



Subrecipient & Contractor Handbook

A Compliance Handbook for Subrecipients and Contractors

Presented by the Auditor-Controller-Treasurer-Tax Collector

June 2026

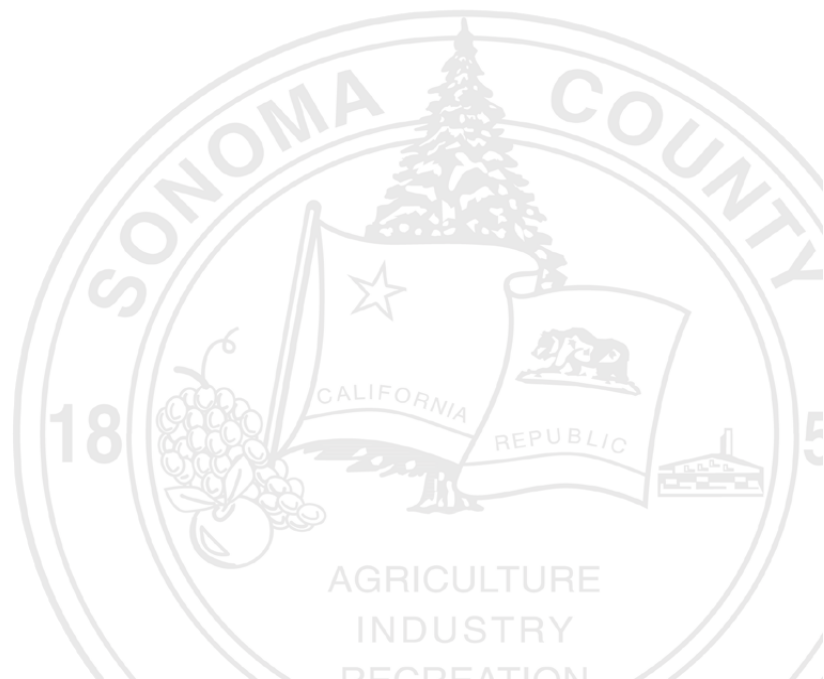
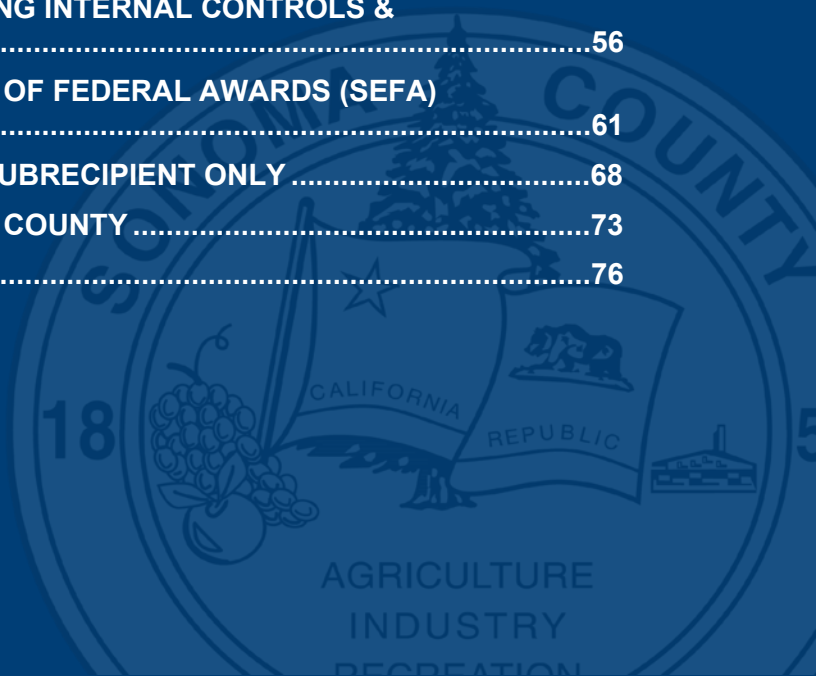


Table of Contents

WELCOME	1
INTRODUCTION TO THIS HANDBOOK.....	2
EVALUATING YOUR READINESS TO RECEIVE FEDERAL FUNDS.....	5
SECTION 1: UNDERSTANDING ALLOWABLE COSTS–THE COST PRINCIPLES	8
SECTION 1 – CHAPTER 1: BASIC COST CONSIDERATIONS	9
SECTION 1 – CHAPTER 2: DIRECT AND INDIRECT COSTS	12
SECTION 1 – CHAPTER 3: COMPENSATION, FRINGE BENEFITS & OTHER COSTS.....	15
SECTION 2: OVERVIEW OF COMMON ADMINISTRATIVE REQUIREMENTS	19
SECTION 2 – CHAPTER 1: ALLOWABLE ACTIVITIES AND COSTS	20
SECTION 2 – CHAPTER 2: CASH MANAGEMENT SUBRECIPIENT ONLY	22
SECTION 2 – CHAPTER 3: ELIGIBILITY SUBRECIPIENT ONLY	24
SECTION 2 – CHAPTER 4: EQUIPMENT AND REAL PROPERTY	27
SECTION 2 – CHAPTER 5: COST SHARING, LEVEL OF EFFORT, EARMARKING	30
SECTION 2 – CHAPTER 6 PERIOD OF PERFORMANCE SUBRECIPIENT ONLY	34
SECTION 2 – CHAPTER 7: PROCUREMENT	37
SECTION 2 – CHAPTER 8: SUSPENSION AND DEBARMENT.....	42
SECTION 2 – CHAPTER 9: PROGRAM INCOME SUBRECIPIENT ONLY	44
SECTION 2 – CHAPTER 10: REPORTING.....	46
SECTION 2 – CHAPTER 11: SUBRECIPIENT MONITORING SUBRECIPIENT ONLY	49
SECTION 2 – CHAPTER 12: WAGE RATE REQUIREMENTS FOR CONSTRUCTION ...	53
SECTION 3: ESSENTIALS FOR IMPLEMENTING INTERNAL CONTROLS & RECORDKEEPING	56
SECTION 4: SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SEFA) SUBRECIPIENT ONLY	61
SECTION 5: THE FEDERAL SINGLE AUDIT SUBRECIPIENT ONLY	68
SECTION 6: SUBMITTING INVOICES TO THE COUNTY	73
SECTION 7: ADDITIONAL RESOURCES.....	76





Welcome

Your organization may receive federal funding directly from a federal agency (like the U.S. Department of Treasury) or indirectly through a pass-through entity (like the state of California or County of Sonoma). These funds support important programs such as disaster response, health and human services, and community infrastructure.

Federal awards come with rules. Following these rules ensures that funds are used as intended, demonstrates accountability, and helps maintain transparency for the public and the federal government.

Managing federal funds can be challenging, even for organizations experienced with grants. Each federal program may have different requirements, and award conditions can change over time. Without careful attention and good internal controls, there is a risk of noncompliance, improper spending, or findings from audits, which could require repayment of federal funds.

This handbook is designed to help you, as a subrecipient or contractor, understand the key rules, manage your award responsibly, and meet your contractual and federal obligations.

Disclaimer

This handbook is for informational purposes only. It is **not legal advice** or an audit recommendation. You remain responsible for assessing risks, implementing controls, and making management decisions related to your federal award.



Introduction to this Handbook

What's in this Handbook

This handbook provides a simplified overview of the most important federal rules for managing, spending, and auditing federal awards. It is based on [Part 200 of Title 2](#) of the U.S. Code of Federal Regulations, also called the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, or the Uniform Guidance.

This Handbook Will Help You:

- Understand the basic requirements of federal awards
- Identify key compliance obligations
- Learn where to find more detailed information
- Design internal controls to meet federal requirements
- Assess your readiness to receive federal funds

This Handbook is Organized into the Following Sections:

Evaluating Your Readiness to Receive Federal Funds – A practical self-assessment that organizations should consider before accepting federal funds.

Section 1: Understanding Allowable Costs – The Cost Principles – Rules about what costs you can charge to a federal award.

Section 2: Overview Of Common Administrative Requirements – Common rules you may need to follow depending on your award.

Section 3: Essentials For Implementing Internal Controls & Record Keeping – How to set up internal controls to meet federal awards.

Section 4: Schedule of Expenditures of Federal Awards (SEFA) – How to prepare this key reporting document.

Section 5: The Federal Single Audit – Your responsibilities if your organization is subject to a federal audit.

Section 6: Submitting Invoices to the County – A guide for preparing invoice packages.

Additional Resources – Tools, templates, and links to help you manage your awards.

Who This Handbook is For

This handbook is intended for **both subrecipients and contractors** who receive payments from the County using federal funds.

- **Subrecipients** are organizations that receive federal funds from the County to carry out a federal program or service. They are responsible for ensuring those funds are used according to federal requirements.
- **Contractors** provide goods or services to help the County implement federal programs. Contractors are paid using federal funds but do not receive a federal award directly.

For simplicity, this handbook uses the phrase “**your award**” throughout to refer to the federal funding you are managing or the federal-funded work you are performing.

- For **subrecipients**, “your award” refers to the federal funds awarded to your organization to carry out the program.
- For **contractors**, “your award” refers to the federal-funded work you are performing under your contract with the County.

Wherever we say “**your award**”, the guidance applies to both types of entities, with the understanding that contractors are subject to the same federal rules only to the extent specified in their contract.

The Uniform Guidance

The Uniform Guidance (OMB, 2013) consolidates previous federal circulars and sets the rules for federal awards, recipients, and subrecipients. It is intended to:

- Reduce administrative burden
- Increase consistency across federal programs
- Clarify requirements for compliance and audits

The Uniform Guidance is updated periodically. The latest revisions affecting cost principles and administrative requirements are effective for awards issued on or after **October 1, 2024**.

Note: This handbook summarizes key requirements and does not include the full Uniform Guidance. Links are provided for the official regulations.

Using This Handbook

- Start by reviewing the sections relevant to your award.
- Read the actual Uniform Guidance or your award terms for details when preparing cost allocations, charging costs, or implementing specific requirements.
- Follow the rules in your award’s terms and conditions, as they may be stricter than the general federal regulations.

Compliance Supplement

The Compliance Supplement is issued annually by the federal government for auditors. It details program requirements, audit procedures, and illustrative internal controls. While intended for auditors, it can also help you design your internal controls and ensure compliance.

Always use the version of the Compliance Supplement that corresponds to your fiscal year and award period.

Focus of This Handbook

This handbook primarily covers the following Uniform Guidance subparts:

Subpart A – Acronyms and Definitions	We refer to key definitions in this part throughout this handbook.	2 CFR §200.0-.1
Subpart B – General Provisions	We do not cover this part because it primarily applies to federal agencies.	2 CFR §200.100-.113
Subpart C – Pre Federal Award Requirements and Contents of Federal Awards	Most sections of this part apply to federal agencies. Some have a few requirements applicable to recipients, and we cover some of them in Section 2 of this handbook.	2 CFR §200.200-.216
Subpart D – Post Federal Award Requirements	See Section 2 of this handbook.	2 CFR §200.300-.346
Subpart E – Cost Principles (for determining allowable costs)	See Section 1 of this handbook.	2 CFR §200.400-.476
Subpart F – Audit Requirements	See Sections 4 and 5 of this handbook.	2 CFR §200.500-.521



Evaluating Your Readiness to Receive Federal Funds

Federal funds come with significant administrative, financial, and compliance obligations. These responsibilities apply **regardless of award size**, even small subawards or low-dollar contracts require full adherence to all applicable federal requirements, including documentation, reporting, procurement rules, internal controls, cost allowability rules, and other regulatory expectations described throughout this handbook.

Before accepting federal funding, every subrecipient and contractor should carefully consider whether they have the capacity, systems, and expertise to comply with federal requirements. Taking time to evaluate readiness can protect your organization from audit findings, repayment obligations, and administrative burden that may outweigh the value of the award.

This chapter provides guidance to help organizations assess whether receiving federal funds is the right fit.

Why Readiness Matters

Federal awards are fundamentally different from other funding sources. They require:

- **Detailed documentation** to support all expenditures, activities, and decisions
- **Robust internal controls**
- **Accurate timekeeping and labor documentation**, especially if personnel are billed to the project
- **Procurement rules**, competition requirements, and restrictions on sole-source awards
- **Clear tracking of matching requirements, program income, and allowability of costs**
- **Regular reporting**, sometimes monthly or quarterly
- **Monitoring** by the County and—if you have subrecipients of your own—monitoring **you must conduct**
- **Audit requirements**, including possible Single Audit implications
- **Suspension and debarment checks**

These responsibilities must be met even when the federal portion of a project is small. Many organizations underestimate the administrative time, financial controls, staffing expertise, and documentation efforts needed.

Key Questions for Self-Assessment

Organizations should reflect on the following before accepting federal funds:

1. Do we have sufficient administrative capacity?

- Do we have staff familiar with grant management, federal rules, or public funding?
- Can we dedicate staff time to documentation, procurement, reporting, and financial management?
- Do we understand that these tasks must be completed even if program staff are primarily focused on service delivery?

2. Are our financial systems able to track federal awards?

- Can we track costs by funding source, by activity, and by project?
- Can we document all costs with invoices, receipts, timecards, and approvals?
- Can we produce financial reports that meet federal standards (including accrual information, if required)?

3. Do we have strong internal controls?

- Are there written procedures for procurement, payroll, approvals, record-keeping, and cost allocation?
- Do we have separation of duties appropriate to our size?
- Can we ensure consistent and compliant timekeeping, including for **salaried staff** if labor is billed to the award?

4. Can we comply with procurement rules?

- Do we understand the competition requirements before purchasing goods or services?
- Do we have processes to document bids, price quotes, and selection?

5. Can we meet County monitoring expectations?

- Are we prepared for desk reviews, requests for documentation, performance reviews, or site visits?
- Can we respond to questions promptly and maintain all required records?

6. If we plan to issue subawards, are we prepared to monitor them?

- Do we understand the responsibility to conduct **subrecipient monitoring** at our own tier?
- Do we have the capacity to review expenditures, performance, and audits of our subrecipients?

7. Are federal funds the right fit for our organization?

- Do the program benefits outweigh the administrative burden?
- Would state, local, or private grant funding be more appropriate?
- Is the timing of reimbursements manageable for our cash flow?

If You Decide Not to Accept Federal Funding

Choosing not to pursue federal funding, whether as a subrecipient or as a contractor, is sometimes the most responsible and strategic decision.

Organizations may decline federal funding if they:

- Cannot support the administrative workload
- Lack sufficient staff or systems
- Cannot comply with procurement or wage requirements
- Are not comfortable with monitoring, audit exposure, or federal oversight
- Determine that the cost of compliance exceeds the benefit of the award

Declining an award does **not** affect your standing with the County and may preserve important relationships for future opportunities that are a better fit.

If You Choose to Accept Federal Funding

If you move forward with a federal award, be prepared to:

- Follow all requirements outlined in your contract or subaward
- Maintain all documentation for the required retention period
- Respond to County monitoring requests
- Notify the County of any issues that could impact performance
- Communicate with the County early and often if challenges arise

The County is committed to supporting its subrecipients and contractors, and we encourage you to reach out with questions at any time.

Summary

Receiving federal funds is a significant responsibility. We encourage all subrecipients and contractors, especially smaller organizations or first-time federal awardees, to take time to evaluate capacity, systems, experience, and readiness before accepting federal funding.

Being realistic about organizational capabilities helps ensure:

- Successful program performance
- Compliance with all federal requirements
- Reduced audit and repayment risk
- Strong partnerships with the County

If you have questions or would like support evaluating your readiness, please contact your County program manager or fiscal staff.

