

## 2 CFR Part 200.303 Internal Controls

The recipient or subrecipient must (a) Establish, document, and maintain effective internal control over the Federal award that provides reasonable assurance that the recipient or subrecipient is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government”, issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission.

## 2 CFR Part 200.306 Cost sharing or matching

(b) For all Federal awards, the Federal agency or pass-through entity must accept any cost sharing funds (including cash and third-party in-kind contributions, and also including funds committed by the recipient, subrecipient, or third parties) as part of the recipient's or subrecipient's contributions to a program when the funds:

- (1) Are verifiable from the recipient's or subrecipient's records;
- (2) Are not included as contributions for any other Federal award;
- (3) Are necessary and reasonable for achieving the objectives of the Federal award;
- (4) Are allowable under subpart E of this part;
- (5) Are not paid by the Federal Government under another Federal award, except where program's Federal authorizing statute specifically provides that Federal funds made available for the program can be applied to cost sharing requirements of other Federal programs;
- (6) Are provided for in the approved budget when required by the Federal agency; and
- (7) Conform to other provisions of this part, as applicable.

## 2 CFR Part 200.407 Prior written approval (prior approval)

Under any given Federal award, the reasonableness and allocability of certain items of costs may be difficult to determine. In order to avoid subsequent disallowance or dispute based on unreasonableness or nonallocability, the non-Federal entity may seek the prior written approval of the cognizant agency for indirect costs or the Federal awarding agency in advance of the incurrence of special or unusual costs. Prior written approval should include the timeframe or scope of the agreement. The absence of prior written approval on any element of cost will not, in itself, affect the reasonableness or allocability of that element, unless prior approval is specifically required for allowability as described under certain circumstances in the following sections of this part:

- (a) § 200.201 Use of grant agreements (including fixed amount awards), cooperative agreements, and contracts, paragraph (b)(5);
- (b) § 200.306 Cost sharing or matching;
- (c) § 200.307 Program income;
- (d) § 200.308 Revision of budget and program plans;
- (e) § 200.311 Real property;

- (f) § 200.313 Equipment;
- (g) § 200.333 Fixed amount subawards;
- (h) § 200.413 Direct costs, paragraph (c);
- (i) § 200.430 Compensation—personal services, paragraph (h);
- (j) § 200.431 Compensation—fringe benefits;
- (k) § 200.438 Entertainment costs;
- (l) § 200.439 Equipment and other capital expenditures;
- (m) § 200.440 Exchange rates;
- (n) § 200.441 Fines, penalties, damages and other settlements;
- (o) § 200.442 Fund raising and investment management costs;
- (p) § 200.445 Goods or services for personal use;
- (q) § 200.447 Insurance and indemnification;
- (r) § 200.454 Memberships, subscriptions, and professional activity costs, paragraph (c);
- (s) § 200.455 Organization costs;
- (t) § 200.456 Participant support costs;
- (u) § 200.458 Pre-award costs;
- (v) § 200.462 Rearrangement and reconversion costs;
- (w) § 200.467 Selling and marketing costs;
- (x) § 200.470 Taxes (including Value Added Tax); and
- (y) § 200.475 Travel costs.

*FTA Circular 5010.1E Chapter VI (2) (f) (3) (b) (7) Cash Management*

...Payment received from FTA must be disbursed within three business days...

*FTA Circular 5010.1E Chapter VI (9) Payment Procedures (d) Policy for ECHO Payments (2)*

Reporting large disbursements to the appropriate FTA regional office in advance of the transaction settlement date. The recipient must provide a minimum notice of two business days for a disbursement totaling \$50 million or more, and a minimum notice of five days when a disbursement of more than \$500 million is anticipated. When specific information has not been finalized, the recipient must inform the FTA Regional Office of approximate amount(s) and approximate deposit date(s). The FTA Headquarters Accounting Payable Division should be notified by the Regional Office due to the requirement that FTA must provide the Treasury 48 hour's notification prior to drawdown of Federal assistance exceeding \$50 million.

### FTA Master Agreement Section 10 (c)

Amounts Owed to the Federal Government. The Recipient agrees to return to the Federal Government any excess Federal payments it receives for disallowed costs, and the Federal Government's proportionate part of any amounts it recovers from third parties or other sources, including refunds due and amounts recovered from third parties or other sources, interest assessed, penalties, and administrative charges.

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- F5. If applicable, has the recipient complied with requirements for charging indirect costs to Federal Transit Administration (FTA) awards, including developing annual cost allocation plans, and submitting approval documentation recording indirect costs in awards and reports?**

#### **BASIC REQUIREMENT**

To charge indirect costs to an award, a recipient 1) must have an approved CAP or indirect cost rate proposal (ICRP) for the applicable fiscal year(s) or 2) may elect to charge a de minimis rate of 10 percent of modified total direct costs (MTDC), if qualified.

#### **APPLICABILITY**

All recipients

#### **DETAILED EXPLANATION FOR REVIEWER**

Under federally-funded award programs, recipients may incur both direct and indirect costs. A federally approved CAP or ICRP is required to support the distribution of indirect costs to the award program. An organization must seek approval from its Federal cognizant agency as designated in the Uniform Guidance.

