. Federal agencies vary in their requirements for negotiating indirect cost rates. In addition to requirements in 2 CFR Part 200, Appendices III, V, VI, and VII, Federal agencies may require additional documentation for negotiating indirect cost rates. A non-Federal entity should consult with its cognizant agency for indirect costs regarding documentation requirements.

DOL: https://www.dol.gov/agencies/oasam/centers-offices/office-of-the-senior-procurement-executive/cost-price-determination-division
HHS: https://www.hhs.gov/about/agencies/asa/psc/indirect-cost-negotiations/index.html
DOI: https://www.doi.gov/ibc/services/finance/indirect-cost-contract-audit
NSF: https://new.nsf.gov/funding/proposal-budget/indirect-costs
USDA: https://www.nifa.usda.gov/grants/regulations-and-guidelines/indirect-costs
USAID: https://www.usaid.gov/partner-with-us/resources-for-partners/indirect-cost-rate-guide-non-profit-organizations

§ 200.415 Required certifications.

75. This section requires certain financial reports and payment requests to be signed by someone who is "authorized to legally bind the recipient." How should a recipient determine who has that authority?

It is up to the recipient to determine how best to establish the authority to legally bind the recipient.

§ 200.425 Audit services.

76. If a recipient is exempted from the requirements of the Single Audit Act (SAA), would it be permissible to charge the costs of a financial audit under § 200.425?

Yes. The costs of a financial statement audit, including those performed under GAGAS, by an entity exempted from the SAA, are not fully equivalent to audits conducted in accordance with the Single Audit Act Amendments of 1996. Accordingly, the costs of such financial statement audits are not prohibited by § 200.425 and inclusion of a proportionate share of the cost of these audits may be included in the indirect cost pool for a cost allocation plan or indirect cost proposal.

77. Are the costs of services of an internal audit function of a recipient an allowable cost under the Uniform Guidance?

Yes. Internal audit functions and its related costs are allowable. The costs must be appropriately allocated to the indirect cost pool in an indirect cost rate proposal or cost allocation plan.

78. Would the costs of audits other than costs associated with the SAA, for example an internal audit division or legislative audit, be allowable?

Internal audit costs of the recipient are allowable when they support the Single Audit process. Therefore, the cost of internal audit reviews of the recipient's internal control effectiveness and efficiency to assure ongoing

compliance with the Uniform Guidance and the terms of Federal award are allowable under § 200.425(a). Legislative audit costs, which are generally requested by the State government and not related to the Single Audit process, are not allowable.

79. Can a recipient that is required to have an audit conducted under the SAA allocate the cost for the financial statement audit as an allowable cost?

Yes. Section 200.514(b) requires that the Single Audit must include a determination of whether the financial statements of the auditee are presented in accordance with generally accepted accounting principles (GAAP) or a special purpose framework such as cash, modified cash, or regulatory as required by State law. Therefore, the costs of auditing the financial statements are allowable for recipients subject to the requirements of the SAA.

80. Are the costs for audits that are not required by the SAA, such as performance audits, allowable?

No. The costs of audits that are not required by the SAA or Uniform Guidance Subpart F are not allowable under § 200.425(a).

§ 200.431 Compensation – fringe benefits.

81. Is it allowable for a recipient, using cash basis accounting with unfunded or unrecorded leave liabilities, to charge unused leave for employees that retire or are terminated?

No, this would not align with § 200.431(b)(3)(i). Charging all unused leave costs for separating employees in the same manner as it had charged the employees' salary costs (i.e., directly to the activities on which the employees were working at the time of their separation) would result in inequitable distribution of the unused leave costs, because the leave costs were accumulated over the entire period of employment while working on various programs. In addition, having the last program bear the burden of these unbudgeted costs creates an unfair distribution of costs to this program. Therefore, any state, Local or Tribal government using the cash basis of accounting should allocate payments for unused leave, when an employee retires or terminates employment, in the year of payment as a general administrative expense to all activities of the governmental unit or component or, with the approval of the cognizant agency for indirect costs, the costs can be included in fringe benefit rates.

§ 200.440 Exchange rates.

82. How can prior approval be obtained when the exchange rate may fluctuate on a daily basis as expenditures occur?

Prior approval is not required every time the exchange rate changes and a Federal award is charged. Approval of exchange rate fluctuations are required only when the change results in the need for additional Federal funding, or the increased costs results in the need to significantly reduce the scope of the project.

§ 200.444 General costs of government.

83. Can the 50 percent of salaries and expenses for the Tribal council that can be included in the indirect cost calculation without documentation include the Chairman or equivalent?