When is something a requirement and when is it just a recommendation?

In the Uniform Guidance, the word “must” indicates a requirement. The words “should” or “may” indicate a recommended approach. This handbook uses the same wording.

Getting Help When You Have Questions

- Your first resource is your awarding agency or pass-through entity.
- County staff may provide guidance if they are the pass-through entity.
- Ask questions early to avoid errors in managing your federal award.



Section 1: Understanding Allowable Costs—The Cost Principles

Federal funds must be used only for costs that meet specific federal standards. Whether you are a subrecipient carrying out a federally funded program or a contractor providing goods or services paid with federal dollars, you are responsible for ensuring that the costs you charge to your federally funded project are:

- **Allowable**
- **Reasonable**
- **Necessary**
- **Allocable**
- **Consistently treated**

These principles come from the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), [2 CFR Part 200](#). They are the foundation for determining whether costs charged to a federal award are compliant.

This section explains:

- **Key cost principles** you must understand before charging any costs
- **What makes a cost allowable** under federal rules
- **The difference between direct costs and indirect costs**
- **Which types of costs are always allowable, allowable with restrictions, or unallowable**
- **Your responsibilities** for tracking, documenting, and supporting the costs you charge

Even if your organization already follows Generally Accepted Accounting Principles (GAAP) or has established accounting policies, federal rules may be more restrictive. Where federal rules conflict with your internal policies, the federal rules take precedence for your federally funded project.

Throughout this section, we refer to the expenditures you bill as “costs charged to your federally funded project.”

- For **subrecipients**, this means costs charged to your federal subaward.
- For **contractors**, this refers to costs for goods or services billed under your federally funded contract.

Both must follow the Cost Principles **to the extent required by your agreement with the County**.

Understanding these requirements is essential. Improper or unsupported costs may result in repayment of funds, disallowed costs, contract or award termination, or future funding restrictions.

The chapters that follow will help you understand the basic rules, make compliant spending decisions, and maintain the required documentation.

Section 1 – Chapter 1: Basic Cost Considerations

Before you charge any cost to a federally funded project, you must evaluate it using the core standards in the Uniform Guidance. These standards apply to **both subrecipients and contractors** to the extent required under your agreement with the County. They ensure that federal funds are used properly and that charges can withstand audit scrutiny.

This chapter summarizes the general rules you must follow before billing the County for costs under a federally funded award or contract.

1. Costs must be allowable under federal rules

A cost must comply with the Cost Principles in [2 CFR §§ 200.400–200.476](#) and with any additional limitations in:

- Your contract or subaward
- The federal award's terms and conditions
- Program-specific statutes or regulations
- The County's written policies, where applicable

If a cost is unallowable under federal rules, it **cannot** be charged to the federally funded project, even if it is permitted under your organization's normal business practices.

2. Costs must be necessary and reasonable

A cost must be:

- **Necessary:** Required to perform the work or meet the project's objectives.
- **Reasonable:** Priced in a way that a prudent person would consider fair under the circumstances.

In evaluating reasonableness, consider:

- Whether the cost is ordinary and consistent with industry practice
- Whether the cost conforms with the market price for similar goods or services
- Whether the individuals making the purchase acted with sound judgment
- Whether the cost aligns with established procurement or purchasing policies

Federal auditors expect to see documentation showing **why the expense was needed** and **how the price was determined to be reasonable**.

3. Costs must be allocable to the federal project

A cost is allocable when the project **benefits from it in proportion to the amount charged**. You may only charge the federal project the share of the cost that directly relates to that project.

A cost is allocable if:

- It is incurred specifically for the project, **or**
- It benefits multiple activities or projects and is distributed using a reasonable method, **or**
- It is necessary for the overall operation of your organization (and allowable as indirect cost if permitted by your agreement)

You **may not** charge a cost to the federal project to cover shortfalls on another program, contract, or activity.

No double charging! Costs cannot be included as a cost or used to meet cost sharing requirements of any other program, from any funding source, in either the current or prior period.

4. Costs must be treated consistently

Organizations must apply their accounting practices consistently. This means:

- **Direct costs** must be treated as direct costs under similar circumstances.
- **Indirect costs** must be treated as indirect costs under similar circumstances.

The same type of cost cannot be charged as direct in some cases and indirect in others, unless such treatment is specifically justified and documented in accordance with Uniform Guidance.

5. Costs must comply with applicable laws, rules, and agreements

Allowability depends on meeting:

- Federal statutes
- Program-specific regulations
- Terms and conditions of the federal award
- The County's contract or subaward requirements
- Your own organizational policies, as long as they do not conflict with federal rules

Where conflicts exist, **the strictest rule applies.**

6. Costs must be supported by adequate documentation

All costs charged to the federally funded project must be backed by documentation showing the cost:

- Was incurred
- Was necessary for the project
- Was reasonable
- Was properly allocated
- Complies with the terms of your contract or subaward

Documentation must be retained for the period specified in your agreement (generally **at least three years** from the date of submission of the County's final expenditure report, unless a longer period applies). Examples of required documentation include payroll records, timesheets, vendor invoices, subrecipient invoices with supporting detail, cost allocation plans, journal entries, and supporting documentation for indirect cost allocations. For more detailed guidance on documentation and recordkeeping, see Section 3 of this handbook.

7. Special rule for Contractors: apply Cost Principles only when required

Contractors are generally **not required** to follow the federal Cost Principles unless:

- The contract **explicitly incorporates them**, or
- The contract calls for reimbursement of actual costs rather than a fixed price

Contractors must still comply with:

- The contract terms
- Federal procurement standards applicable to contractors ([2 CFR § 200.318–327](#))
- Any cost restrictions written into the contract
- Invoicing and documentation requirements set by the County

Subrecipients, however, **must** follow the Cost Principles unless their award specifies otherwise.

8. Within budget period

Costs must be incurred during the approved budget/contract period unless prior written approval has been obtained.

Summary

To be charged to a federally funded project, a cost must be:

- ✓ Allowable
- ✓ Necessary
- ✓ Reasonable
- ✓ Allocable
- ✓ Consistently treated
- ✓ In compliance with award and contract terms
- ✓ Properly documented
- ✓ Within budget period

These principles form the foundation for all the cost rules that follow in this section.

Section 1 – Chapter 2: Direct and Indirect Costs

The Uniform Guidance ([Subpart E 2 CFR §200.412 – .417](#)) covers how to classify and charge **direct and indirect costs** to federal awards. Proper classification ensures costs are allowable, reasonable, and allocable. All costs must meet the allowability criteria discussed in Chapter 1 and the rules in Subpart E.

This chapter defines direct and indirect costs, as well as how to classify them. The chapter also provides guidance on the two options subrecipients have for charging indirect costs to federal awards.

Defining and Classifying Costs

Cost Objectives

A **cost objective** is a program, function, activity, award, organizational subdivision, contract, or work unit for which cost data are accumulated and measured. Whether a cost is direct or indirect depends on how it relates to the cost objective.

Direct Costs

Direct costs are those that can be specifically identified with a particular cost objective (such as a federal award) or other funded activity. They can be assigned to the activity with a high degree of accuracy.

Examples of Direct Costs:

- Employee compensation and fringe benefits for staff working on the federal award
- Supplies purchased specifically for the federal program

Indirect Costs

Indirect costs are costs incurred for a common or joint purpose that benefit more than one cost objective and cannot be easily assigned to a single activity. They are typically allocated to awards using a reasonable and consistent method.

Examples of Indirect Costs:

- Depreciation of buildings and equipment
- General administrative expenses (accounting, payroll, IT, legal)
- Facilities operation and maintenance

Recipients and subrecipients may establish **indirect cost pools** and distribute them to benefited activities to ensure equitable allocation.

Administrative and Clerical Salaries

Administrative and clerical salaries are usually indirect costs. They may be charged directly only if all of the following conditions are met:

- Services are integral to the federal award
- Staff can be specifically identified with the award

- The budget explicitly includes such costs, or prior written approval is obtained from the awarding agency
- The costs are not recovered as indirect costs elsewhere

Classifying Costs

- **There is no universal rule:** a cost may be direct for one activity but indirect for another.
- **Consistency is critical:** do not charge a cost as direct for some awards and indirect for others in like circumstances.

For example, if a network system is charged as a direct cost to one program, it must be charged as a direct cost for all federal programs it supports.

Charging Indirect Costs

Recipients and subrecipients can choose whether to claim indirect costs. Indirect costs can be charged using the current federal de minimis rate or a negotiated indirect cost rate. These options are explained below.

If you choose not to charge indirect costs you should maintain a written justification.

Option 1: De Minimis Rate

- Eligible recipients may use 15% of modified total direct costs (MTDC).
- For awards issued prior to October 1, 2024, the de minimis rate is 10%.
- Does not require documentation to justify its use.
- Can only be used if there is no current negotiated indirect cost rate and you receive less than \$35 million in direct federal funding.

MTDC includes:

- Direct salaries, wages, fringe benefits
- Direct materials, supplies, services, travel
- Up to \$50,000 of each subaward

MTDC excludes:

- Equipment
- Capital expenditures
- Subaward amounts over \$50,000
- Charges for patient care and participant support costs
- Rental costs
- Tuition remission, scholarships and fellowships

Option 2: Indirect Cost Rate Proposal

If you do not use the de minimis rate, or if you do not qualify for it, you may charge indirect costs by preparing an **Indirect Cost Rate Proposal (ICRP)**. This proposal establishes the percentage of your indirect costs that can be allocated to your federal award(s).

Key Points for Subrecipients

- **Existing Federally-Negotiated Rate:** If your organization has a current federally-negotiated indirect cost rate, you must use that rate for all applicable federal awards. The County cannot approve a different rate.
- **County-Approved Rate (when no federal rate exists):** If your organization does not have a federally-negotiated indirect cost rate, the County may, at the contracting

department's discretion, review and approve your indirect cost rate proposal.

A County-approved rate:

- Applies only to the specific award for which it was approved, unless otherwise authorized.
- May be accepted for use on other County awards, but only at the discretion of the contracting department administering those awards.

Steps to Prepare an Indirect Cost Rate Proposal

1. Identify Indirect Costs:

- Include costs that benefit multiple programs or projects but cannot be directly assigned. Examples: administrative salaries, accounting, IT, facilities, depreciation.
- Separate these costs into pools if needed (e.g., departmental indirect costs vs. centralized services).

2. Identify Direct Costs/Base:

- Determine which costs will serve as the base for your rate (e.g., total modified direct costs of federal awards).

3. Calculate the Rate:

- There are multiple ways to calculate the rate.
- Example 1: Agency Indirect Costs divided by Total Salaries and Benefits = Indirect Cost Rate.
 - The Indirect Cost Rate can only be applied to Total Salaries and Benefits
- Example 2: Agency Direct Costs divided by Total Program Direct Costs = Indirect Cost Rate.
 - The Indirect Cost Rate can only be applied to Total Program Direct Costs
- Expressed as a percentage.

4. Prepare Supporting Documentation:

- List all indirect cost pools, direct cost bases, and methodology for allocation.
- Include organizational charts or descriptions of departments, functions, and services.
- Document how costs are distributed fairly across programs.

5. Submit to the County for Review:

- Provide the completed proposal and supporting documentation to the County as directed by the contracting department.
- The County will review, approve, and communicate the final rate to you.

6. Maintain Records:

- Keep all calculations, supporting schedules, and documentation for audit purposes.

Additional Guidance

[Appendix IV to Part 200-Indirect \(F&S\) Costs Identification and Assignment, and Rate Determination for Nonprofit Organizations](#)

Section 1 – Chapter 3: Compensation, Fringe Benefits & Other Costs

This chapter highlights the Uniform Guidance requirements for charging **compensation and fringe benefits** as well as certain other costs to federal awards. Subrecipients and contractors must follow these rules to ensure costs are allowable, allocable, reasonable, and properly documented.

Compensation – Personal Services ([2 CFR §200.430](#))

Compensation for personal services includes amounts paid for services of employees rendered during the period of performance under the federal award or contract, including but not necessarily limited to wages and salaries.

Salaries and wages charged to a federal award must be:

- **Consistent** with the work performed.
- **Reasonable** for the services rendered.
- **Commensurate** with your organization's established policies for similar work.
- **Documented** – Maintain records of hours worked and allocation to federal awards, time and effort reporting is required for employees working on multiple awards or projects (see Section 3 for additional information)

Fringe Benefits ([2 CFR §200.431](#))

Fringe benefits are allowances and services employers provide to their employees as compensation in addition to regular salaries and wages. Examples of fringe benefits are health insurance, retirement contributions, payroll taxes, paid leave, and other legally required benefits.

Fringe benefits charged to a federal award must meet the following requirements:

- Be included in the organization's written policies and applied consistently to all employees, regardless of funding source.
- Be properly documented and allocated to the federal award based on the work performed by employees whose salaries and wages are charged to the award.
- Be distributed proportionately across federal and non-federal activities according to the benefit received.
- Be charged consistently as either:
 - **Direct costs**, when the benefits relate to employees working directly on the federal award; or
 - **Indirect costs**, when the benefits are included as part of the organization's indirect costs in accordance with its accounting practices and approved indirect cost methodology, if applicable.

Allocating Compensation and Fringe Benefits

- If an employee works on **multiple projects or programs**, their compensation and associated fringe benefits must be **allocated in proportion to the actual work performed** on each activity.

- **Timesheets or other personnel activity reports**, signed by the employee or supervisor, that accurately reflect total activity should be used to support the allocation.

Selected Cost Information

The Uniform Guidance provides information about the allowability of certain costs in the last section of [Subpart E \(2 CFR §200.420–.476\)](#). If this information differs from your federal award or contract terms, the federal award or contract governs. The information below is partially extracted from Part 3 of the 2024 Compliance Supplement. The table lists the selected items of cost along with a brief description of their allowability. This summary is helpful, but you should not rely on it exclusively – rely primarily on the linked references to 2 CFR Part 200 and the terms of your award.