A central service CAP is used by a state-wide, local government-wide, or Indian Tribe-wide agency to distribute executive and central level support functions to operating units which benefit from them. An ICRP may be for an entire organization or developed at the operating agency level to distribute administrative support and/or overhead costs of that agency to the programs (and the awards and contracts) that benefit from them.

Effective December 26, 2014, non-Federal entities that have never received a negotiated indirect cost rate, except for those non-Federal entities described in Appendix VII to 2 CFR Part 200, "States and Local Government and Indian Tribe Indirect Cost Proposals," paragraph D.1.b (receive below \$35 million in direct Federal funding), may elect to charge a de minimis rate of 10 percent of modified total direct costs which may be used indefinitely. Effective November 13, 2020, the OMB expanded the ability for recipients that are non-Federal entities (except those described in Appendix VII to 2 CFR Part 200, "States and Local Government and Indian Tribe Indirect Cost Proposals," paragraph D.1.b) and who's previously negotiated indirect cost rate has expired, to elect to charge a de minimis rate of 10 percent of modified total direct costs to the Federal award. FTA requests recipients complete a de minimis rate certification indicating they understand the requirements surrounding indirect cost rates and eligibility. Any currently approved agreements must expire before the recipient can apply the de minimis rate.

In situations where the cognizant agency has determined that annual review of the plan or rate is not required, recipient organizations must continue to develop annual plans regarding indirect costs and maintain the proposal and related supporting documentation for audit. Unless required by the cognizant agency or FTA, these governmental units are not required to submit their proposals for review and

approval. These organizations should maintain documentation to reflect this decision or policy to support the inclusion of indirect costs in the award.

In addition to the initial submission when it serves as the cognizant agency, FTA requires submission of the CAP under the following circumstances:

- annually, if the recipient is a major local government (local government that receives more than \$100 million in direct Federal awards)
- the recipient has made a change in its organizational structure and its accounting system, that may significantly impact the CAP
- the recipient changes the CAP; and
- if requested by FTA

FTA requires ICRPs to be submitted in the following circumstances:

- The recipient is working on its first Federal assistance award or has not previously had an ICRP reviewed and accepted (note that such recipients may be eligible for the de minimis rate described above).
- The recipient has made a change in its accounting system that significantly impacts the previously approved ICRP and its basis of application.
- The recipient's proposed ICRP exceeds the rate(s) last approved by FTA by more than 20 percent. For example, if FTA approved a 20 percent rate in 2016, and the rate increased to 23 percent in 2017, and again to 25 percent in 2018, the 2018 rate would be required to be submitted to FTA for approval as it increased by more than 20 percent.
- The recipient changes the ICRP methodology.
- The recipient is either a local governmental unit that receives more than \$35 million in direct Federal funding or a non-profit entity. In accordance with 2 CFR part 200, these entities must submit their plan annually to their cognizant agency.

The below table shows the respective cognizant agency for the entities listed.

State & Local Airport, Transit Authority or Port Authority	Appendix V – (CAP) Appendix VII – (ICRP)	Department of Transportation (DOT)
State Government	Appendix V – (CAP) Appendix VII – (ICRP)	Department of Health and Human Services (HHS)
State, Local Housing, or Development Districts	Appendix V – (CAP) Appendix VII – (ICRP)	Department of Housing and Urban Development (HUD)

Local Government	Appendix V – (CAP) Appendix VII – (ICRP)	Cognizant Agency of Indirect Costs: Determined by the agency providing the most direct federal funding or special arrangement between the concerned federal agencies.
Tribe	Appendix V	Department of the Interior
University (Institute of Higher Education)	Appendix III	HHS or Department of Defense Office of Naval Research (DOD Navy) based on amount of funding
Non-Profit	Appendix IV	Cognizant Agency for Indirect Costs: Determined by the agency providing the largest funding amount or special arrangement

## FLEXIBILITIES AND ADMINISTRATIVE RELIEF

### Indirect Cost Rates

For recipients whose indirect cost rate expired before June 16, 2020, FTA granted additional flexibilities regarding the use of approved indirect cost rates as follows:

- Recipients may continue to use the currently approved indirect cost rates (i.e., predetermined, fixed, or provisional rates) to recover their indirect costs on Federal awards.
- FTA may approve recipient's requests for an extension on the use of the current rates for one additional year without submission of an indirect cost rate proposal.
- FTA may approve recipient's requests for an extension of the indirect cost rate proposal submission to finalize the current rates and establish future rates.

These changes are based on information contained in OMB Memos M-20-17 and M-20-26 in response to COVID-19. When FTA was the cognizant agency for indirect costs, recipients could request an extension of a current indirect cost rate for one additional year by submitting documentation with a revised date for the indirect cost rate to their FTA Regional Office for approval. The one-year extension was only available for recipients whose indirect cost rate proposals were due by June 16, 2020.