Yes, provided these expenses are allocable to managing and operating Federal programs. See § 200.444(b).

§ 200.458 Pre-award costs.

84. When the awarding of Federal funds is held up due to the delayed approval of the Federal budget or other reasons, so states must use state funds in order to provide continued services in the interim, are those dollars considered state or Federal with regard to meeting the OMB requirements? For example, if temporarily using state funds while waiting for Federal funds, is the state required to reimburse subrecipients for their indirect costs as directed in the Uniform Guidance?

Any costs ultimately charged to a Federal award must comply with the terms and conditions of that Federal award, including the Uniform Guidance. Pre-award costs are governed by section 200.458, and the Cash Management Improvement Act and its implementing regulations at 31 CFR Part 205.

85. If a pass-through entity temporarily uses its own funds while waiting for its Federal award, is it required to reimburse subrecipient costs?

Yes. Any costs ultimately charged to a Federal award must comply with the terms and conditions of that Federal award, including the Uniform Guidance.

§ 200.465 Rental costs of real property and equipment.

86. Does the guidance account for GASB 87 Leases, which created a new intangible asset (right-to-use)?

Yes. The Uniform Guidance incorporated right-to-use leases under the cost principles under § 200.465(e), Rental costs of real property and equipment.

Subpart F Audit Requirements

§ 200.502 Basis for determining federal awards expended.

87. Does the determination of the Federal awards expended under § 200.502(a) require that it is based on accrual accounting, regardless of the non-Federal entity's accounting practice?

No. The non-Federal entity may make this determination consistent with § 200.502 and its established accounting method to determine expenditures including accrual, modified accrual, or cash basis.

§ 200.503 Relation to other audit requirements.

88. Does an audit conducted in accordance with Subpart F of the Uniform Guidance satisfy the contract audit requirements of FAR based contracts awarded by a Federal agency?

Generally, the answer is no; the audit required by Subpart F of the Uniform Guidance does not satisfy the audit requirements required by the terms of the FAR based contract and FAR requirements, including, but not limited to, the CAS, Truth in Negotiations Act (TINA), contractor business systems, incurred costs, and indirect costs/ overhead rates. See § 200.503(c). The SAA (31 U.S.C. § 7503(b), Relation to other audit requirements), gives a Federal agency, Inspector General, or the Government Accountability Office (GAO) the authority to conduct

additional audits beyond the single audit required by the SAA when the additional audits are necessary for the agency to carry out its responsibilities under Federal law or regulation. See § 200.503(b).

§ 200.504 Frequency of audits.

89. If a Federal agency requests audited financial statements from a non-Federal entity not subject to the Single Audit, are they due 90 days after the end of the entity's fiscal year?

No. Aside from stipulating that audits may not be collected more frequently than annually, the Uniform Guidance under § 200.504 does not specify deadlines in which audits other than the Single Audit must be submitted. Therefore, similar to performance reports, the Federal agency has the discretion to determine the due date for collecting audited financial statements that is most effective for monitoring award outcomes.

§ 200.510 Financial statements.

90. If a non-Federal entity incurred expenditures under one program in a cluster of programs, must its SEFA identify the expenditure as part of a cluster of programs and provide the cluster name?

Yes. Section § 200.510(b)(1) requires the name of the cluster of programs to be provided on the SEFA, regardless of whether the expenditures were incurred under only one program or multiple programs within the cluster of programs.

§ 200.511 Audit findings follow-up.

91. Can an auditee fulfill its responsibility to prepare a summary schedule of prior audit findings and a corrective action plan by having its auditor prepare these documents?

No. An auditor must be independent of the auditee. Section 200.511 states that the auditee must prepare the summary schedule of prior audit findings and the corrective action plan. Therefore, the auditor should not prepare these documents for the auditee. Also, according to § 200.511(c), the auditee must prepare the corrective action plan in a document that is separate from the auditor's findings. Therefore, an auditee may not simply reference the "views of responsible officials" section of the findings to fulfill its responsibility for the preparation of a corrective action plan. The corrective action plan must provide the name(s) of the contact person(s) responsible for corrective action, the corrective action planned, and the anticipated completion date. If the auditee does not agree with the audit findings or believes corrective action is not required, then the corrective action plan must include an explanation and specific reasons.

§ 200.512 Report submission

92. Can an individual ask for a financial statement in accordance with § 200.512(a)(2)?

Any individual may ask for a non-Federal entity's single audit report (which includes financial statements) under the SAA. A non-Federal entity would be required to confirm their reporting package does not include protected personally identifiable information and determine whether Federal statute provides an exception to the SAA and furnish the report accordingly.