Select Item of Cost	Allowability	Uniform Guidance Reference
Advertising and public relations costs	Allowable with restrictions	§200.421
Advisory councils	Allowable with restrictions	§200.422
Alcoholic beverages	Unallowable	§200.423
Audit services	Allowable with restrictions	§200.425
Bad debts	Unallowable	§200.426
Bonding costs	Allowable with restrictions	§200.427
Collection of improper payments	Allowable	§200.428
Compensation – personal services	Allowable with restrictions: special conditions apply	§200.430
Compensation – fringe benefits	Allowable with restrictions	§200.431
Conferences	Allowable with restrictions	§200.432
Contingency provisions	Allowable with restrictions	§200.433
Contributions and donations	Unallowable	§200.434
Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringements	Allowable with restrictions	§200.435
Depreciation	Allowable with qualifications	§200.436
Employee health and welfare costs	Allowable with restrictions	§200.437
Entertainment costs	Unallowable with exceptions	§200.438
Equipment and other capital expenditures	Allowable based on specific requirements	§200.439

Select Item of Cost	Allowability	Uniform Guidance Reference
Exchange rates	Allowable with restrictions	§200.440
Fines, penalties, damages and other settlements	Unallowable with exceptions	§200.441
Food Expenses *	Unallowable with exceptions	Various *
Fundraising and investment management costs	Unallowable with exceptions	§200.442
Gains and losses on disposition of depreciable assets	Allowable with restrictions	§200.443
Goods or services for personal use	Goods/services – unallowable; Housing – allowable with restrictions	§200.445
Idle facilities and idle capacity	Idle facilities – unallowable with exceptions; idle capacity – allowable with restrictions	§200.446
Insurance and indemnification	Allowable with restrictions	§200.447
Intellectual property	Allowable with restrictions	§200.448
Interest	Allowable with restrictions	§200.449
Lobbying	Unallowable	§200.450
Losses on other awards or contracts	Unallowable (however, they are required to be included in the indirect cost rate base for allocation of indirect costs)	§200.451
Maintenance and repair costs	Allowable with restrictions	§200.452
Materials and supplies costs, including costs of computing devices	Allowable with restrictions	§200.453
Memberships, subscriptions and professional activity costs	Allowable with restrictions	§200.454
Organization (i.e. startup) costs	Unallowable except federal prior approval	§200.455
Participant support costs	Allowable with restrictions	§200.456
Plant and security costs	Allowable; capital expenditures are subject to §200.436	§200.457
Pre-award costs	Allowable with restrictions	§200.458
Professional service costs	Allowable with restrictions	§200.459
Proposal costs	Allowable with restrictions	§200.460
Publications and printing costs	Allowable with restrictions	§200.461

Select Item of Cost	Allowability	Uniform Guidance Reference
Rearrangement and reconversion costs	Allowable (original and normal)	§200.462
Recruiting costs	Allowable with restrictions	§200.463
Relocation costs of employees	Allowable with restrictions	§200.464
Rental costs of real property and equipment	Allowable with restrictions	§200.465
Selling and marketing costs	Unallowable with exceptions	§200.467
Specialized service facilities	Allowable with restrictions	§200.468
Student activity costs	Unallowable unless specifically provided for in the federal award	§200.469
Taxes (including VAT)	Allowable with restrictions	§200.470
Telecommunication costs and video surveillance costs	Allowable with restrictions	§200.471
Termination costs	Allowable with restrictions	§200.472
Training and education costs	Allowable for employee development	§200.473
Transportation costs	Allowable with restrictions	§200.474
Travel costs	Allowable with restrictions	§200.475

*Food expenses are generally unallowable except in limited circumstances. You should review contract and program requirements **before** incurring food-related expenses. When in doubt request clarification from the awarding department. Various sections linked above apply: 200.432, 200.456, 200.474, 200.475



Section 2: Overview of Common Administrative Requirements

In addition to understanding the Cost Principles, organizations that receive federal funding, whether as subrecipients or contractors performing work paid with federal funds, must comply with a set of administrative requirements. These are sometimes referred to by auditors as compliance requirements.

You can identify the requirements that apply to your project by reviewing:

- Your contract or subaward agreement with the County
- The federal award's terms and conditions
- Applicable statutes, regulations, and the Uniform Guidance
- The Office of Federal Financial Management's annual [Compliance Supplement](#).
 - Although primarily written for auditors, it also provides recipients and contractors with examples of compliance expectations, audit procedures, and program requirements. Because the Compliance Supplement is updated annually, you must always reference the version that corresponds to your fiscal year.

This section summarizes the most common administrative requirements that apply across federal awards and federally funded contracts administered by the County. In each chapter, we explain:

- The core compliance expectations
- What auditors typically test
- Where to find additional guidance

Topics covered in this section

- Chapter 1** – Allowable activities and costs
- Chapter 2** – Cash management
- Chapter 3** – Eligibility
- Chapter 4** – Equipment and real property management
- Chapter 5** – Cost sharing, level of effort, earmarking
- Chapter 6** – Period of performance
- Chapter 7** – Procurement
- Chapter 8** – Suspension and Debarment
- Chapter 9** – Program income
- Chapter 10** – Reporting
- Chapter 11** – Subrecipient monitoring
- Chapter 12** – Special test: Wage rate requirements

Section 2 – Chapter 1: Allowable Activities and Costs

You must ensure that your federally funded project only engages in allowable activities and only charges allowable, reasonable, and allocable costs. This applies whether you are a subrecipient delivering a federal program or a contractor performing work paid with federal funding.

Charging unallowable costs or engaging in unallowable activities can result in:

- Audit findings
- Disallowed costs
- Repayment obligations

Before spending federal funds, you must understand what your award permits.

Understanding Allowable Activities and Costs

Every federal program has its own rules. To understand what is allowable for your project, review:

- The terms and conditions in your contract with the County
- The federal award terms and conditions
- Any controlling program statutes or regulations
- The applicable portion of the Uniform Guidance
- Additional guidance from your awarding agency

If you have questions, contact the County program manager before incurring costs.

Written Procedures for Determining Allowable Costs

Under [2 CFR §200.302\(b\)\(7\)](#), you must have written procedures explaining how your organization ensures that costs charged to the project are allowable.

These procedures must describe:

- How you apply the Cost Principles
- How staff are trained to identify allowable vs. unallowable costs
- What internal controls you use (e.g., supervisory review, documented approval steps)
- How you ensure compliance with your contract or subaward terms

These procedures are separate from your organization's general disbursement procedures. They must specifically address allowability under federal rules.

Applying the Cost Principles

All costs charged to the project must comply with the Uniform Guidance Cost Principles (Subpart E). See the following sections and chapters for more information:

- **Section 1, Chapter 1** – Basic Cost Considerations
- **Section 1, Chapter 2** – Direct and Indirect Costs
- **Section 1, Chapter 3** – Compensation, Fringe Benefits & Other Costs

Specific items of cost

If you want to know whether a certain cost (e.g., travel, equipment, participant support) is allowable, consult Uniform Guidance [§§200.420–200.475](#) and the specific federal award terms (which supersede the Uniform Guidance if different).

Prior written approval

Some costs require prior approval before they can be charged. See [2 CFR §200.407](#). Where required, or when a cost is unusual, obtain County or federal approval **in writing** before incurring it.

Auditor Expectations

Auditors will review your internal controls (see Section 3 of this handbook) and test transactions.

Typical audit steps include:

- Testing a sample of expenditures for allowability, reasonableness, and allocability
- Verifying compliance with the Cost Principles
- Reviewing use of the de minimis rate or indirect cost rate
- Testing any approved indirect cost rate or cost allocation plan

If weaknesses are found, auditors may expand testing.

Additional Resources

- [Uniform Guidance, Subpart E, Cost Principles](#)
- Written procedures for determining allowability of costs: [2 CFR §200.302\(7\)](#)
- The federal award's terms and conditions
- County contract terms and conditions
- Federal statutes and regulations affecting the federal program
- Part 4 of the Compliance Supplement.
 - It includes information for auditors about specific federal programs, including allowable cost information.

Section 2 – Chapter 2: Cash Management

Subrecipient Only

Cash management requirements govern how federal funds flow from the awarding agency to the County, and from the County to subrecipients and contractors.

Contractors paid on a **unit price, fixed price, or time-and-materials** basis generally follow the payment provisions in their contract (e.g., monthly invoicing).

Subrecipients follow federal **cash management rules**, including minimizing the time between receiving funds and spending them.

This chapter applies to any entity receiving federal funds directly from the County, unless your contract states otherwise.

Overview of Requirements

Cash management rules appear in:

- [2 CFR §200.305](#) – Federal payment
- [2 CFR §200.302](#) – Written procedures requirement

All recipients and subrecipients must maintain written cash management procedures that address:

- How payment requests are prepared
- How the timing of payments is controlled
- How interest earned on advance payments is tracked and remitted

Payment Methods

Awarding agencies may authorize one of three methods:

Advance Payment

Funds are provided before you pay project costs. To qualify, you must have:

- Written procedures ensuring funds are disbursed quickly
- Financial systems that maintain effective control and fund accountability
- Advances must be limited to the minimum amount needed and disbursed as soon as administratively feasible.

Reimbursement

You pay for eligible costs first, then request reimbursement. This method may be required when:

- Your organization cannot meet advance payment standards
- The project involves construction
- The federal portion is small

Working Capital Advance (rare)

A hybrid method used when:

- You cannot qualify for advance payments
- You do not have cash on hand to operate on a reimbursement basis

Interest on Advance Payments

If you receive advance payments:

- You generally must keep them in an interest-bearing account
- You must track interest earned
- You must remit interest in excess of \$500 per year to the federal government (Remittance is made to the U.S. Department of Health and Human Services)

Additional Cash Management Requirements

- **Retainage:** You may not request reimbursement for retainage until the funds are actually disbursed.
- **Program income, refunds, recoveries and rebates:** You must spend these funds before requesting additional federal funds.

Auditor Expectations

Auditors will:

- Select samples of payment requests
- Ensure advance draws were disbursed quickly
- Ensure reimbursement requests represent actual, allowable expenditures
- Test whether you appropriately tracked and remitted interest
- Evaluate internal controls over payment preparation and approval



Section 2 – Chapter 3: Eligibility

Subrecipient Only

Eligibility refers to the process of ensuring that individuals, households, service areas, or organizations meet all applicable federal program requirements before receiving benefits funded through your agreement with the County. These requirements may include income limits, demographic criteria, geographic boundaries, or organizational qualifications. For some programs, eligibility also affects how benefit amounts or service levels are calculated.

This chapter provides an overview of general eligibility responsibilities, including expectations for subawards, documentation, and audit review.

IMPORTANT: Confidentiality and Data Security

Eligibility determinations often require the collection and use of **highly sensitive and confidential information**, such as:

- Income and financial records
- Personally identifiable information (PII)
- Protected Health Information (PHI)
- Immigration or citizenship status
- Household composition and demographic data



You are responsible for ensuring that all eligibility-related information is both properly retained and fully protected.

At a minimum, you must:

- Limit access to eligibility data to authorized personnel only.
- Maintain secure systems for storing and transmitting sensitive information.
- Protect records from unauthorized access, disclosure, or misuse.
- Follow all applicable federal, state, County confidentiality and data security requirements.
- Ensure that staff and subrecipients are trained on data privacy and confidentiality obligations.

Failure to safeguard sensitive eligibility data may result in **audit findings, legal liability, and potential loss of funding**.

Overview of Eligibility Requirements

Eligibility requirements vary significantly across federal programs. Some requirements are detailed in federal statutes or regulations; others appear in the federal awarding agency's program guidance or in the specific terms and conditions of your award.

You are responsible for:

- Identifying all applicable eligibility criteria, including initial and continuing eligibility requirements.
- Applying eligibility criteria consistently for all individuals, households, service areas, and organizations receiving program benefits or services.

- Ensuring accuracy of benefit calculations, such as rent subsidies or service-level determinations.
- Documenting all eligibility determinations under your agreement with the County.
- Ensuring that any subrecipient you select is eligible to receive a subaward and meets program requirements.

Because eligibility requirements can be complex, you should maintain **written procedures** describing how eligibility determinations are made, verified, approved, and documented, and how sensitive, confidential, and protected data is secured and protected.

While the Uniform Guidance does not require written procedures specifically for eligibility, having them helps ensure consistency, clarity, and fraud prevention.

If you select subrecipients, you must also ensure they understand and follow all required eligibility provisions. Subrecipient monitoring requirements are addressed in **Chapter 11** of this section.

Documentation Requirements

You must maintain documentation that clearly demonstrates:

- How eligibility was assessed
- What supporting information or verifications were relied upon
- Who approved the determination and when
- Any ongoing monitoring or re-certification conducted

Documentation requirements for eligibility are program-specific, but the County expects all recipients of federal funds (both subrecipients and contractors) to maintain **complete, accurate, and auditable records** supporting every eligibility decision.

For more information about general documentation expectations, including County requirements for record retention and internal controls over documentation, see **Section 3: Internal Controls and Documentation & Record-Keeping**.

Auditor Expectations

Auditors follow guidance in Part 3 of the OMB [Compliance Supplement](#) when evaluating eligibility under federal programs. In addition to testing eligibility determinations, auditors may also review controls over sensitive data used in eligibility determinations.

As part of the Single Audit or other compliance reviews, auditors typically will:

For individual participant eligibility:

- Verify that your records include all individuals receiving benefits during the audit period.
- Select a sample of participants and review documentation to ensure they met all applicable eligibility requirements.
- Assess whether ongoing or continuing eligibility requirements were met.
- Ensure benefits ended when eligibility expired.
- Test eligibility calculations performed by your systems, if applicable.

For group or geographic eligibility:

- Verify that service areas met all eligibility criteria.
- Recalculate benefits or service levels to ensure accuracy.

For eligibility of subrecipients:

- Assess whether you properly evaluated subrecipient eligibility before making a subaward.
- Test a sample of subawards to determine whether funding limits and eligibility criteria were followed.

For data security and confidentiality (where applicable):

- Review access controls over eligibility records.
- Evaluate how sensitive data is stored, transmitted, and protected.
- Assess whether data security / confidentiality policies and procedures are effective, implemented and followed.

Additional Resources

To understand the specific eligibility requirements for your program, you must carefully review:

- The federal award's terms and conditions
- Any federal statutes or regulations applicable to the program
- Program guidance from the federal awarding agency
- Part 4 of the OMB [Compliance Supplement](#) (for major programs)

Section 2 – Chapter 4: Equipment and Real Property

If you use federal funds to purchase equipment or to purchase or improve real property, you must manage these assets in accordance with federal requirements that often last many years, long after the initial purchase.

This chapter summarizes requirements for **use, management, inventory, and disposition** of equipment and real property acquired under your agreement with the County.

Overview of Requirements

Federal **Property Standards** are found in [2 CFR §200.310–.316](#). These requirements apply to:

- Equipment
- Real property
- Federally-owned or exempt property
- Supplies and intangible property

This chapter focuses on **equipment** and **real property** purchased with federal funds under your agreement with the County.

Equipment

Definition: Under [2 CFR §200.1](#), “equipment” includes tangible personal property such as vehicles, computers, or specialized machinery that:

- Has a useful life of **more than one year**, and
- Has a per-unit acquisition cost at or **above the lesser of**:
 - Your organization’s capitalization threshold, or
 - The federal equipment capitalization threshold, or
 - The County’s capitalization threshold

Equipment Use Requirements

You must:

- Use the equipment for the program or project for which it was acquired, as long as it is needed.
- Not sell, encumber, or dispose of the equipment without required approvals.
- Allow the equipment to be used by other federally-funded programs when such use does not interfere with the original purpose.
- Charge appropriate user fees when allowing external use.

Equipment Management Requirements

You must maintain:

- **Property records** including FAIN, federal participation percentage, and all required data elements.

- **Physical inventories at least once every two years**, with reconciliation to property records.
- **Internal controls** to prevent loss, damage, or theft.
- **Written procedures** for equipment maintenance and safeguarding.
- **Incident reporting procedures** where theft, loss, or damage affects program performance.

Equipment Disposition Requirements

If the equipment has a current fair-market value of more than **\$10,000** (or **\$5,000** for awards before October 1, 2024), you must:

- Obtain and follow disposition instructions from the awarding agency **if required by the award**, and
- Remit the federal share of any proceeds from sale or trade-in.

Some awards may permit you to retain the equipment without further obligation.

Real Property

Equipment use restrictions:

Under [2 CFR §200.311](#), real property purchased or improved with federal funds carries long-term obligations.

Real Property Use Requirements

You must:

- Use the property **for the originally authorized purpose** for as long as it is needed.
- Not sell, encumber, or otherwise change ownership interests without federal approval.

Real Property Disposition Requirements

When the property is no longer needed for the authorized purpose, you must request disposition instructions, which may require you to:

- Retain the property after compensating the federal agency for its share.
- Conduct an appraisal of the property.
- Sell the property and return the federal share of proceeds.
- Transfer title to the federal agency or an approved third party.