## INDICATORS OF COMPLIANCE

- Does the recipient charge indirect costs to financial assistance awards? Are indirect costs included in FTA awards?*
- Does the recipient charge indirect costs using the de minimis rate? If no, move to next indicator. If yes, obtain the recipient's de minimis rate certification.*
- Does the recipient have an approved CAP and/or ICRP?*
- Was the annual CAP and/or ICRP proposal submitted to the cognizant agency in accordance with the agency's requirements? For recipients with ICRPs due by June 16, 2020, was a revised date*

*for the ICRP submitted to the FTA regional office for approval? If annual submission or approval is not required, is a copy of the annual plan retained for audit?*

- e. If the recipient's central services costs are included in the indirect cost rate, is there an approved central services plan and are the rates in the plan consistent with the rates charged to the operating agency and included in the operating agency's indirect cost rate proposal?*
- f. Are indirect costs properly documented in the award and applied in accordance to the agreement with the cognizant agency, including applicable base(s) and reporting?*

## **INSTRUCTIONS FOR REVIEWER**

Review approved award budget(s) and FFRs in TrAMS to determine if the recipient charges indirect costs. Verify the supporting indirect cost documentation for the period(s) under review. This documentation provides information on allowable time periods, bases, exempted items of cost, and other limitations and requirements. This indirect cost documentation should be uploaded in the "Recipient Profile" in TrAMS for every fiscal year under review. Documentation typically is an indirect cost rate agreement from the federal cognizant agency or FTA's de minimis rate certification. If the recipient charges the de minimis rate under awards made prior to August 13, 2020, verify that the recipient has not had a prior approved rate and is not a state or local governmental unit that receives more than \$35 million in direct Federal funding. If the recipient charges the de minimis rate under awards made after August 13, 2020, verify that if the recipient had a previously approved rate, it has expired, and the recipient is not a state or local governmental unit that receives more than \$35 million in direct Federal funding. If the recipient is charging other than the de minimis rate, verify if the rate is consistent with the recipient's approved CAP and/or ICRP. Review award applications in TrAMS if different rates are used. In some cases, recipients will have different approved rates for different projects. Discuss unique situations with the regional office staff and to verify if this is the case.

Review the recipient's responses to its prior Comprehensive Review by accessing the review package from OTrak to ascertain if the recipient indicates that it has charged indirect cost in the past. Obtain a copy of the submitted CAP/ICRP from TrAMS. Note whether there was a previously approved CAP and/or ICRP. Compare the amounts in the CAP and/or ICRP to the amounts listed in the FFRs in TrAMS to confirm that the amount charged to the award is the amount approved. Review the financial management section of the OAT to identify if FTA requires/requested a CAP/ICRP. Discuss with the regional office the approval status of the CAP and/or ICRP. If necessary, ask follow-up questions in the review package or interview recipient staff on-site to perform this assessment.

Review the recipient's response to the prior Comprehensive Review by accessing the review package from OTrak. Note if there is a previously approved central services plan. Compare the rate in the central services plan to the rate listed in FFRs in TrAMS to confirm that the rate charged to the award is the amount approved.

Obtain formal approvals from the recipient's cognizant Federal agency for the CAP and/or ICRP. If a formal approval is not available, verify whether the recipient complied with the submission requirements of its cognizant agency.

Review the financial management section of the OAT to identify if FTA expressed concerns about the central services plan or rate. If necessary, ask follow-up questions and interview recipient staff on-site to perform this assessment.

## **FLEXIBILITIES AND ADMINISTRATIVE RELIEF**

Given the additional administrative relief granted due to the public health emergency, inquire of the regional office if the recipient requested and received an extension of the submission of the indirect cost rate proposal. Confirm that the indirect cost rate proposal was submitted by the required new due date.

## **POTENTIAL DEFICIENCY DETERMINATION**

The recipient is deficient if it charges indirect costs to FTA awards but does not have an approved CAP or ICRP or incorrectly applies indirect costs to the award and items of cost sought for federal reimbursement.

DEFICIENCY CODE F5-1: Ineligible indirect costs charged to awards

SUGGESTED CORRECTIVE ACTION: Discuss appropriate corrective action with the FTA regional office and regional counsel and take appropriate action based on FTA's written direction. Please note if funds could potentially due FTA because of the incorrect application of indirect costs.

## **GOVERNING DIRECTIVE**

*Appendix III to 2 CFR Part 200, C. 11 A (1) Indirect (F&A) Costs Identification and Assignment, and Rate Determination for Institutions of Higher Education (IHEs), Negotiation and Approval of Indirect (F&A) Rate*

Cost negotiation cognizance is assigned to the Department of Health and Human Services (HHS) or the Department of Defense's Office of Naval Research (DOD), normally depending on which of the two agencies (HHS or DOD) provides more funds to the educational institution for the most recent three years...In cases where neither HHS nor DOD provides Federal funding directly to an educational institution, the cognizant agency for indirect costs assignment must default to HHS.