93. When do tribal entities meet eligibility for the exception of Indian tribes and tribal organizations under § 200.512(b)(3)? Does this apply to all entities of an Indian tribe?

This determination is dependent on how the tribal entity is organized and reports under Subpart F of the Uniform Guidance. If the entity is established as part of an Indian tribe as defined in § 200.1, accountable to tribal governance, and included with the Indian tribe's reporting under Subpart F, then the Indian tribe's election to opt out under § 200.512(b)(3) would include the tribal entity. However, if the organization is established as a nonprofit organization outside of the tribe, it would not meet this definition. For example, a nonprofit organization as defined in § 200.1 that files its Single Audit separately could not elect to opt out under § 200.512(b)(3).

§ 200.514 Standards and scope of audit

94. Does the definition of Indian tribes prevent them from using the cash or modified-cash basis method of submitting financial statements?

No. Neither the SAA nor the Uniform Guidance require non-Federal entities to submit financial statements in accordance with GAAP. Cash or modified-cash basis financial statements may be submitted to meet the requirements of 2 CFR Part 200 Subpart F. Auditors are required by the SAA (31 U.S.C. § 7502(e)(1)) and 2 CFR § 200.514(b) to determine whether the submitted financial statements are presented fairly in all material respects in accordance with GAAP. See § 200.403(e).

§ 200.515 Audit reporting

95. Can a non-Federal entity prepare its financial statements in accordance with the special-purpose framework rather than with GAAP?

Yes. While using GAAP to prepare financial statements is preferable, some non-Federal entities use a special-purpose framework (e.g., cash, modified cash, or regulatory) either voluntarily or because they are required to do so by law or regulation. According to American Institute of Certified Public Accountants (AICPA) auditing standards, auditors' reports on any special purpose framework presentations are required to include an emphasis of matter paragraph stating that the financial statements are not in accordance with GAAP. While not an opinion per se, such a statement would meet the intent of § 200.515(a). In other cases where a non-Federal entity is using a regulatory basis of accounting for general use purposes, AICPA auditing standards require auditors' reports to include an adverse GAAP opinion, in addition to an opinion on the special-purpose framework being used. This type of report wording would also meet the intent of § 200.515(a). Non-Federal entities and their auditors should note, however, that § 200.520 would preclude low-risk auditee status for non-Federal entities that are using a special-purpose framework if such framework is not required by state law.

Appendix III Indirect Costs Identification and Assignment, and Rate Determination for Institutions of Higher Education (IHEs)

96. Section B.4.c, Operation and Maintenance Expense, includes guidance on the allocation of utility expenses. All IHEs now are eligible to receive up to a 1.3 percent utility cost adjustment on the institution's rate. Some of the direction for the allocation utility expense is not clear and could create

uncertainty when an institution negotiates their rate with its cognizant agency for indirect costs. If there is a disagreement in interpretation, how should this situation be resolved?

Sections C.11.f, C.11.g, and C.11.h of Appendix III include processes and procedures for ensuring an objective and fair negotiation of rates. When there are areas of disagreement, IHEs and the cognizant agency for indirect costs should follow the processes and procedures described in sections C.11.f, C.11.g, and C.11.h , and further work toward resolving disagreements in a collaborative manner. OMB may be consulted when there are questions applicable to the interpretation of the Uniform Guidance.

97. If a building is identified as a single function and its space is separately metered, can the building space be allocated using the effective square footage for the IHE's utility cost adjustment calculation?

No. If a building uses sub-metering for the single function space in the utility cost adjustment calculation, that same building may not use the effective square footage. Any buildings using this methodology in the utility cost adjustment calculation become part of the utility cost adjustment add-on, which in total is subject to a cap of 1.3 percent. IHEs may not sub-meter and allocate utility costs at a level lower than the building level in their actual cost proposal.

98. Can a building be classified as a single function for organized research under the utility cost adjustment calculation?

No. Organized research is not applicable as a single function space because space at IHEs should not be 100 percent organized research. This is due to the nature of the activities at an IHE where No. Organized research is not applicable as a single function space because space at IHEs should not be 100 percent organized research. This is due to the nature of the activities at an IHE where students are often involved in the research activities or they spend time observing and learning. For example, graduate students are generally still in their learning and studying phase, especially in their first two years. Therefore, the sharing of research related space by the instruction function must be considered, as well as an IHE's departmental research. Single function space is generally considered for the space in a building used for students only (classrooms, student housing, etc.), a library, or general administration offices.