Auditor Expectations

Auditors will test key controls and compliance requirements, including:

For Equipment:

- Verify property records include required information.
- Confirm physical inventory was completed and variances resolved.
- Inspect sampled equipment to ensure it exists, is properly safeguarded, and remains in use for authorized purposes.
- Review equipment dispositions for proper approvals and federal reimbursement.

For Real Property:

- Review property dispositions conducted during the audit period.
- Confirm compliance with federal requirements and disposition instructions.

Additional Resources

- The Uniform Guidance's Property Standards ([2 CFR §200.310–.316](#))
- The federal award's terms and conditions
- Any applicable federal statutes or regulations affecting the federal program

Section 2 – Chapter 5: Cost Sharing, Level of Effort, Earmarking

Some federal awards require recipients—and therefore any subrecipients or contractors paid with federal funds through the County—to meet certain financial commitments or maintain program performance thresholds. These may include:

- **Cost sharing** (formerly referred to as “matching”)
- **Level of effort** or **maintenance of effort**
- **Earmarking** requirements

This chapter provides an overview of these requirements and explains what documentation you must maintain under your agreement with the County. It also summarizes typical audit procedures under the federal Single Audit framework.

Overview of Requirements

Not every federal program contains these requirements, but when they do, they appear in the:

- Federal award’s **terms and conditions**,
- **Federal statutes** or program-specific regulations, and
- **Program guidance issued by the awarding agency**.

Regardless of the type of requirement, **you must maintain adequate documentation** to demonstrate full compliance with each commitment. Failure to meet these obligations may result in reductions to allowable federal funding.

Cost Sharing

Cost sharing refers to the portion of program or project costs that **you must contribute using non-federal resources**, such as local, state, or private funds. This requirement may be expressed either as:

- A **percentage** (e.g., you must contribute 20% of total costs), or
- A **fixed dollar amount** (e.g., you must contribute \$50,000).

Allowable Sources of Cost Sharing

Depending on the federal program’s rules, cost sharing may include:

- Cash expenditures of local or state funds
- Donations of land, buildings, equipment, or other property
- Third-party in-kind contributions (e.g., volunteer time, donated materials)
- Certain program income, if permitted by the award

Requirements for Cost Sharing Contributions

Under [2 CFR §200.306\(b\)](#) cost-sharing contributions must:

- Be **verifiable** in your financial records
- Not be used to meet cost-sharing requirements of any other federal award (no double counting)
- Be **necessary and reasonable**

- Be **allowable** under federal Cost Principles (see Section 1)
- Not be paid by the federal government under another federal award, unless specifically allowed by statute
- Be included in an **approved budget**, when required
- Comply with all other provisions of the Uniform Guidance

Valuing Cost Sharing

You must value cost-sharing contributions in accordance with [2 CFR §200.306\(d-j\)](#). This includes establishing appropriate valuation methods for volunteer time, donated property, or third-party contributions.

Salary and wage costs used as cost sharing must be supported with the same documentation required for allowable personnel costs, such as timecards, timesheets, or allocability documentation. Volunteer services should be supported with similar rigor when feasible.

If Cost Sharing Requirements Are Not Met

If you cannot meet the cost-sharing commitment, you must notify the County promptly. Federal awarding agencies may reduce your federal award proportionately to maintain the required federal-to-nonfederal share.

Level of Effort

Some awards require you to maintain a certain level of service, spending, or program activity from period to period. This is generally referred to as **level of effort** or **maintenance of effort**.

Common types include:

Service-Level Commitments

You may be required to provide a certain level of service—such as serving a minimum number of participants or maintaining a specified service capacity.

Spending Commitments

You may be required to maintain a minimum level of non-federal spending on program activities.

For example, a federal award may require you to spend at least the average amount spent over the past three years to maintain the program.

If you do not meet the required level, federal funding may be reduced proportionately.

Supplement, Not Supplant

Some programs require federal funds to **supplement**, not **supplant**, existing non-federal resources. In other words, federal funds must add to existing services—not replace your typical financial support.

Examples commonly arise in education, health, and social service programs.

Earmarking Requirements

Earmarking requirements specify the minimum or maximum amounts you must spend on certain activities or participant groups.

Examples:

- Limiting administrative costs to a certain percentage of the award
- Requiring that a minimum percentage of funds support prevention services
- Specifying maximum spending for certain types of program activities

Earmarking requirements may apply to total expenditures, participant counts, or both.

Documentation Requirements

For all three types of requirements, cost sharing, level of effort, and earmarking, you must maintain:

- Detailed financial and program records
- Documented calculation methods
- Clear support for all values, thresholds, and commitments
- Documentation showing how you monitored compliance throughout the project period

The County may request additional documentation at any time to verify compliance.

For general expectations regarding documentation and internal controls, see **Section 3: Internal Controls and Documentation & Record-Keeping**.

Auditor Expectations

Auditors follow guidance in **Part 3 of the OMB [Compliance Supplement](#)** when testing these requirements.

Cost Sharing

Auditors will typically:

- Verify that you met cost-sharing commitments
- Confirm contributions were valued correctly
- Test whether contributions came from allowable sources
- Confirm that contributions meet cost principles and documentation requirements

Level of Effort

Auditors will:

- Confirm that required spending or service levels were maintained
- Verify support in financial or performance records
- Test compliance with “supplement, not supplant” requirements

Earmarking

Auditors will:

- Verify compliance with minimum or maximum thresholds
- Test expenditures or participant data used to demonstrate compliance
- Sample transactions or participants depending on the requirement

Additional Resources

- [2 CFR §200.306](#) (Cost Sharing)
- Federal award terms and conditions
- Federal statutes or regulations applicable to the program
- Program-specific guidance from awarding agencies

Section 2 – Chapter 6 Period of Performance

Subrecipient Only

The **period of performance** is the official window of time during which you are allowed to incur costs for your project or contract funded with federal dollars. If you charge costs before the start date or after the end date, those costs may be disallowed and you may have to repay them.

This chapter explains the basic rules around:

- What the period of performance and budget period mean
- When costs can be incurred
- Whether you can charge pre-award costs
- How to request extensions
- What happens at closeout

Key Definitions

Federal rules require the County (as the pass-through entity) to clearly communicate the project's **start and end dates** in your subaward agreement or contract. Under the Uniform Guidance, period of performance dictates the total lifespan of the project and budget period defines the specific intervals within that lifespan:

Period of Performance (POP)

The total approved project timeframe—start date through end date. It may include one or more budget periods.

Budget Period

The specific interval during which you are authorized to incur financial obligations (including carryover funds, if applicable). Some awards have multiple budget periods within the overall period of performance.

Your agreement with the County will list both the period of performance and any budget period(s), if applicable.

When Costs May Be Incurred

Costs must be incurred during the approved budget period

You must incur project costs on or after the start date and on or before the end date of the budget period unless your contract specifies otherwise. See [2 CFR §200.403\(h\)](#).

If your project has multiple budget periods, spending limits or carryover rules may apply.

Unspent balances

If funds remain at the end of a budget period, you may not carry the funds into the next period unless your subaward/contract explicitly allows it or the County approves it in writing. Federal agencies differ on allowing automatic carryforward; the County must follow the rules for each program.

Administrative costs related to closeout may be incurred up to the due date of the final report, even if this is after the budget period.

Pre-Award Costs

Pre-award costs are costs you incur *before* the official start date, for example, expenses necessary to kick off the project.

Under [2 CFR §200.458](#), you may charge pre-award costs only if:

1. The cost would have been allowable if incurred during the budget period; and
2. You receive prior written approval from the County. **Do not assume pre-award costs are allowed.**

Requesting Extensions

If you need more time to finish project activities, you may request a **no-cost extension** (additional time without additional federal funding). Federal rule revisions allow one or more no-cost extensions, subject to approval by the County and/or federal agency.

Applicable rules:

- [2 CFR §200.308](#) – Revisions to budget and program plans
- [2 CFR §200.309](#) – Modifications to period of performance

You must request an extension **before the current end date**

To request an extension, you must:

- Provide justification
- Show how additional time will benefit project outcomes
- Confirm you have remaining funds to use

The County will review and determine whether it can approve the request under federal rules.

Closeout Requirements

Subrecipients must liquidate (i.e. pay) all financial obligations within 90 days after the period of performance ends, or an earlier date if your contract specifies one. Extensions may be approved when justified.

You must submit final financial and performance information by the due dates in your contract.

What This Means for You

You are responsible for ensuring that:

- Costs you claim were incurred within the approved dates
- Pre-award costs are not charged unless approved in writing
- You do not continue spending after the end date
- All invoices and costs are fully paid (“liquidated”) by the deadline
- You submit required closeout documents on time

Failure to follow these rules may lead to disallowed costs and repayment obligations.

Additional Resources

You must review your specific contract or subaward agreement, as federal programs vary.

Relevant federal rules include:

- [2 CFR §200.1](#), defines the terms period of performance, budget period, financial obligations and more
- [2 CFR §200.458](#) Pre-award costs
- [2 CFR §200.308](#) Revision of budget and program plans
- [2 CFR §200.309](#) Modifications to period of performance
- [2 CFR §200.344](#) Closeout
- The federal award's terms and conditions
- Any applicable federal statutes or regulations affecting the federal program

Section 2 – Chapter 7: Procurement

Procurement requirements govern how you must purchase goods and services under a federally funded project. These requirements ensure that purchases are fair, competitive, cost-effective, and compliant with applicable regulations. Failure to follow procurement standards is one of the most common reasons for audit findings and cost disallowances.

IMPORTANT: Applicable Procurement Requirements

When using federal funds under a County award, you are required to follow all applicable procurement requirements, including:

1. Your organization's written procurement procedures
2. County procurement policy requirements including those in your contract or subaward
3. Federal procurement regulations in [2 CFR §200.318–.327](#). (Exception: Indian Tribes must follow [2 CFR §200.317](#), which requires them to follow the same policies and procedures they use for procurements with non-federal funds)

When these requirements differ, you must follow the most restrictive requirement.



In most cases, County procurement requirements are more restrictive than federal rules. This means you are required to follow County requirements, even if federal rules would allow more flexibility.

Failure to follow County procurement requirements may result in disallowed costs, even if federal requirements were met.

General Procurement Standards ([2 CFR §200.318](#))

You must maintain written procurement procedures that describe how you will:

- Conduct procurement transactions
- Ensure compliance with federal, state, and local laws
- Maintain oversight of contractors
- Prevent conflicts of interest
- Award contracts only to responsible contractors
- Document the history of each procurement

Your procedures must align with:

- Your organization's policies
- County procurement requirements
- Federal procurement regulations ([2 CFR §200.318–.327](#))

You may use interlocal agreements or cooperative purchasing agreements (“piggybacking”) only if:

- The original procurement complied with federal procurement standards,
- The original agreement has not expired and the scope and term align with current needs
- Your contract allows this method

Competition ([2 CFR §200.319](#))

All procurement transactions using federal funds must use **full and open competition** unless a valid exception applies.

You must avoid practices that limit competition, such as:

- Unreasonable requirements for bidders
- Unnecessary or excessive experience/bonding
- Noncompetitive pricing between affiliated companies
- Retainer contracts used for noncompetitive awards
- Organizational conflicts of interest
- Specifying brand-name-only products
- Arbitrary actions that unfairly limit bidders

You also must **exclude** firms that helped develop specifications, statements of work, or solicitation documents.

Geographic preference - Federal rules allow point-based scoring incentives for bidders committing to U.S. jobs, minimum compensation, and other worker-focused metrics. ([2 CFR §200.319](#))

Procurement Methods ([2 CFR §200.320](#))

You must select the appropriate procurement method based on the total value of the purchase. County thresholds are lower (more restrictive) than federal thresholds, **therefore you must use the County thresholds**.

Micro-Purchases

- **County Threshold:** Refer to your contract or County's Thresholds for Goods and Services

Requirements:

- No competitive quotes required if the price is reasonable
- Must distribute purchases equitably among qualified suppliers
- Must document how you determined the price was reasonable

Simplified Acquisitions

- **County Threshold:** Refer to your contract or County's Thresholds for Goods and Services

Requirements:

- Follow your documented procurement policies
- Obtain quotes from an adequate number of qualified sources
- Maintain documentation showing how quotes were obtained and evaluated

Formal Procurement Methods

- **County Threshold:** Refer to your contract or County's Thresholds for Goods and Services

You must use one of the following methods when required by County or federal rules:

1. Sealed Bids

Generally used for construction or well-defined scopes.

Requirements:

- Publicly advertise the invitation to bid
- Open bids publicly
- Award to the lowest responsive and responsible bidder
- Award must be firm fixed price (lump sum or unit price)

2. Competitive Proposals

Used when sealed bids are not appropriate.

Requirements:

- Public notice
- Written evaluation factors and scoring methodology
- Solicitation from multiple qualified offerors
- Written evaluation procedures
- Award to the proposal most advantageous to the project (price and other factors)
- For Architectural and Engineering (A&E) services, you may exclude price as an evaluation factor

Noncompetitive Procurement

You may use a noncompetitive (sole/single-source) process **only if one of the following applies:**

1. The purchase is below the micro-purchase threshold
2. Only one source exists
3. Public emergency/exigency makes competition impossible
4. The County or federal agency approves a written sole-source request
5. Competition is inadequate after soliciting multiple sources

Documenting sole/single-source justification is essential.

Key Takeaway

Always follow the most restrictive procurement requirement. In practice, this means following County procurement rules first, then federal requirements.

Contracting with Small, Minority, Women-Owned, Veteran-Owned, and Disadvantaged Businesses (2 CFR §200.321)

To the maximum extent practicable, you must make efforts such as:

- Including these firms on solicitation lists
- Using services offered by SBA and the Minority Business Development Agency
- Dividing procurements to allow small businesses to compete
- Soliciting these firms whenever they are potential sources

Domestic Preferences ([2 CFR §200.322](#))

You must give preference to goods and materials produced in the United States when feasible.

For federal **infrastructure** projects, the Build America, Buy America Act requirements apply.

Review:

- Your contract
- Program-specific guidance
- Any waivers issued by federal agencies (for a listing of waivers by agency, reference the [Made in America page](#) on the General Services Administration website)

Recovered Materials (2 CFR §200.323)

You must comply with EPA requirements for purchasing designated recycled-content products. The Uniform Guidance encourages purchases that are:

- Reusable / refurbishable
- Recycled or biobased
- Energy- or water-efficient
- Environmentally sustainable

Contract Cost and Price Requirements (2 CFR §200.324)

You must:

- Conduct a cost or price analysis for any procurement **exceeding the County's threshold for competitive bid/proposal**.
- Prepare an **independent estimate** before seeking bids or proposals
- Avoid prohibited contracting methods such as "cost-plus-percentage-of-cost"

Bonding Requirements (2 CFR §200.326)

For construction contracts over the Simplified Acquisition Threshold, you must obtain:

- **Bid guarantee** – at least 5% of bid price
- **Performance bond** – 100% of contract price
- **Payment bond** – 100% of contract price

These protect you, subcontractors, and the federal interest.

Required Contract Provisions (2 CFR §200.327)

All federally funded contracts must include the applicable provisions listed in [Appendix II to 2 CFR Part 200](#), including:

- Termination
- Equal Employment Opportunity
- Contract Work Hours & Safety Standards
- Davis-Bacon Act (where applicable)
- Clean Air & Clean Water requirements
- Debarment & Suspension
- Byrd Anti-Lobbying Amendment

The County will provide templates upon request or may require use of County-provided contract language.

What You Must Document

Every procurement must include a **complete procurement history**, including:

- Rationale for procurement method
- Selection of contract type
- Contractor selection and rejection
- Basis for price
- Cost/price analysis (when required)
- Sole/Single-source justification (if applicable)

Thorough documentation is essential to avoid questioned costs.