*Appendix IV to 2 CFR Part 200, C. 2.a - c and g, Indirect (F&A) Costs Identification and Assignment, and Rate Determination for Nonprofit Organizations, Negotiation and Approval of Rates*

a. Unless different arrangements are agreed to by the Federal agencies concerned, the Federal agency with the largest dollar value of Federal awards directly funded to an organization will be designated as the cognizant agency for indirect costs for the negotiation and approval of the indirect cost rates and, where necessary, other rates such as fringe benefit and computer charge-out rates. Once an agency is assigned cognizance for a particular non-profit organization, the assignment will not be changed unless there is a shift in the dollar volume of the Federal awards directly funded to the organization for at least three years.... b. Except as otherwise provided in §200.414(f), a nonprofit organization which has not previously established an indirect cost rate with a Federal agency must submit its initial indirect cost proposal immediately after the organization is advised that a Federal award will be made and, in no event, later than three months after the effective date of the Federal award. c. Unless approved by the cognizant agency for indirect costs in accordance with §200.414(g), organizations that have previously established indirect cost rates must submit a new indirect cost proposal to the cognizant agency for indirect costs within six months after the close of each fiscal year. g. The results of each negotiation must be formalized in a written agreement between the cognizant agency for indirect costs and the nonprofit organization. The cognizant agency for indirect costs must make available copies of the agreement to all concerned Federal agencies.

*Appendix V to 2 CFR Part 200, D State/Local Government-wide Central Service Cost Allocation Plans, Submission Requirements*

1. Each state will submit a plan to the Department of Health and Human Services for each year in which it claims central service costs under Federal awards...2. Each major local government is also required to

submit a plan to its cognizant agency for indirect costs annually. 3. All other local governments claiming central service costs must develop a plan in accordance with the requirements described in this Part and maintain the plan and related supporting documentation for audit. These local governments are not required to submit their plans for Federal approval unless they are specifically requested to do so by the cognizant agency for indirect costs. Where a local government only receives funds as a subrecipient, the pass-through entity will be responsible for monitoring the subrecipient's plan. 4. All central service cost allocation plans will be prepared and, when required, submitted within six months prior to the beginning of each of the governmental unit's fiscal years in which it proposes to claim central service costs.

*Appendix V to 2 CFR Part 200, F.1 and 3 State/Local Government-wide Central Service Cost Allocation Plans, Negotiation and Approval of Central Service Plans, Negotiation and Approval of Central Service Plans*

1. In general, unless different arrangements are agreed to by the concerned Federal agencies, for central service cost allocation plans, the cognizant agency responsible for review and approval is the Federal agency with the largest dollar value of total Federal awards with a governmental unit. For indirect cost rates and departmental indirect cost allocation plans, the cognizant agency is the Federal agency with the largest dollar value of direct Federal awards with a governmental unit or component, as appropriate. Once designated as the cognizant agency for indirect costs, the Federal agency must remain so for a period of five years. 3. The results of each negotiation must be formalized in a written agreement between the cognizant agency for indirect costs and the governmental unit. This agreement will be subject to re-opening if the agreement is subsequently found to violate a statute or the information upon which the plan was negotiated is later found to be materially incomplete or inaccurate. The results of the negotiation must be made available to all Federal agencies for their use.

*Appendix VII to 2 CFR Part 200, D. b. and d States and Local Government and Indian Tribe Indirect Cost Proposals, Submission and Documentation of Proposals*

b. A governmental department or agency unit that receives more than \$35 million in direct Federal funding must submit its indirect cost rate proposal to its cognizant agency for indirect costs. Other governmental department or agency must develop an indirect cost proposal in accordance with the requirements of this Part and maintain the proposal and related supporting documentation for audit. These governmental departments or agencies are not required to submit their proposals unless they are specifically requested to do so by the cognizant agency for indirect costs. 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... d. Indirect cost proposals must be developed (and, when required, submitted) within six months after the close of the governmental unit's fiscal year, unless an exception is approved by the cognizant agency for indirect costs.

*2 CFR Part 200.414 (f)*

Requirement as stated in 2 CFR prior to August 13, 2020 revisions:

In addition to the procedures outlined in the appendices in paragraph (e) of this section, any non-Federal entity that has never received a negotiated indirect cost rate, except for those non-Federal entities described in Appendix VII to Part 200 - States and Local Government and Indian Tribe Indirect Cost Proposals, paragraph D.1.b, may elect to charge a de minimis rate of 10% of modified total direct costs (MTDC) which may be used indefinitely.

*Requirement as stated in 2 CFR subsequent to August 13, 2020 revisions:*



In addition to the procedures outlined in the appendices in paragraph (e) of this section, any non-Federal entity that does not have a current negotiated (including provisional) rate, except for those non-Federal entities described in appendix VII to this part, paragraph D.1.b, may elect to charge a de minimis rate of 10% of modified total direct costs (MTDC) which may be used indefinitely. No documentation is required to justify the 10% de minimis indirect cost rate. As described in §200.403, costs must be consistently charged as either indirect or direct costs, but may not be double charged or inconsistently charged as both. If chosen, this methodology once elected must be used consistently for all Federal awards until such time as a non-Federal entity chooses to negotiate for a rate, which the non-Federal entity may apply to do at any time.

#### 2 CFR Part 200.414 (g)

Any non-Federal entity that has a current federally negotiated indirect cost rate may apply for a one-time extension of the rates in that agreement 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. If an extension is granted the non-Federal entity may not request a rate review until the extension period ends. At the end of the 4-year extension, the non-Federal entity must re-apply to negotiate a rate. Subsequent one-time extensions (up to four years) are permitted if a renegotiation is completed between each extension request.