Additional Resources

- Uniform Guidance procurement standards: [2 CFR §200.317-.327](#)
- Your subaward agreement or contract
- Any applicable federal statutes or regulations affecting the federal program

Section 2 – Chapter 8: Suspension and Debarment

Federal funds **cannot be used to pay anyone who is suspended, debarred, or otherwise excluded from federal programs**. It is the responsibility of the **County** to verify the status of its contractors and subrecipients. Likewise, **subrecipients are responsible for checking the status of their own contractors and subrecipients**. All parties must notify the County immediately if their suspension or debarment status changes.

What is a Covered Transaction?

A covered transaction is any situation where federal funds are used to pay a third party, typically including:

- Contracts for goods or services of \$25,000 or more (or multiple purchases from the same contractor during a year for similar items).
- All subawards, no matter the amount, unless specifically exempt.

Every new contract or subaward is considered a separate transaction, so status verification must be done for each one.

How to Verify Status

Before entering a covered transaction, you must ensure the third party is not suspended or debarred. You can do this in three ways:

1. **Signed Certification** – The contractor or subrecipient signs a statement saying they are not suspended or debarred.
2. **Contract Clause** – Include a clause in the contract stating the party is not suspended or debarred. (A clause in a request for proposal is not enough.)
3. **SAM.gov Check** – Look up the party on the System for Award Management (SAM.gov) under “Exclusions.” Keep documentation of the search, including the date.

Responsibilities of Subrecipients

Subrecipients must:

- Verify the suspension and debarment status of their own contractors and subrecipients.
- Notify the County immediately if any of their contractors, subrecipients, or themselves become suspended or debarred.

County Oversight

The County will:

- Verify the suspension and debarment status of all contractors and subrecipients before entering a covered transaction.
- Monitor compliance and ensure documentation of all checks is retained.

Auditor Expectations

Auditors will:

- Review your procedures for checking suspension and debarment status.
- Select a sample of contracts and subawards to verify that checks were completed before funds were used.
- Confirm that changes in status were reported to the County promptly.

Additional Resources

- [2 CFR §200.214](#) Suspension and debarment
- [2 CFR §180.300](#) What must I do before I enter into a covered transaction with another person at the next lower tier?
- [2 CFR §200.318 \(h\)](#) General procurement standards (references 200.214)
- [2 CFR §200.332 \(a\)](#) Requirements for pass-through entities
- The federal award's terms and conditions
- Any applicable federal statutes or regulations affecting the federal program

Section 2 – Chapter 9: Program Income

Subrecipient Only

If your program generates income from activities supported with federal funds, you must use that income for the original purpose of the federal award. You cannot spend it on unrelated activities or request additional federal funds before using program income. Misusing program income can lead to audit findings and require repayment of federal funds.

Both the County and its subrecipients are responsible for properly managing program income. Subrecipients must also ensure any contractors or lower-tier subrecipients follow the same rules.

What is Program Income?

Program income is gross income earned as a direct result of a federally funded activity during the award's period of performance. Some examples include:

- Fees for services performed under the program
- Rent or use of real or personal property purchased with federal funds
- Sale of commodities or items made under the federal award
- License fees or royalties from patents or copyrights
- Principal and interest on loans made with federal funds

Program income usually **does not include**:

- Interest earned on advances
- Taxes, special assessments, fines, or other governmental revenues
- Sale of property, equipment, or supplies (these are managed under property rules, see Section 2-Chapter 4)
- Rebates, credits, or discounts unless otherwise specified

Always check your federal award and program regulations, as definitions and rules may vary.

Program Income and Period of Performance

Use program income earned **during the award period** for allowable costs in that period, including closeout costs. Program income earned **after the period ends** generally does not require reporting or use, unless specified by your award.

How to Use Program Income

There are three ways the federal government allows program income to be applied: **Deduction, Addition, or Cost Sharing**. Your award will specify which method to use. If it does not, the **Deduction Method** must be used unless an alternative method is approved in advance by the Federal awarding agency or the County, as applicable.

Note: for Institutions of Higher Education (IHE) and nonprofit research institutions, the Addition Method is the default.

Deduction Method:

Program income is deducted from total allowable costs, reducing the overall total amount of the federal award. In this example, subrecipient would submit claims for \$95,000 instead of the original \$100,000:

Federal award	\$100,000
Minus program income	(5,000)
Adjusted award	\$95,000

Assuming the subrecipient had sufficient eligible expenditures, it would report \$100,000 on its Schedule of Expenditures of Federal Awards (SEFA).

Addition Method:

Program income is added to the total allowable costs, increasing the overall total amount of the federal award. Using the same example, subrecipient may submit claims for the original \$100,000, and it may use the program income as additional program funding.

Federal award	\$100,000
Plus program income	5,000
Adjusted award	\$105,000

Assuming the subrecipient had sufficient eligible expenditures, it would report \$105,000 on its SEFA.

Cost Sharing Method:

Program income is used to meet the federal award's cost-sharing requirement. Using the same scenario as above, the subrecipient's SEFA reporting is not affected because you do not report cost-sharing contributions on this schedule. Assuming the subrecipient had sufficient eligible expenditures, it would report the original award amount of \$100,000 on its SEFA.

Key Point: Program income must be spent **before requesting additional federal funds**, and only for the award's original purpose.

Auditor Expectations

Auditors will typically:

- Verify program income was correctly calculated and documented
- Test that all program income was recorded in accounting records
- Confirm program income was used according to [2 CFR §200.307](#) and award terms

Additional Resources

- [2 CFR §200.1](#) - Definitions (see the program income entry)
- [2 CFR §200.307](#) - Program income
- The federal award's terms and conditions
- Any applicable federal statutes or regulations affecting the federal program

Section 2 – Chapter 10: Reporting

Federal grants often require the County to submit periodic financial, performance, and compliance reports to the awarding agency. These reporting requirements help demonstrate that federal funds are used properly and that program goals are being met.

While the County is responsible for submitting reports to the federal government, **subrecipients and contractors play a key role**. They must provide accurate and timely information to the County so the County can fulfill its federal reporting obligations.

Your responsibilities as a subrecipient or contractor are defined in your agreement with the County.

Subrecipient and Contractor Responsibilities

Subrecipients and contractors must comply with all reporting requirements included in their contract or subaward with the County. This may include, but is not limited to:

- **Financial reporting** (e.g., expenditure reports, supporting documentation, or payment requests)
- **Performance or activity reporting** (e.g., metrics, outputs, service delivery data)
- **Program compliance reporting** (e.g., program income, match, certifications, or special conditions)
- **Supporting documentation** required for County, state, or federal monitoring
- **Audit-related reporting** (e.g., annual Single Audit documentation, if applicable)

The County relies on subrecipient and contractor reporting to complete its own federally required reports. Incomplete or late submissions may delay payments, affect reimbursements, or impact the subrecipient's eligibility for future awards.

What Subrecipients and Contractors Must Do

To comply with federal reporting requirements through your County contract:

- **Submit all required reports on time**
- **Ensure reports are complete, accurate, and supported by your records**
- **Provide any documentation required for the County's federal reports**
- **Use required certification language, if applicable**
- **Respond promptly to requests for clarification or corrections**

Failure to meet reporting requirements can delay payments, create audit findings, or affect eligibility for future funding.

Where Reporting Requirements Come From

All reporting requirements that apply to you will be listed in your **contract, subaward agreement, or purchase order with the County**. These requirements may reflect:

- Federal award terms and conditions
- Uniform Guidance ([2 CFR §200.328](#) and [2 CFR §200.329](#))
- Program-specific reporting rules

- Federal Funding Accountability and Transparency Act (FFATA), if applicable
- County monitoring requirements

If a federal award requires reporting on an accrual basis, you do **not** need to convert your accounting system to accrual. You may develop accrual-based information using documentation already in your records ([2 CFR §200.302\(b\)\(2\)](#)).

Certifying Reports

Federal regulations require certain reports to be certified. If your contract requires certification, the person signing must be someone **authorized to legally bind your organization**, and the certification language must match federal requirements ([2 CFR §200.415](#)).

Reports that commonly require certification include:

- Applications for funding
- Requests for reimbursement
- Financial reports

Your County contract will specify whether these certifications apply and what language must be used.

Reporting Subawards (FFATA)

Some federal awards require reporting of subawards under the **Federal Funding Accountability and Transparency Act (FFATA)**.

If FFATA reporting applies to the County's federal award and your contract indicates that you are subject to it, you must provide the County with the information needed to complete FFATA reporting, or you may be required to report the information directly into the FFATA Subaward Reporting System (FSRS).

Your contract will clearly state if this applies to you.

What Auditors Review

As part of Single Audit or program-specific audit work, auditors may:

- Review the County's reporting requirements and verify subrecipient reports were provided
- Select a sample of reports submitted to the County
- Test reports for:
 - Completeness
 - Accuracy
 - Proper accounting basis
 - Proper support documentation
- Review information required for FFATA reporting, if applicable
- Verify that reports required under the subaward agreement match files in FSRS (if FFATA applies)

Subrecipients must maintain documentation that supports all reported information.

Additional Resources

- [2 CFR §200.328](#) – Financial reporting
- [2 CFR §200.329](#) – Monitoring and reporting program performance
- [2 CFR §200.415](#) – Required certifications
- [2 CFR Part 170](#) – Federal Funding Accountability and Transparency Act
- Federal award terms and conditions
- Contract or subaward agreement with the County
- Applicable program-specific regulations

Section 2 – Chapter 11: Subrecipient Monitoring

Subrecipient Only

Federal regulations require every organization that passes federal funds to another entity, a *subrecipient*, to monitor how those funds are used. This ensures that federal funds are spent properly, performance objectives are achieved, and risks of fraud, waste, or misuse are minimized.

As the recipient of federal funds, the **County** is responsible for monitoring all of its **subrecipients**. If **you**, as a subrecipient, pass funds to another organization, **you take on the same monitoring responsibilities**.

This chapter explains:

- Subrecipient monitoring requirements in the Uniform Guidance ([2 CFR §200.331–332](#)).
- What monitoring activities **you should expect the County to perform on your award**.
- The difference between a subrecipient and a contractor.
- The importance of documentation.

Why Monitoring Matters

Monitoring is required by federal regulations and protects all parties by:

- Ensuring federal objectives are achieved.
- Ensuring funds are used only for allowable purposes.
- Identifying issues early so corrections can be made.
- Reducing the risk of questioned costs or repayment.

If it's not documented, it didn't happen! Funding agencies and auditors rely on documentation as proof that required monitoring took place.

Seven Subrecipient Monitoring Requirements

Recipients that pass federal money through to a subrecipient must comply with the following seven requirements, in accordance with [2 CFR §200.332](#):

1. Verify suspension and debarment status
2. Communicate required information to the subrecipient, within the subaward
3. Perform a risk assessment
4. Monitor the activities of the subrecipient
5. Verify audit completion
6. Consider necessary adjustments to your records
7. Consider taking enforcement action against noncomplaint subrecipients

These requirements are discussed in detail below. **Remember to retain documentation for all monitoring activities.**

1) Verify suspension and debarment status

- Verify the subrecipient is not excluded or disqualified from federal funding, in accordance with [2 CFR §180.300](#). See Chapter 8 of this section for more information about suspension and debarment.

2) Communicate required information to the subrecipient, within the subaward

Ensure that every subaward is clearly identified as such to the subrecipient, and that it includes all information listed in [2 CFR §200.332](#).

Note: If you pass through funds to a for-profit organization, the Uniform Guidance does not apply to that organization. You, as the pass-through agency, must establish any requirements within your contract, as well as build in monitoring mechanisms, to ensure compliance. Refer to [2 CFR §200.501 \(h\)](#) for more information.

3) Perform a risk assessment and develop a monitoring plan

Evaluate each subrecipient's fraud risk and risk of noncompliance with a subaward to determine the appropriate subrecipient monitoring.

You should consider the risk factors described in [2 CFR §200.332](#), which includes:

- The subrecipient's prior experience with the same or similar subawards.
- The results of previous audits (you should consider whether the subrecipient received a Single Audit in accordance with Subpart F of the Uniform Guidance and the extent to which the same or similar subawards have been audited as a major program).
- Whether the subrecipient has new personnel or new or substantially changed systems.
- The extent and results of any federal agency monitoring (for example, if the subrecipient also receives federal awards directly from the federal agency).

The Association of Government Accountants publishes a [Risk Assessment Monitoring Tool](#) that you might find helpful.

4) Monitor the activities of the subrecipient

Monitor the activities of a subrecipient to ensure it complies with any applicable federal statutes and regulations affecting the federal program, as well as the subaward's terms and conditions. You must also monitor the subrecipient's overall performance to ensure it achieved the goals and objectives of the subaward. For example, if your federal award's goal was to serve a low-income population, your monitoring should ensure that population was served.

Regardless of the subrecipient's risk and subaward amount, you must perform a minimum amount of monitoring, including:

- Reviewing financial and performance reports as required.
- Ensuring the subrecipient takes corrective action on all significant developments that negatively affect the award such as audit findings, site visits and written notifications from the subrecipient of adverse conditions that will impact their ability to meet the milestones or the objectives of a subaward.
- Issuing a management decision for audit findings pertaining to the subaward (for more on management decisions, refer to [2 CFR §200.521](#)).
- Resolving audit findings specifically related to the subaward (exception for cross-cutting findings, refer to [2 CFR §200.332](#)).

Depending on your results of your risk assessment, the following monitoring activities may be useful:

- Provide subrecipients with training and technical assistance on program-related matters.
- Perform desk reviews to evaluate the subrecipient's administrative, financial, and programmatic compliance.

- Perform site visits to review the subrecipient's program operations.
- Arrange for an agreed-upon-procedures engagement, as described in [2 CFR §200.425](#).

5) Verify audit completion

You must verify that a subrecipient is audited, as required by [Subpart F](#) of the Uniform Guidance.

Note: You must ensure your subrecipient submitted its audit to the Federal Audit Clearinghouse. You must do this no matter how much money you gave the subrecipient, even if your award was not large enough to trigger a federal single audit for the entity.

6) Consider necessary adjustments to your records

Consider whether the results of a subrecipient's audit, desk reviews, site visits or other monitoring require adjustments to your records.

7) Consider taking enforcement action against noncompliant subrecipients

The Uniform Guidance ([2 CFR §200.339](#)) describes remedies available when subrecipients do not comply.

What You Should Expect From the County

As the pass-through entity, the County must perform the federally required monitoring actions described above.

You should expect the County to:

- Review your financial and performance reports
- Review invoices and supporting documentation
- Collect certified payrolls (if required)
- Check progress toward performance goals
- Follow up on any issues or findings and the status of corrective actions
- Conduct meetings between County and Subrecipient program and/or management staff
- Provide training or technical assistance, if needed
- Conduct desk reviews, site visits or arrange for an agreed-upon-procedure engagement by an independent accounting firm

Difference Between a Subrecipient and a Contractor

Before you pass federal funds to another entity, you must determine whether they are a **subrecipient** or a **contractor**, because different sets of rules apply. If an entity is a subrecipient, you will need to comply with federal subrecipient monitoring requirements. If an entity is a contractor, you will need to comply with federal procurement standards (Chapter 7).

Subrecipient vs. contractor determination

The Uniform Guidance defines subrecipient, contractor and other key terms in [2 CFR §200.1](#):

- **Subrecipient** is an entity that receives a subaward from a pass-through agency to carry out part of a federal award. The term subrecipient does not include a beneficiary or participant. A subrecipient may also be a recipient of other federal awards directly from a federal agency.
- **Contractor** is an entity that receives a contract. For purposes of federal financial assistance, a contract is a legal instrument by which a recipient or subrecipient conducts

procurement transactions under a federal award (such as to purchase property or services).

The pass-through agency must use judgment to determine on a case-by-case basis whether the entity receiving federal funds is a subrecipient or a contractor, as specified in [2 CFR §200.331](#). In making this determination, the substance of the relationship is more important than the form of the agreement. The table below lists some characteristics that support the classification of subrecipient or contractor. The Association of Government Accountants also publishes a [subrecipient versus contractor checklist](#) that you might find helpful.

Subrecipient	Contractor
Determines who is eligible to receive what federal assistance	Provides goods and services within normal business operations
Has its performance measured in relation to whether the federal program's objectives were met	Provides good or services to different purchasers
Has responsibility for programmatic decision-making	Normally operates in a competitive environment
Is responsible for adherence to applicable ancillary federal program requirements specified in the federal award	Provides goods or services that are ancillary to the implementation of a federal program
Implements a program for a public purpose specified in authorizing statute, as opposed to providing goods or services for the benefit of the pass-through entity	Is not subject to compliance requirements of a federal program as a result of the agreement; however, similar requirements may apply for other reasons

What Auditors Review

When reviewing subrecipient monitoring, auditors generally:

- Examine your monitoring policies and procedures.
- Review your subaward files for required elements.
- Examine risk assessments and subrecipient monitoring plans and compare them to monitoring performed.
- Review evidence of monitoring activities.
- Confirm that audits were checked and findings resolved.

Remember, if it's not documented, the auditor's may assume that the required policies and monitoring plan to not exist, and that monitoring activities did not occur. Document everything!

Additional Resources

- [2 CFR §200.331](#) - Subrecipient and contractor determinations
- [2 CFR §200.332](#) - Requirements for pass-through entities
- The federal award's terms and conditions
- Any applicable federal statutes or regulations affecting the federal program

Section 2 – Chapter 12: Wage Rate Requirements for Construction

If you use federal funds on a **construction project over \$2,000**, you may be required to follow federal **Davis-Bacon Act** (DBA) wage rules. These rules require contractors and subcontractors to pay workers **at least the prevailing wage** for their job classification.

Failure to comply can result in serious consequences, including being required to pay workers back wages. Because of this, subrecipients and contractors **must understand and follow** all applicable wage rate requirements.

This chapter explains:

1. When wage rate requirements may apply
2. Required contract language and wage determinations
3. Weekly certified payroll reporting
4. Monitoring and enforcement expectations
5. What the County will review

Determining if Wage Rate Requirements Apply

Your federal award or your agreement with the County will state whether David-Bacon Act (or other federal labor standards) apply.

If you are unsure, you **must confirm with the** County before beginning any construction activity.

Federal labor standards come from:

- [29 CFR §5](#)
- [2 CFR §200.327](#) and [Appendix II to Part 200](#)

Insert Required Wage Information into All Solicitations and Contracts

If Davis-Bacon applies:

You must include the following in every construction solicitation and contract:

- All applicable U.S. Department of Labor (DOL) wage determinations
- The full text of [29 CFR §5.5](#), which lists all labor-standard contract clauses
- A requirement to pay the higher of state or federal prevailing wages

You also must ensure that:

- Lower-tier subcontractors receive these same requirements
- All tiers comply throughout the project

Collect and Submit Weekly Certified Payroll Reports

If Davis-Bacon applies, contractors and subcontractors must submit certified payroll reports weekly for every week they performed work.

Subrecipients must:

- Collect certified payroll records every week
- Review them for completeness and accuracy
- Confirm wage rates match the applicable DOL wage determination
- Keep copies in your project file
- Provide copies to the County upon request

The County may also require periodic submission as part of its monitoring.

Monitoring and Enforcement Responsibilities

Although federal agencies have enforcement authority under [29 CFR §5.6](#), they routinely delegate this responsibility to recipients and subrecipients.

Subrecipients are responsible for ensuring compliance on their projects, including:

- Reviewing certified payrolls
- Conducting worker interviews
- Checking that workers are classified properly
- Ensuring apprentices are registered in approved programs
- Following up on discrepancies
- Notifying the County immediately of any suspected violation

If you identify a potential violation, you must stop the issue from continuing and notify the County right away.

What the County Will Review

The County may perform monitoring to ensure wage compliance, including reviewing:

- Contract documents to ensure required clauses were included
- Wage determinations attached to the solicitation and contract
- Weekly certified payrolls
- Worker interview documentation
- Follow-up actions taken when discrepancies occur

Noncompliance may require corrective action or repayment.

Auditor Expectations

For compliance testing purposes, most subrecipients should expect an auditor to:

- Verify that the required prevailing wage rate clauses were included in the contract or subcontract.
- For each week in which work was performed under the contract or subcontract, verify that the contractor or subcontractor submitted the required certified payrolls.

Note: Federal agencies or awarding agencies commonly review compliance with these requirements as part of their own monitoring, and they often expand beyond what auditors typically review.

Additional Resources

- Federal labor standards are incorporated into [29 CFR §5](#)
- [2 CFR §200.327](#), which refers to further details in Appendix II
- The U.S. Department of Labor offers [live prevailing, wage trainings](#) and [recorded webinars](#), and publishes an online [Prevailing Wage Resource Book](#).
- The federal award's terms and conditions
- Any applicable federal statutes or regulations affecting the federal program
- The terms and conditions included in your contract with the County



Section 3: Essentials For Implementing Internal Controls & Recordkeeping

Effectively managing federal funds requires more than understanding allowable costs and administrative requirements. Subrecipients and contractors must establish **internal controls and financial management systems** that ensure compliance, safeguard assets, and provide accurate reporting. Understanding the requirements of each federal award is a key part of designing a strong control system. Knowing the award's administrative requirements, and how your organization will meet them, supports a control environment that helps you successfully manage awards and meet compliance objectives.

This section covers requirements for a financial management system, internal control system, policies and procedures, award monitoring, whistleblower protections, documentation and records retention.

Financial Management System Requirements

All subrecipients must have sufficient financial management systems to:

- Track expenditures and document how federal funds are spent in accordance with statutes, regulations, and your award's terms and conditions.
- Prepare accurate, complete, and timely financial reports as required by the award.
- Maintain records that identify the amount, source, and expenditure of federal award funds. Each federal award must be tracked separately. Records must include authorizations, obligations, unobligated balances, assets, expenditures, income, and interest, supported by appropriate source documentation.
- Safeguard all assets, ensuring they are used only for authorized purposes.
- Compare expenditures with budget amounts for each award.
- Maintain written procedures over cash management, including advance payments and reimbursements (see Section 2, Chapter 2), and procedures over allowable costs in accordance with the Cost Principles (see Section 1, Chapter 1).

Internal Control System Requirements

Internal controls are processes you design and implement to provide reasonable assurance that you achieve objectives in three areas:

1. Effectiveness and efficiency of operations
2. Reliability of reporting
3. Compliance with laws, regulations, and award or contract terms

Key responsibilities for recipients and subrecipients include ([2 CFR §200.303](#)):

- Establish, document, and maintain internal controls over federal awards.
- Ensure controls comply with laws, statutes, regulations, and award terms and conditions.
- Evaluate and monitor compliance with award requirements.
- Take prompt corrective action when noncompliance is identified.
- Implement cybersecurity and other measures to safeguard information, including personally identifiable or sensitive data.

Written Policy and Procedure Requirements

You should adopt written policies and procedures that help you maintain an effective system of internal controls. In certain circumstances, the Uniform Guidance requires you to have a policy or procedure.

The following written policies and procedures are required if applicable to your organization:

Category	Related CFR	Handbook Reference
Allowable costs: For determining the allowability of costs in accordance with Subpart E of the Uniform Guidance and your federal award's terms and conditions	2 CFR §200.302(7)	Section 1 of this handbook covers the requirements of Subpart E Section 2, Chapter 1 discussed allowable costs
Cash management: Advance payments and reimbursements	2 CFR §200.302(6) 2 CFR §200.305	Section 2, Chapter 2
Conflict of interest	2 CFR §200.318(c)	Section 2, Chapter 7
Procurement, solicitations	2 CFR §200.318(a) 2 CFR §200.319(d) 2 CFR §200.320	Section 2, Chapter 7
Compensation – Personal services	2 CFR §200.430	Section 1, Chapter 3
Compensation – Fringe benefits	2 CFR §200.431	Section 1, Chapter 3

Federal Award Monitoring Requirements

Recipients and subrecipients are responsible for monitoring their federal awards to ensure compliance and that performance expectations are met ([2 CFR §200.329](#)). Monitoring should cover each program, function, or activity, and may include:

- Reviewing financial and performance reports
- Comparing actual expenditures to budgeted amounts
- Verifying that activities align with award objectives
- Following up on findings or deficiencies

Whistleblower Protection Requirements

An internal whistleblower program supports your control environment by helping identify fraud, waste, abuse, and noncompliance.

- Federal awards require that employees are informed of whistleblower protections ([2 CFR §200.217](#), for awards issued after October 1, 2024).
- The County operates a [Fraud, Waste and Abuse Whistleblower Hotline](#), which is available to employees, contractors, subrecipients, and the public.

Documentation and Recordkeeping

Accurate and complete documentation is essential for demonstrating compliance with federal awards. All records must be retained for the period required by federal, state, or local regulations (whichever is longest).

General Documentation Requirements:

- Invoices and receipts for allowable costs
- Subaward agreements and monitoring documentation
- Subcontractor agreements
- Correspondence regarding approvals, budget revisions, or allowable costs
- Supporting schedules for indirect costs and cost allocation plans
- Detailed payroll and fringe benefit documents (discussed in detail below)

Payroll and Fringe Benefit Documentation

To support costs charged to federal awards, all labor and fringe benefit charges must be supported by accurate, complete, and contemporaneous documentation. This includes both hourly and salaried employees.

Time and Effort Requirements for All Employees

All employees whose labor is charged to a federal award—whether hourly or salaried—must maintain Time and Effort records that:

- Reflect actual hours worked, not budgeted hours or percentages.
- Account for 100% of an employee's compensated time, regardless of how many federal awards or non-federal activities they work on.
- Are prepared at least monthly, signed by the employee, and approved by a supervisor with firsthand knowledge of the work performed.
- Support the allocation of labor costs in the financial system.

Additional Requirements for Salaried (Exempt) Employees

Salaried employees may NOT charge labor to a federal award based solely on their salary, expected schedule, or predetermined allocation. When any portion of a salaried employee's compensation is billed to a federal award, one of the following must apply:

Salaried employees billed on an hourly basis

If a salaried employee's time is being charged to the project as hourly labor (for example, using an hourly equivalent rate), then:

- The employee must complete timecards just like hourly employees, documenting actual hours worked each day.
- Timecards must be signed by the employee and supervisor.
- The hourly equivalent rate must be supported by payroll records and applied consistently.
- Only actual hours worked on the federal project may be billed.

Salaried employees allocated based on proportion of time

If a salaried employee's labor costs are allocated to the project based on the percentage of their total time spent on the project, then:

- The employee must maintain detailed timecards or activity records that show actual time worked on each activity or funding source.
- Allocations must be based on actual hours recorded on timecards divided by total hours worked during the period.
- Budget estimates may be used for planning, but actuals must be used for charging and reporting.

Salaried employees with fixed, non-time-based allocations

If the employee works exclusively on the federal award (100% of their compensated time), the organization must maintain:

- A certification, completed at least annually, stating that the employee worked solely on that program; and
- Payroll records supporting their salary and benefits.

However, if the employee works even 1 hour on a different program or function, the employee must revert to the timecard and allocation requirements above.

Fringe Benefit Documentation

Fringe benefit costs charged to federal awards must be supported by:

- Payroll records and benefit statements (e.g., retirement, health, payroll taxes).
- Written policies describing how fringe benefits are earned and applied.
- A consistent allocation method tied to actual labor distribution.
- Documentation supporting any organization-wide fringe benefit rate used.

Documentation Standards

For all labor and fringe benefit charges:

- Records must reconcile to payroll registers and general ledger postings.
- Allocation methodologies must be reasonable, consistently applied, and documented.
- Adjustments must be made promptly when actual time differs from budget or estimates.
- Supervisory review must be documented.

Record Retention Requirements

You must adhere to the strictest of local, state or federal requirements for record retention. Federal guidance generally requires retention for three years after the final expenditure report. If audit findings are unresolved, retain records until resolved. **Your federal award or your contract with Sonoma County may impose additional retention requirements.**



Section 4: Schedule of Expenditures of Federal Awards (SEFA)

Subrecipient Only

The SEFA is a supplemental schedule to your financial statements that reports all federal funds you expended for the fiscal year. It includes identifying information about each of your awards, and reflects the amount expended categorized by program or program cluster, federal agency and in total.

Many users rely on the SEFA information, so you should take care to ensure it is accurate and complete, and that the preparer has a thorough understanding of all reporting requirements, including the note disclosures. Management will look at the SEFA's total reported expenditures to determine whether your entity needs a single audit. Your auditor will rely on the SEFA to help plan and guide the federal single audit. And your awarding agencies will use the SEFA to verify that your single audit includes the funding they awarded you.

This section covers the general reporting requirements for the SEFA.

The Uniform Guidance requires subrecipients, who must obtain an audit, to prepare a SEFA ([2 CFR §200.510](#)).

Sample SEFA

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title (Direct or Indirect) (1)	Federal Financial Assistance Listing	Pass-Through Entity Identifying Number (2)	Pass-Through Entity's Name	Expenditures	Amount Pass-Through to Subrecipient
U.S. DEPARTMENT OF AGRICULTURE					
Plant and Animal Disease, Pest Control, and Animal Care					
2021 Exotic Fruit Fly/Exotic Fruit Fly/Asian Defoliating Moth Survey (Indirect)	10.025	20-0177/22-1694-036-SF	CA Dept. of Food and Agriculture	\$ 611,371	\$ -
Citrus Health Response Program (CHRP) Multi Pest Survey (Indirect)	10.025	22-0294-041-SF/23-0026-020-SF	CA Dept. of Food and Agriculture	121,155	-
P. ramorum Survey 2022-2023 (Indirect)	10.025	22-0998-014-SF	CA Dept. of Food and Agriculture	26,596	-
European Grapevine Moth Project (Indirect)	10.025	22-1695-028-SF	CA Dept. of Food and Agriculture	393,431	-
PDCP / GWSS / Bio Control (Indirect)	10.025	21-0517-042-SF	CA Dept. of Food and Agriculture	264,194	-
Subtotal for 10.025				1,416,747	-
Special Milk Program for Children (Indirect)	10.556	CNIPS ID: 02837-SN-49-R	CA Dept. of Social Services	1,660	-
Summer Food Service Program for Children (Indirect)	10.559	CN230300	CA Dept. of Education	15,768	-
Subtotal for 10.556 and 10.559 (Child Nutrition Cluster)				17,428	-
WIC Special Supplemental Nutrition Program for Women, Infants, and Children (Indirect)	10.557	22-10295	CA Dept. of Public Health	2,569,851	-
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program					
Supplemental Nutrition Assistance Program-Education (SNAP-Ed) (Indirect)	10.561	19-10378, A1 & 23-10352	CA Dept. of Public Health	199,633	87,326
Supplemental Nutrition Assistance Program-Education (SNAP-Ed) (Indirect)	10.561	23-10352	CA Dept. of Public Health	323,434	45,464
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	SP-2223-27 & SP-2324-27	CA Dept. of Aging	418,461	188,084
CalFresh Administration (Indirect)	10.561	PCA Number: 11609	CA Dept. of Social Services	13,676,293	-
Subtotal for 10.561 (SNAP Cluster)				14,617,821	320,874
Environmental Quality Incentives Program					
Natural Resources Conservation Service-Russian River Conservation 2021 (Indirect)	10.912	FC.R509	National Fish and Wildlife Foundation	84,444	-
Partnerships for Climate-Smart Commodities					
USDA Partnership for Climate-Smart Commodities (Direct)	10.937			155,993	135,772
SUBTOTAL FOR U.S. DEPARTMENT OF AGRICULTURE				18,862,284	456,646

Assistance Listing Numbers

The federal government assigns nearly every federal award a unique five-digit number, known as the Assistance Listing Number (ALN). The County must communicate ALNs to subrecipients in the grant award/contract. The first two digits identify the federal agency, and the last three digits identify the program.