#### FTA Circular 5010.1E, Appendix F, Cost Allocation Plans, 3. Submission Requirements (d)

When FTA is the cognizant agency, the CAP must be submitted under the following circumstances: (1) for an initial plan, (2) annually for major local governments, (3) for a change in organizational structure and accounting system that may significantly impact the CAP, (4) for a change in CAP methodology, and/or (5) upon request for all other entities. All CAPs must be retained for audit.

#### FTA Circular 5010.1E, Appendix G, Indirect Cost Rate Proposals, 3. Submission Requirements

When FTA is the cognizant agency for indirect costs, the ICRP should be submitted to the FTA when:

- a. The recipient is working on its first Federal assistance Award or has not previously had an Indirect Cost Rate Proposal reviewed and accepted (note that such recipients may be eligible for the *de minimis* rate described in section 1 above).
- b. The recipient has made a change in its accounting system that significantly impacts the previously approved Indirect Cost Rate Proposal and its basis of application.
- c. The recipient's proposed Indirect Cost Rate Proposal exceeds the rate(s) last approved by FTA by more than 20 percent.

For example, if FTA approved a 20 percent rate in 2013, and the rate increased to 23 percent in 2014, and again to 25 percent in 2015, the 2015 rate would be required to be submitted to FTA for approval as it increased by more than 20 percent.

- d. The recipient changes the Indirect Cost Rate Proposal methodology.
- e. The recipient is either a local governmental unit that receives more than \$35 million in direct Federal funding or a non-profit entity. In accordance with 2 CFR part 200, these entities must submit their plan annually to their cognizant agency.

#### FTA Frequently Asked Questions from FTA Grantees Regarding Coronavirus Disease 2019 (COVID-19), AD6

Recipients for whom FTA is the Cognizant Agency may request an extension of a current indirect cost rate for one additional year without submission of an indirect cost rate proposal by submitting documentation with a revised date for the indirect cost rate to their FTA Regional Office for approval. The one-year extension was only available for recipients whose indirect cost rate proposals were due by June 16, 2020.

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**F6. Has the recipient conducted the required Single Audits, submitted the required documentation to the Federal Audit Clearinghouse (FAC), and resolved any identified issues?**

**BASIC REQUIREMENT**

Non-Federal entities that expend \$750,000 or more in Federal awards in their fiscal year are required to conduct an independent Single Audit, submit required documentation timely, and resolve identified issues.

**APPLICABILITY**

All recipients that expend \$750,000 or more in Federal assistance awards in their fiscal year.

**DETAILED EXPLANATION FOR REVIEWER**

2 CFR 200 Subpart F requires all non-Federal entities that expend \$750,000 or more in Federal awards in a year to conduct an independent Single Audit. In the case of independent transit authorities, the audit will cover all aspects of that authority. Where the transit provider is a municipal department or part of a larger governmental organization, the audit may cover the entire organization, including the Federal funds used for transit.

Single Audit reports must be completed and data collection form and reporting package (financial statements, summary schedule of prior audit findings, auditor's report, and corrective action plan) must be submitted to the FAC within the earlier of 30 calendar days after receipt of the auditor's report or nine months after the end of the audit period.

Recipients must resolve Single Audit findings promptly and upon discovery of the issue for audits under the Uniform Guidance requirements. The recipient must resolve the deficiencies or opportunities for improvement identified in their audit. The status of outstanding audit findings and recommendations should be monitored and reported by the recipient in quarterly progress reports and, where appropriate, significant events reported.

**Note:** The Office of Management and Budget (OMB) revised the Uniform Guidance and released the final updated version in April 2024. In accordance with the revised 2 CFR § 200.512(a)(2), the Federal cognizant or oversight agency may authorize individual audit submission extensions when the standard nine-month timeframe places an undue burden on the auditee.

If the US Department of Transportation (USDOT) is the recipient's Federal cognizant agency, USDOT will consider granting extensions for late submissions.

**FLEXIBILITIES AND ADMINISTRATIVE RELIEF**

Per OMB Memorandum M-20-26, FTA recipients with single audit due dates from March 30, 2020, through June 30, 2020, and for which FTA is the cognizant agency for Single Audit may delay single audit submission by up to six months beyond the due date. Single audits with a due date from July 31, 2020, through September 30, 2020, may delay single audit submission by up to three months. This extension

does not require individual recipients and subrecipients to seek approval for the extension from FTA; however, recipients and subrecipients should maintain documentation of the reason for the delayed filing.

Recipients and subrecipients taking advantage of this extension would still qualify as a "low-risk auditee" under the criteria of 2 CFR § 200.520 (a) - *Criteria for a low-risk auditee*.

Per OMB Memorandum M-21-20, Awarding agencies, in their capacity as cognizant or oversight agencies for audit, should allow recipients and subrecipients that have not yet filed their single audits with the Federal Audit Clearinghouse as of the date of the issuance of this memorandum that have fiscal year-ends through June 30, 2021, to delay the completion and submission of the Single Audit reporting package, as required under Subpart F of 2 CFR § 200.501 to six months beyond the normal due date. No further action by awarding agencies is required to enact this extension. This extension does not require individual recipients and subrecipients to seek approval for the extension by the cognizant or oversight agency for audit; however, recipients and subrecipients should maintain documentation of the reason for the delayed filing. Recipients and subrecipients taking advantage of this extension would still qualify as a "low-risk auditee" under the criteria of 2 CFR § 200.520(a).