See Figure 24 below for an example.

Figure 24. Identifying information in ALNs

21. 027	
U.S. Department of the Treasury	Coronavirus State and Local Fiscal Recovery funds

You must include the correct ALN for each federal award on your SEFA. If your contract/awarding documents do not include an ALN, you should:

- Ask the awarding agency to provide it.
- Research assistance listings at SAM.gov, but make sure to search for both active and inactive listings.

If you conclude that your award does not have an ALN, follow this guidance:

1. In the first two spaces, enter the federal agency's two-digit prefix, which can be found at [SAM.gov](https://www.sam.gov).
2. Follow the two-digit prefix with the letter "U" for unknown, followed by a two-digit number starting with "01".
 - The first federal program on your SEFA with an unknown three-digit extension would be U01 for all award lines associated with that program, the second would be U02, and so on. You can start the series of two-digit numbers over for each federal agency or continue throughout the remainder of the SEFA.

General Reporting Requirements

The Uniform Guidance requires you to prepare a SEFA in accordance with [2 CFR §200.510\(b\)](#), which specifies the general reporting requirements. Figure 26 lists the requirements and describes where you may find additional information. Refer to your reporting instructions for details.

Figure 26. General reporting requirements for the SEFA

Requirement	Additional Guidance
List federal programs by federal agency using the applicable ALN.	Refer to “Assistance Listing Numbers” section
For a cluster of programs, you must provide the cluster name, a list of individual federal programs and ALNs within the cluster, as well as the federal agency’s name and a total for the cluster.	See notes below this figure
If you receive an indirect award, you must include the name of the pass-through entity and any identifying award number assigned by the pass-through entity.	Refer to “Direct and indirect federal funding” section
Provide the total federal awards expended for each individual federal program.	Refer to “Determining federal awards expended” section
For each individual program, provide the ALN or other identifying number when the ALN is unavailable.	Refer to the “Assistance Listing Numbers” section
If you provided subawards, include the total amount you provided to subrecipients for each federal program.	Refer to §200.1 for a subaward definition. Also, refer to section 2, chapter 11 of this handbook for more information about subrecipients
Include all required note disclosures provided for in this regulation. Refer to 2 CFR §200.510(b)(5-6) for specifics.	Refer to your respective authoritative accounting and reporting manual for example note disclosures

Clusters

A cluster of programs means a grouping, by a federal agency, of closely related programs that share common compliance requirements. Your auditor will consider them to be one program even though they have different ALNs, for the purpose of determining your major programs for audit.

Figure 27 lists the different federal programs that comprise the Child Nutrition Cluster. Refer to the [Compliance Supplement](#), Part 5, to identify clusters (these are updated annually).

Figure 27. Example: Child Nutrition Cluster

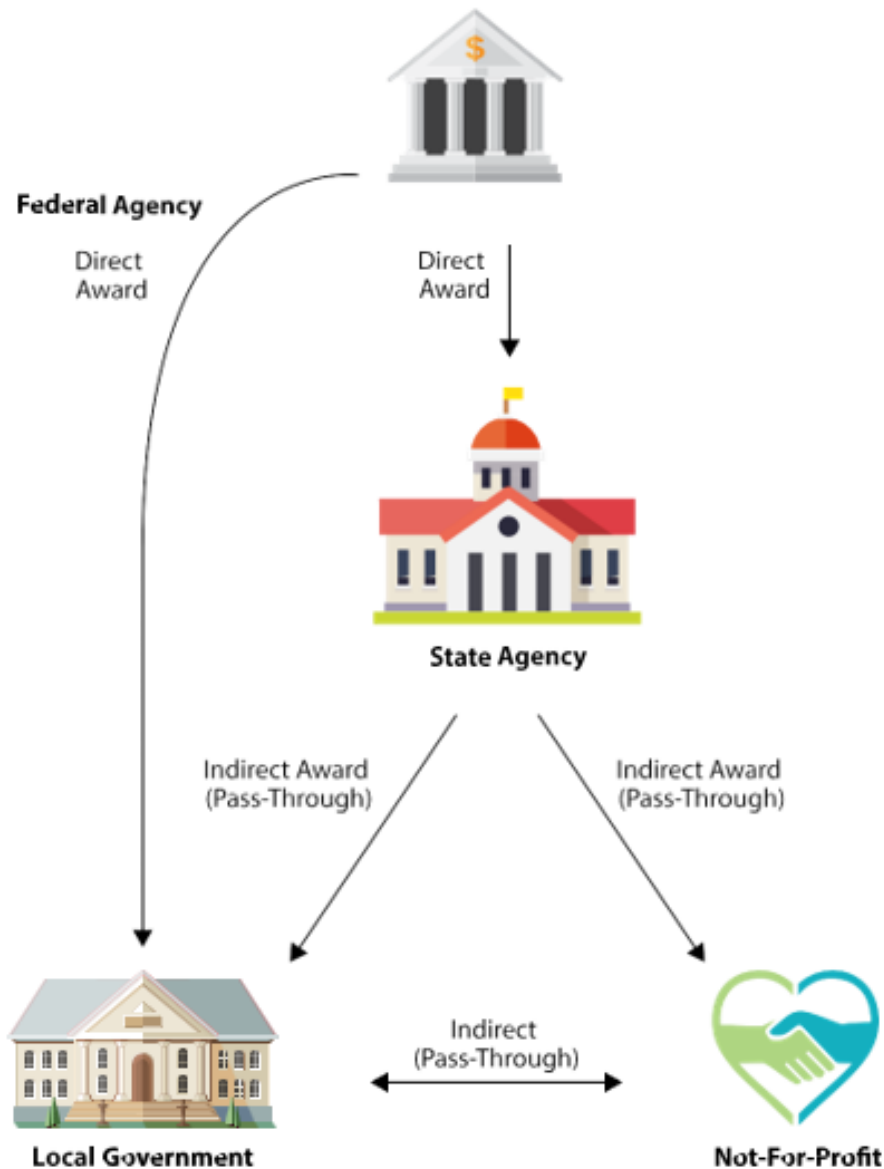
ALN	Program Name
10.533	School Breakfast Program (SBP)
10.555	National School Lunch Program (NSLP)
10.556	Special Milk Program for Children (SMP)
10.559	Summer Food Service Program for Children (SFSPC)
10.582	Fresh Fruit and Vegetable Program (FFVP)

Direct and indirect federal funding

You must report all direct and indirect federal awards on your SEFA, and distinguish between them on the face of the SEFA, so you should carefully read all award agreements and their corresponding terms and conditions. Figure 28 illustrates the difference between direct and indirect funding. You receive a direct award when a federal agency provides federal assistance to your entity, with no intermediaries involved. You receive an indirect award when a federal agency first gives funding to a state agency or another local government, which then acts as a “pass-through agency” and later authorizes a subaward to you.

When in doubt, ask your awarding agency.

Figure 28. Direct vs. indirect federal funding



Determining federal awards “expended”

You should determine when you have expended a federal award based on when its activity occurs, as per [2 CFR §200.502](#). Generally, the activity related to the federal award pertains to events that require you to comply with federal statutes, regulations, and the federal award’s terms and conditions. Figure 29 on the next page lists various activities or events and when to report them on your SEFA.

Figure 29. SEFA reporting for various activities or events

Event/activity	Additional guidance
Expenditure/expense transactions associated with grants, cooperative agreements, cost-reimbursement agreements, cost-reimbursement contracts under the Federal Acquisition Regulations (FAR), compacts with Indian tribes and direct appropriations	<p>Generally, you should report expenditures on the SEFA in the year that you incur and recognize them, in accordance with your basis of accounting, assuming an award is in place. Your expenditures include direct and indirect costs that you claim for payment under your federal award’s terms. For most programs, you do not report on the date you receive the payment from the awarding agency (cash advance or receipt of reimbursement).</p> <p>In other cases, the amount expended might be based on activity, not reimbursable expenditures. An example of this is a fixed amount award, a type of grant or cooperative agreement where the awarding agency provides a specific level of support regardless of actual costs incurred under the federal award.</p>
Disbursement of funds to subrecipients	Generally, you report expenditures when you, as the pass-through agency, make or authorize payment to a subrecipient for allowable costs that you will charge to the federal program.
Use of loan proceeds under loan and loan guarantee programs	The Uniform Guidance instructs recipients on how to calculate the value of federal awards expended under loan programs in 2 CFR §200.502(b-d) .
Receipt of property, including surplus property	You should report property or other noncash awards during the period you receive it. You should report it at fair market value, unless your awarding agency directs otherwise. Include a SEFA note disclosure.
Receipt or use of program income	Contact your awarding agency about how it prefers you to report program income if it is unclear in your award’s terms and conditions or awarding agency guidance. The Uniform Guidance describes three methods, most local governments use the deduction method described in 2 CFR §200.307(e) .

You do not report the following on your SEFA:

- Your cost-sharing or match contribution, including any program income that your awarding agency approved as cost sharing/match. However, if program regulations allow you to use a federal award as match, then you would report the expenditures on the SEFA.
- Any of your own project/program expenses that you funded with dollars unrelated to the federal award funding.
- Retainage, unless you have paid it to the contractor or placed it in an escrow/ trust account ([2 CFR §200.305 \(b\)\(8\)](#)). Refer to Section 2, Chapter 2 of this handbook for information on cash management requirements.

Reporting expenditures on the correct year's SEFA

You must report transactions on your SEFA in accordance with your accounting basis. This means if you recognized an expenditure in your accounting records, you would generally include it on your SEFA that same year. Entities that comply with GAAP recognize expenditures when they incur them (such as when they physically receive the goods or services). It does not matter when an entity receives or pays the invoice itself.



Section 5: The Federal Single Audit

Subrecipient Only

If your organization is a subrecipient of federal funds and expends \$1 million or more in federal awards in a fiscal year (for fiscal years starting on or after October 1, 2024; for prior fiscal years \$750,000), you will likely be subject to a Single Audit. In essence, the Single Audit is a comprehensive review by an independent auditor to ensure the proper use of federal funds and compliance with applicable requirements. It is crucial to be well-prepared, maintain accurate records, and have strong internal controls in place to navigate the process smoothly and avoid potential audit findings.

This section covers some of the basic single audit requirements and what you can expect during that process. It also explains when you must submit your single audit report, what your reporting package must include, what happens when you get an audit finding and whether you may recover some of the audit costs.

Subrecipients are responsible for obtaining and submitting a single audit report to the Federal Audit Clearinghouse in a timely manner.

Why is it called a single audit?

Before the Federal Single Audit Act of 1984, and the Single Audit Act amendments of 1996, recipients of federal awards were subject to multiple, uncoordinated and diverse audits every year from various federal agencies. Under this legislation and its amendments, each recipient now receives one standardized audit – a “single audit” – for federal program compliance purposes.

For-profit subrecipients

For-profit subrecipients are generally exempt from single audit requirements, but pass-through entities (such as the County) must establish requirements to ensure compliance with federal award terms. Your contract with the County may include a requirement to procure an audit even if one is not required by the Uniform Guidance.

Program-specific audits

A program-specific audit may be an option if all Federal awards are received from the same Federal agency or pass-through entity, and this option is approved in advance.

Audit Requirements Overview

Subpart F of the Uniform Guidance describes the federal single audit requirements ([§200.500-§200.521](#)). You should read them in full, in addition to the guidance in this section. Contact your contracting department if you have questions regarding what compliance requirements apply.

Audit Scope of a Single Audit

The Uniform Guidance specifies the standards and scope for the single audit in [2 CFR §200.514](#). Auditors must conduct audit work in accordance with generally accepted government auditing standards (GAGAS), otherwise known as the Yellow Book requirements. The audit must include:

- **Financial statements:** The auditor must provide an opinion or a disclaimer as to whether your financial statements are fairly presented in all material respects in accordance with your basis of accounting. The auditor must also determine whether your Schedule of Expenditures of Federal Awards (SEFA) is fairly presented in all material respects in relation to your financial statements taken as a whole.
- **Financial reporting/internal controls:** Audit standards require auditors to gain an understanding of your internal controls to plan and design procedures for the financial statement audit. The auditor must also report on your internal control over financial reporting. The auditor does not provide an opinion on your internal controls but will report certain control deficiencies they find during the engagement.
- **Financial reporting/compliance:** The auditor must issue a report over your compliance with laws, regulations, contracts and award agreements, and any noncompliance that could have a material effect on your financial statements. If the auditor detects material compliance, they must report it.
- **Federal programs/internal controls:** The auditor must gain an understanding of your internal controls over compliance requirements for the purpose of planning the audit. The auditor must also test those controls and issue a report related to this work. The auditor does not provide an opinion on your internal controls but must report certain control deficiencies they find.
- **Federal programs/compliance:** The auditor must issue an opinion or disclaimer as to whether you complied with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget's [Compliance Supplement](#) that could have a direct and material effect on each of your major programs. For most programs included in Part 4 of the Compliance Supplement, federal agencies are limited to their top six compliance requirements for audit purposes (per federal program/cluster), except for research and development, which is limited to seven. Refer to Section 2 of this handbook for more information about the common compliance requirements.

How Does the Auditor Select Programs for Testing?

While you cannot predict which programs will be selected for audit, you can understand the criteria used by auditors.

Auditors use a multi-step process to determine which programs will be selected for testing. The auditor will identify major programs, perform a risk assessment, and also review audit coverage requirements. At a minimum, auditors must audit all major programs that are not identified as low risk, all Type B programs identified as high risk, and additional programs as necessary to comply with percentage of coverage rules.

- **Major Programs (Type A Programs):** The auditor uses the SEFA to identify major programs, the County's current threshold to determine a major program is \$3 million in program expenditures. The auditor will then perform a risk assessment on all identified major programs using a combination of qualitative information, judgement, and results from previous audits. Generally (not always), all high-risk major programs are selected for audit and low-risk major programs are audited on a rotating basis.

- **Non-major Programs (Type B Programs):** The auditor must identify high-risk Type B programs using professional judgement and criteria in Uniform Guidance.
- **Coverage Requirements:** The auditor must also select enough programs for audit testing to ensure proper audit coverage. The coverage requirement is 20% of federal expenditures for low-risk auditees and 40% of federal expenditures for all other auditees.
- A “program” here refers to a grant, or a set of grants within a single ALN number. Additionally, there are programs that are selected and audited as a “cluster” of grants within a subset of related ALN numbers.

What to expect during a single audit

During audit testing, you should expect the following:

- Auditor will conduct field tests to test the subrecipient’s financial systems and financial control procedures, including auditing the following:
 - Verify that subrecipient submitted required progress reports on time
 - Verify that financial figures in these reports reconcile to financial system
 - Verify that back-up documentation for expenditures claimed are adequate (such as signed timesheets and contractor invoices), etc.
- Auditor will perform tests to verify that expenditures are eligible and in compliance with program-specific requirements. Expenditure-related questions include:
 - Were the grant expenditures actually incurred?
 - Did the expenditures benefit the grant?
 - Were the expenditures eligible and allowable?
 - Were records prepared accurately and timely and were they retained, as required?
- Documentation commonly requested by the auditor includes:
 - Back-up documentation to support expenditures (timesheets, invoices, *etc.*)
 - Reports to funding agencies reconcile to financial system
 - Reports to funding agencies submitted on time
 - Competitive process used to select contractors and subrecipients
 - Monitoring subrecipients (site visits, submission of any required subrecipient reports)
 - Inventory for grant-funded equipment items (including vehicles)
 - Indirect cost rate information on file

Key Areas of Focus for Subrecipients

When federally funded grants are under review, the following areas trigger heightened review for auditees:

- Compensation – Personal Services
 - Time and distribution records must be maintained for all employees whose salary is paid in whole or in part with federal funds and used to meet a match/cost share requirement.
 - Personal services costs cannot be based on budget estimates alone; personal services costs must be actual costs.
 - All time worked for the organization and what percentage of that time involves federal work must be fully disclosed.

- Charges to federal awards for salaries and wages must be based on records that accurately reflect the work performed. Refer to [2 CFR § 200.430](#) for a list of required documentation.
- Indirect Costs
 - Federal agencies and pass-through entities must accept a non-federal entity's federally-negotiated indirect cost rate unless a statute or regulation allows for an exception.
 - For non-federal entities that have never received a federally-negotiated rate, a de minimis rate of 15% of Modified Total Direct Costs (MTDC) may be used indefinitely and does not require documentation to justify its use. Once elected, the entity must use this rate consistently for all federal awards until it chooses to negotiate a rate.
- Preapproval Items (see [2 CFR § 200.407](#) for list)

Audit Report Submission Deadline

You must submit your completed audit, reporting package and data collection form to the Federal Audit Clearinghouse (FAC), which is the repository of record for Subpart F reporting packages and the data collection forms. All federal agencies, pass-through entities and others interested in a recipient's reporting package and data collection form must obtain it at www.fac.gov. You must submit these materials to the FAC within 30 calendar days after you receive the auditor's report(s) or nine months after the end of the audit period, whichever is earlier, as required by [2 CFR §200.512](#). The audit report's issuance date is your date of receipt. If the due date falls on a Saturday, Sunday or federal holiday, the reporting package is due the next business day. You should not expect to receive an extension, unless specifically granted by the U.S. Office of Management and Budget in accordance with the authority in [2 CFR §200.102\(a\)](#).

Your responsibilities as the auditee

The Uniform Guidance ([2 CFR §200.508](#)) requires you to:

- Arrange for the required audit and ensure it is properly performed and submitted by your deadline.
- Prepare financial statements including the SEFA in accordance with [2 CFR §200.510](#).
- Promptly follow up and take corrective action on audit findings. This includes preparing a summary schedule of prior audit findings and a corrective action plan in accordance with [2 CFR §200.511 \(b-c\)](#).
- Provide your auditor with access to personnel, accounts, books, supporting documentation and any other information they need to perform the required audit.

Audit Findings

"Findings" are significant issues noted by the auditor that are disclosed in your audit report, which is a public record. Auditors must report in accordance with the requirements in [2 CFR §200.515-.516](#) and GAGAS, and prepare a schedule of findings.

You may receive repeat findings. Auditors are required to follow up and continue to issue a finding for internal control deficiencies until you fully resolve them in the year subject to audit.

Federal agency response to audit findings

If you receive a finding, the federal agency or the pass-through agency that provided the funding for the program must issue a management decision within six months of the FAC's acceptance of the audit report. Similarly, if you are the pass-through entity, and any of your subrecipients receive an audit finding related to awards you gave them, then you must issue a management decision to your subrecipient.

A management decision is the federal agency's or pass-through entity's written determination, provided to the auditee, of the adequacy of the auditee's proposed corrective actions to address the finding, based on its evaluation of the audit finding and proposed corrective actions ([2 CFR §200.1](#)). It must clearly state whether the audit finding is sustained, the reasons for the decision and the expected auditee action to repay disallowed costs, make financial adjustments or take other action, in accordance with [2 CFR §200.521](#). It should also include a timetable for follow-up, if the auditee did not complete the corrective action.

Types of Audit Findings

The Uniform Guidance includes audit reporting requirements for federal programs in [2 CFR §200.516](#) and incorporates GAGAS requirements for financial statements. Your auditor may report a finding for any of the following reasons related to your federal programs and financial statements:

Financial statements (GAGAS requirements)

- Inadequate internal controls over financial reporting systems.
- Noncompliance with laws, regulations, contracts or grant agreements that materially affect the financial statements.
- Fraud that is material to the financial statements.

Federal programs

- Inadequate internal controls over major federal programs and significant instances of abuse relating to major federal programs. (You will see the terms "significant deficiency" or "material weaknesses" in an internal control finding. These are terms that convey the seriousness of a reportable internal control deficiency, or combination of deficiencies.)
- Material noncompliance with laws, regulations, or terms and conditions of a federal award related to a major federal program.
- Questioned costs exceeding \$25,000. A questioned cost means an amount, expended or received from a federal award, that in the auditor's judgment is noncompliant or suspected noncompliant with federal statutes, regulations, or the federal award's terms and conditions. Questioned costs might also include those that lack documentation, appear unreasonable or do not reflect the actions a prudent person would take in the circumstances.
- Known or likely fraud affecting a federal program.
- Material misrepresentation of the status of a prior audit finding within the auditee's Summary Schedule of Prior Audit Findings.



Section 6: Submitting Invoices to the County

This section explains what subrecipients and contractors should include when submitting invoices to the County for payment under a federally funded agreement. Because each County department and each federal program may have its own specific invoicing requirements, this chapter provides **general expectations** only. Your contract, including its budget, payment terms, and invoicing instructions, as well as any additional instructions from the contracting department, establishes the specific requirements you are required to follow.

Submitting a clear, complete, and well-supported invoice will help the County review your request efficiently and avoid payment delays. Submitting invoices that are unclear, inconsistent with contract terms, or missing required support will result in questions, requests for correction, and longer processing times.

Understand Your Contract Before Preparing an Invoice

Every organization **must carefully review its contract and budget** before submitting any invoice. Some contracts require:

- **Reimbursement of actual costs** with detailed documentation
- **Time-and-materials billing** with detailed documentation
- **Milestone or deliverable-based payments**
- **Fixed or weekly unit rates**
- **Hourly billing for specific positions at specific rates**
- **Monthly flat rate payments**, if explicitly allowed
- **Restrictions on allowable costs or budget categories**

You must prepare invoices in direct alignment with the payment method specified in your contract.

Invoice Clarity and Level of Detail

All invoices must be **clear, organized, and detailed enough for County staff to understand exactly what is being billed** and how it ties to your contract and supporting documentation.

At a minimum, invoices should:

- Break out costs **by budget category/line item** (e.g., personnel, supplies, equipment, travel, subcontractors, etc.)
- Identify the **time period** covered by the invoice
- Clearly label each cost so it can be linked to the supporting documents
- Show **calculations**, such as hours × billing rate, unit × unit cost, or the basis for fringe and indirect charges
- Ensure totals are correct and match supporting documentation

Invoices must be prepared in a way that allows County staff to trace each line item back to source records without guesswork.

Supporting Documentation Requirements

Supporting documentation must come from your **system of record**—not from spreadsheets created solely for invoicing. Documentation should clearly support every charge being billed and may include, depending on the contract:

Common Examples of Supporting Documents

- **General ledger (GL) detail reports**
- **Payroll registers and timesheets/timecards**
- **Approved time allocation records for salaried staff** billed based on hours or percentage of time
- **System-generated vendor invoices**
- **Receipts or proof of payment**
- **Subcontractor invoices**
- **Mileage logs** or travel documentation
- **System-generated reports for program participants or units of service**

If fringe benefits, administrative overhead, or indirect costs are billed:

- Documentation must clearly explain **how those amounts were calculated**.
- Calculations must use the rate and methodology **authorized in your contract**.

Agree on Required Invoice Format and Documentation at the Start of the Contract

Because expectations vary by program and department, the County strongly encourages each subrecipient or contractor to **meet with County staff at the start of the contract** to confirm:

- What the invoice must look like
- Required supporting documentation
- Whether templates or sample formats are available
- The level of detail required for labor, fringe, indirect, and materials
- Any special requirements for participants, units-of-service, or deliverables
- How often invoices may be submitted

Clarifying requirements early will greatly reduce delays and ensure smoother reimbursement.

What the County Reviews Before Approving Payment

While departments may have additional requirements, County staff generally review for:

- **Alignment with contract terms, budget, and payment structure**
- **Allowability, reasonableness, and allocability** of costs under federal rules
- **Accuracy** (math, rates, quantities, fringe calculations)
- **Consistency** with approved billing rates and cost categories
- **Completeness and adequacy** of supporting documentation
- **Evidence that charges are based on actual work performed and allowable expenses**
- **Proper documentation for labor, fringe, and indirect costs**
- **Internal consistency** between invoice, supporting documentation, and contract
- **Compliance with procurement and subcontracting requirements**, when applicable

Invoices that do not clearly support the billed amounts **cannot** be approved for payment.

Consequences of Submitting Incomplete or Incorrect Invoices

To help organizations plan ahead, it is important to understand that the County cannot process an invoice that is:

- Missing required documentation
- Not prepared according to contract terms
- Unsupported by system-generated records
- Submitted in a lump sum when itemization is required
- Inconsistent with budgets or billing rates
- Mathematically inaccurate or unclear
- Missing adequate labor or fringe documentation

Such invoices will require **corrections or resubmission**, which results in:

- Extended back-and-forth communication
- Additional review time
- Delayed payments
- Possible disallowance of costs if adequate documentation cannot be provided

Good documentation and preparation help ensure faster payment.

Best Practices for Efficient Invoicing

Subrecipients and contractors are encouraged to:

- Maintain documentation **in real time**, not at the end of the period
- Use **system reports** rather than manually created spreadsheets
- Keep costs aligned with the approved budget
- Review invoices internally before submission
- Resolve discrepancies prior to billing
- Submit invoices on a predictable schedule
- Ask questions early if unclear about County expectations

Additional Resources

Federal Awards and Financial Reporting

- Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards – [2 CFR §200](#)
- Uniform Guidance 2024 changes: Council on Federal Financial Assistance page: [Uniform Guidance: Title 2 of the Code of Federal Regulations](#)– this links to a redline version of the Uniform Guidance revisions and a video announcement.
- U.S. Department of Labor – [2 CFR Frequently Asked Questions published May 2021](#)
- Code of Federal Regulations – www.ecfr.gov
- Assistance Listings – SAM.gov

Administrative Requirements Guidance

- Search for suspended and debarred parties – SAM.gov
- U.S. Department of Labor – Federal wage rates/Davis-Bacon Act – Wage Determinations at SAM.gov
- U.S. Department of Labor – Prevailing Wage Resource Book
- Association of Government Accountants – Subrecipient vs. Contractor Checklist (for subrecipient monitoring)
- Association of Government Accountants – Risk Assessment Tool (for subrecipient monitoring)

Internal Controls Guidance

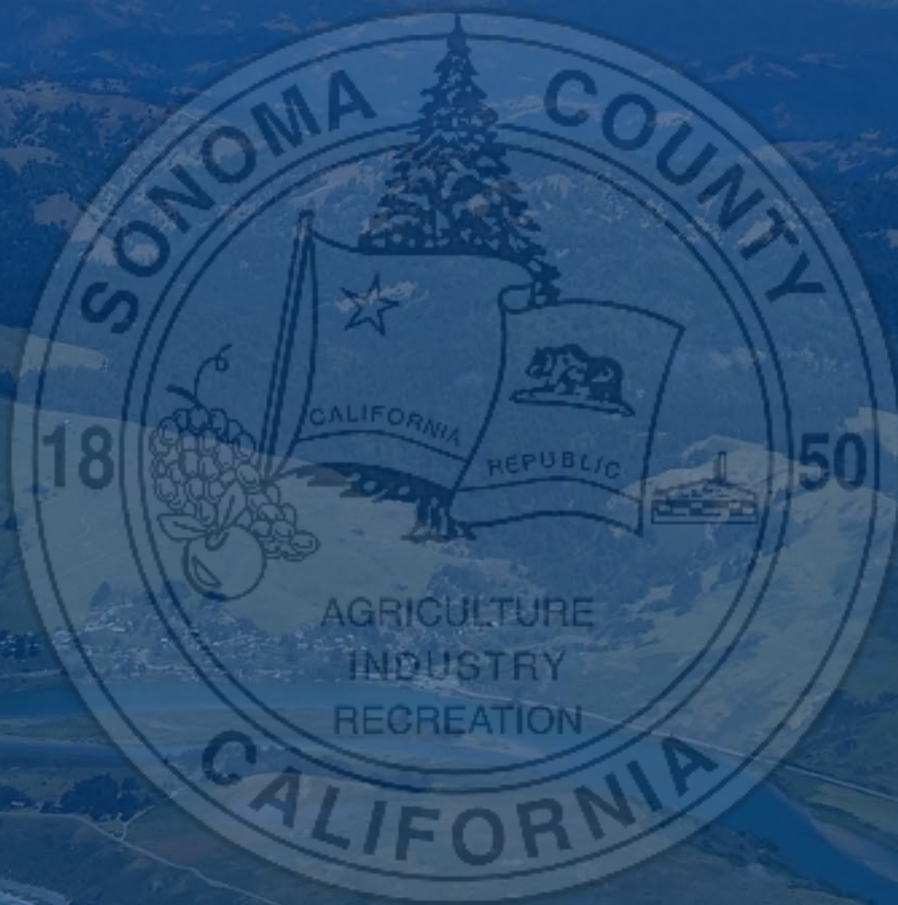
- Government Finance Officers Association – Best Practices: Grant Administration
- U.S. Government Accountability Office’s Green Book (Standards for Internal Control in the Federal Government) – free to download

Single Audit Guidance

- Federal Audit Clearinghouse/Data Collection Form – [Submitting an audit](#)
- Office of Federal Financial Management’s annual [Compliance Supplement](#). You may want to refer to:
 - Part 3 – Compliance Requirements (the common administrative requirements)
 - Part 4 – Agency Program Requirements (program guidance by federal agency; not all programs are included)
 - Part 5 – Clusters of Programs
 - Part 6 – Internal Control
 - Part 8 – Appendices (refer specifically to Appendix VII – Other audit advisories. This section was added in 2021 for COVID-19 programs)

Sonoma County Guidance

- Auditor-Controller-Treasurer-Tax Collector [Fiscal Policy Manual](#)
 - [Fiscal Policy RE-2: Grant Subrecipient Monitoring and Management](#)
 - [Fiscal Policy RE-3: Policy and Procedures for Grants](#)
- Auditor-Controller-Treasurer-Tax Collector [General Information for Federally Funded Contracts](#) page
- Sonoma County Administrative Policy Manual
- Sonoma County [General Purchasing Information](#) (requires County intranet access)



Sonoma County Auditor-Controller-Treasurer-Tax Collector
585 Fiscal Drive, Suite 100
Santa Rosa, CA 95403
<https://sonomacounty.gov/acttc>