## INDICATORS OF COMPLIANCE

a. *For what years was the recipient required to conduct a Single Audit?*

Fiscal Year	Amount of Federal Funds Expended	Single Audit Conducted? (Y/N)
-	-	-
-	-	-
-	-	-

b. *When were the audits required to be submitted? What are the actual submission dates?*

Audit Year	Required Submission Date	Actual Submission Date
-	-	-
-	-	-
-	-	-

o *If the recipient delayed submitting its Single Audit reporting package, is there documentation of the reason for the delay?*

c. *If there were Single Audit findings, what is the status of addressing those that related to FTA or US DOT programs? If there were no audit findings, move to the next question.*

o *Does the Single Audit demonstrate that the recipient implemented recommendations related to audit findings made under an FTA or other DOT program?*

o *If there are open findings, how is the recipient working to address and/or resolve Single Audit findings?*

## INSTRUCTIONS FOR REVIEWER

Review financial and audit information to determine if the recipient expended over \$750,000 in any of the four years covered by the Comprehensive Review to obtain an idea of the amount of Federal funds the recipient expends in one year. Obtain from the recipient a schedule of Federal expenditures during the review period, by fiscal year, to determine if the \$750,000 threshold was met. If the recipient was not required to conduct a Single Audit, move to the next question.

Review information available from the FAC website via the link provided below to determine if the required Single Audits were conducted and submitted. If the information is not available from FAC, follow-up with the recipient for copies of missing Single Audits. Obtain the audit report to determine the end of the recipient's fiscal year and to review the date the auditor issued the report. Confirm dates the Single Audits were submitted to the FAC on the FAC website and assess if it was submitted within the earliest of 30 calendar days of receipt of the auditor's report or nine months after the end of the recipient's fiscal year. Download a copy of the SF-SAC and each fiscal year's Single Audit from FAC to determine if the auditor identified findings. If not submitted, discuss with the regional office the steps taken to address the non-submission. The recipient's failure to submit a Single Audit package, results in the recipient losing the ability to qualify as a "low-risk auditee" per the Single Audit, which could result in FTA reviewing its oversight efforts.

For prior year findings found in the Schedule of Prior Federal Award Findings of each Single Audit report, determine whether the related corrective action(s) has been implemented and findings resolved and closed based on the Single Auditor's assessment.

Review the current year findings detailed in the Schedule of Findings and Questioned Costs of each Single Audit report. Review progress reports submitted in TrAMS and discuss with FTA regional staff to determine if the recipient has been reporting on its progress in implementing recommendations made by the Single Auditor in the respective report.

If necessary, review the Single Audit module in OTrak to determine the recipient's progress towards addressing audit findings. If findings are unresolved, follow up with the regional office. If necessary, ask follow-up questions or conduct an onsite interview to determine the recipient's progress towards resolution.

FAC website address: <https://facdissem.census.gov/>.

## **FLEXIBILITIES AND ADMINISTRATIVE RELIEF**

For recipients that have delayed single audit submissions, confirm that the single audit, SF-SAC and reporting package was submitted to the FAC by the new due date.

## **POTENTIAL DEFICIENCY DETERMINATIONS**

The recipient is deficient if it meets the threshold for conducting a Single Audit but has not done so.

DEFICIENCY CODE F6-1: Annual audit not conducted

**SUGGESTED CORRECTIVE ACTION:** The recipient must conduct outstanding annual Single Audit(s) in accordance with 2 CFR part 200, subpart F; the recipient must submit documentation that it has completed annual Single Audits for all missing years.

NOTE TO REVIEWER: The reviewer is to discuss with the FTA regional office to determine the appropriate course of action for this deficiency, if the audit was not performed due to cybersecurity incidents, inclement weather (e.g., hurricanes, natural disasters), or other qualifying circumstances.

The recipient is deficient if it did not resolve annual audit deficiencies by the time the subsequent Single Audit report is submitted.

DEFICIENCY CODE F6-2: Outstanding annual audit deficiencies

SUGGESTED CORRECTIVE ACTION: The recipient must submit procedures and a schedule for resolving Single Audit findings. The recipient must report on the status of addressing audit findings in its progress reports.

The recipient is deficient if it did not submit its Single Audit report, data collection form, and reporting package as required.

DEFICIENCY CODE F6-3: Single Audit submission deficient, including late submission

SUGGESTED CORRECTIVE ACTION: The recipient must submit procedures to ensure that the Single Audit report, data collection form, and reporting package are submitted on time.

NOTE TO REVIEWER: The reviewer is to discuss with the FTA regional office to determine the appropriate course of action for this deficiency, if the late submission was due to cybersecurity incidents, inclement weather (e.g., hurricanes, natural disasters), or other qualifying circumstances.

## **GOVERNING DIRECTIVE**

### **2 CFR Part 200.501 (a) Audit required**

A non-Federal entity that expends \$1,000,000 or more during the non-Federal entity's fiscal year in Federal awards must have a single or program-specific audit conducted for that year in accordance with the provisions of this part.

### **2 CFR Part 200.512 Report submission (a) General**

- (1) The audit, the data collection form, and the reporting package must be submitted within 30 calendar days after the auditee receives the auditor's report(s) or nine months after the end of the audit period (whichever is earlier). The cognizant agency for audit or oversight agency for audit (in the absence of a cognizant agency for audit) may authorize an extension when the nine-month timeframe would place an undue burden on the auditee. If the due date falls on a Saturday, Sunday, or Federal holiday, the reporting package is due the next business day.

### **2 CFR Part 200.512 Report submission (b) Data Collection**

- (1) The auditee must submit the required data collection form described in Appendix X of this part. This form provides information about the auditee, its Federal programs, the results of the audit, and whether the audit was completed in accordance with this part. The form must include all information required by this part that is necessary for Federal agencies to use the audit to ensure the integrity of Federal programs. The form includes data elements and a format that OMB must approve, is available from the FAC, and include collections of information from the reporting package described in paragraph (c). A senior level representative of the auditee (e.g., state controller, director of finance, chief executive officer, or chief financial officer) must sign a statement to be included as part

of the data collection that says that the auditee complied with the requirements of this part including that, the data were prepared in accordance with this part (and the instructions accompanying the form), the reporting package does not include protected personally identifiable information, the information included in its entirety is accurate and complete, and that the FAC is authorized to make the reporting package and the form publicly available on a website.

2 CFR Part 200.513 Responsibilities (a)(3) Cognizant agency for audit responsibilities

- (vii) Coordinate a management decision for cross-cutting audit findings (see in § 200.1 of this part) that affects the Federal programs of more than one agency when requested by any Federal awarding agency whose awards are included in the audit finding of the auditee.

FTA Circular 5010.1E, Chapter VI, Section 8. Annual Audit (d) Resolution of Audit Findings (3)

The recipient must resolve the deficiencies or opportunities for improvement identified in their audit. The resolution of audits begins with FTA's report to the recipient and continues until the recipient corrects identified deficiencies, implements needed improvements, or demonstrates that the findings or recommendations are not valid or do not warrant management action. The audit cannot be closed until FTA concurs in the documentation of steps taken to implement any needed corrective actions. The status of outstanding audit findings and recommendations should be monitored and reported by the recipient in quarterly progress reports and, where appropriate, significant events reported.

FTA Frequently Asked Questions from FTA Grantees Regarding Coronavirus Disease 2019 (COVID-19)

**AD19: Can an organization receive an extension to submit its Single Audit Report?**

A: Yes. Per the [Office of Management and Budget Memorandum M-20-26](#), FTA recipients with fiscal year end dates through June 30, 2021 may delay the completion and submission of their single audit reporting package to six months beyond the normal due date. Recipients are not required to seek approval for the extension, but should maintain documentation of the reason for the delayed filing.

FTA Frequently Asked Questions from FTA Grantees Regarding Coronavirus Disease 2019 (COVID-19)

**AD24: Will I have to meet the current deadlines for reports and other deliverables related to my award?**

A: Consistent with OMB Memorandum M-21-20, FTA will allow recipients to delay submission of financial, performance and other reports on currently-active award for a period of up to three months beyond the normal due date. These reports are still due at the end of the postponed period. This means that if a report were due on April 30, 2021, FTA would now require the report to be submitted by July 31, 2021. Recipients should document the report is late due to the COVID-19 public health emergency. For any other deliverables related to research awards, please contact the FTA Regional Office for award specific guidance.

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**F7. Does the recipient have financial resources to provide the required local share for active awards and to maintain and operate FTA-funded assets?**

**BASIC REQUIREMENT**

Recipients must have the financial capacity to carry out their proposed program of projects.

**APPLICABILITY**

All recipients

#### **DETAILED EXPLANATION FOR REVIEWER**

Annually, the recipient certifies to FTA (as part of the annual certifications and assurances process) that it has the legal, financial, and technical capacity to carry out its proposed program of projects (POP), including safety and security aspects of the program.

Upon request from FTA, the recipient agrees to provide a financial plan delineating the source of non-Federal share, the amounts applicable to the different sources, and the time frame for acquisition of the non-Federal share. Recipients must have multi-year financial plans (3–5 years) for operating and capital revenues and expenses to implement FTA awards. The financial plans should indicate adequate revenues to maintain and operate the existing system and to complete the annual program of projects (POP).

All local share used to match FTA awards must come from non-US DOT sources, except for Federal Lands Highway Program funds, including Federal Highway Administration (FHWA) Tribal Transportation Program funds. No FTA program funds can be used as a source of local match for other FTA programs, even when the funds are contract revenue. Federal loan programs such as Transportation Infrastructure Finance and Innovation Act (TIFIA) or Railroad Rehabilitation & Improvement Financing (RRIF) count as Federal sources even though they are often repaid with local or state funds. Depending on the award program, FTA permits the use of the following as local share: cash (or in-kind contribution); non-farebox revenues from transit operations (e.g., advertising and concession revenues); amounts received under a service contract with a state, local, or private social service agency or organization; undistributed cash surpluses; replacement or depreciation cash funds; reserves available in cash or new capital; revenue bond proceeds (capital only); transportation development (toll) credits; program income generated from an earlier award; non-US DOT Federal funds if authorized by the originating program to be used for transportation; funds used to purchase vanpool vehicles by private providers of public vanpools (capital match only); and in-kind match for intercity bus service.

A recipient's financial condition, future financial capacity, and ability to match FTA funds could be affected greatly if one or more of its sources of non-FTA funding are affected by pending legislation or "sunset" provisions in current legislation. The recipient's eligible and available non-Federal funds may be diverted from serving as match for an FTA award if there are other Federal awards which are at risk of lapsing. Similarly, when state and/or local sources of funding decrease, the recipient may be unable to meet the non-Federal match requirements for existing FTA awards. This may also result in service reductions and/or fare increases, redirection of funds to meet critical operating and maintenance needs, and/or staff reductions.

It should be noted that once matching funds are associated with a specific award, these funds cannot be applied to another award. Supporting documentation and recipient financial information may need to be reviewed to ensure there is no "double dipping" or overlapping of funds.



## INDICATORS OF COMPLIANCE

- a. *For the past three years, what were the amounts and sources of funds to support transit programs? Were all sources eligible? Are any funds in jeopardy?*

<b>Year</b>	<b>Source</b>	<b>Amount</b>	<b>Status (elected, discretionary, by law, etc.)</b>	<b>Eligible?</b>	<b>In jeopardy?</b>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-

- b. *What are the anticipated amounts and sources for the next three years? Are all sources eligible?*

<b>Year</b>	<b>Source</b>	<b>Amount</b>	<b>Status (elected, discretionary, by law, etc.)</b>	<b>Eligible</b>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-

- c. *How are expenses, and local and Federal sources of funds budgeted/projected and how are adjustments made to projections, when necessary?*
- d. *What impacts to local funding have occurred since the last Comprehensive Review? Has the organization identified any changes that could impact local funding in the near future? What are the plans for addressing any changes?*
- e. *In the short-term financial plan (next three years) what are the underlying assumptions that could affect the financial condition of the recipient?*
- f. *Has the recipient had deficits, layoffs, service cuts, or deferred or late maintenance since the last Comprehensive Review? If no, does the recipient project any such changes in its operations?*
- g. *Have the recipient's capital funds been used to cover deficits in the operating budget since the last Comprehensive Review? If no, does the recipient project using capital funds for such purpose?*

## INSTRUCTIONS FOR REVIEWER

Obtain and review the recipient's financial plan projecting revenues and expenses for the next three years (or longer), and the following documents for the review period: annual audit reports, local or state legislation, the budget and/or financial statements, comprehensive annual financial reports (CAFRs) or S/TIP.

- Review sources of funding (i.e., farebox revenue, toll tax, etc.) to determine if amounts are discretionary, elected, or provided by law.

- Review local sources of funding to determine if they are eligible and for significant changes that may affect the recipient's revenues.
- Compare operating and capital budgets over the six year period (past three years, and projected next three years.) by reviewing revenue and expense categories to compare amounts allocated to determine if there has been any significant change in funds; to ensure that reports are not showing or projecting deficits, layoffs, service cuts, or deferred or late maintenance, and/or ongoing concerns. Determine if there is discussion from management explaining the changes in financial condition and/or service operations from year to year.
- Review the assumptions and notes to the financial plan, the budget and/or financial statements or S/TIP to evaluate:
  - i. Whether the reported amounts for sources of funding are confirmed or there are pending approval actions (i.e., pending legislation or "sunset" provisions in current legislation).
  - ii. How the recipient has addressed or is addressing any changes in local funding.
  - iii. Reason(s) for any projected increase and/or decrease in revenues and/or expenses.
  - iv. Justification for the use of capital funds to cover operating expenses.
- Ensure reports are not projecting deficits and/or ongoing concerns.

Review the recipient's financial policies and procedures for a process to reconcile budget revisions for changes in line item budgets. Request a sampling of annual budget/actual reconciliation reports and review changes in expense categories to ensure revenues and expenses are adjusted based upon reasonable assumptions and do not adversely affect the recipient's financial condition and its ability to maintain the FTA-funded program. Review board meeting minutes for justification of changes in expenses, if required.

Review the recipient's project status subsection of the quarterly/annual milestone progress reports (MPRs) in the reporting module of TrAMS for discussion relating to projects involving FTA funds and whether they are being deferred or have stalled because the non-Federal match is not available. In OTrak, access the finding search results from audits or prior reviews, to determine if there were preventive maintenance findings related to FTA or US DOT programs due to deferred maintenance. Review the maintenance section of the OAT from OTrak, to verify whether FTA has concerns regarding asset impairment.

Request a sampling of annual budget/actual variance reports and review expenditures between operating and capital budgets over the review period and within a review year to ensure there are no indicators that the recipient's capital funds have been used to cover deficits in the operating budget.

If documentation provided is insufficient to address the questions above, ask follow-up questions, and conduct on-site interviews with staff.

## **POTENTIAL DEFICIENCY DETERMINATIONS**

The recipient is deficient if 1) it reports financial deficits or lack of funding is impacting the ability to maintain and operate existing systems or to complete programs of projects, and there is no mitigation plans and/or 2) there is pending legislation that could affect local funding sources negatively, and/or 3) lack of funding is impacting the ability to maintain and operate existing systems or to complete programs of projects.