

Frequently Asked Questions When Applying for and Managing Chesapeake Bay Trust Awards that include Federal Funding

October 2025

If the federal award date that funds your agreement is dated before October 1st, 2024, please make note of the rule distinctions throughout this document that may apply to your award. Applicants should prepare budgets to current 2 CFR 200 requirements.

*You can determine whether your Trust award includes federal funds by reading your award letter. It will list the Federal Agreement Identification Number (FAIN), Federal funding agency, the agreement date of the Federal award, and the Assistance Listing Number (ALN).

This resource has been prepared by staff of the Chesapeake Bay Trust (the Trust) for general informational purposes only. This resource does not constitute legal, accounting, tax, or other professional advice. While the Trust makes every effort to update content on a regular basis, we recognize federal guidance as living documents, subject to change. This guidance should be viewed through the lens of each grantee's unique operating environment, as applicability may vary based on your circumstances.

The Trust recommends consultation with independent advisors as well as review of the most recent versions of the OMB Uniform Guidance at 2 CFR 200 and any other guidance referenced in your grant agreement or contract when making decisions about your award.

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Engaging a Contractor/Getting Bids

1. When do I need to obtain multiple bids/estimates/quotes for work to be done by contractors (defined as “competition” or “competing a scope of work”)?

Whether you have to get multiple bids, estimates, or quotes for work to be done by contractors depends on the dollar amount of the contract.

- a) For work that will cost less than \$15,000 (rules as of October 2025), which the federal government refers to as “micro-purchases”, a contractor may be used without getting bids, estimates, or quotes from other contractors, as long as a) your organization doesn’t have a different, more strict policy and b) you consider the price to be reasonable based on research, experience, purchase history or other information. Remember to write down your thought process (part of “documentation” we will refer to frequently throughout this document) and save those thoughts in your files along with any contract or invoice files.
- b) For work that will cost between \$15,000 and \$350,000 (rules as of October 2025), which the federal government refers to as “small procurement,” to be consistent with federal rules, we recommend, and sometimes require (see the specific terms of your award letter) that you obtain price estimates or quotes from at least three sources.
- c) For work that is more than \$350,000 (rules as of October 2025), you must release a “properly advertised” Request for Proposals (RFP). The RFP must include a clear scope of work for the goods (materials) or services you need and a clear articulation of how you will evaluate proposals (e.g., based on price, qualifications, experience, proposal narrative, etc.). “Proper advertisement” means that you use (or have used, if you have already obtained the contractor) at least one method to formally advertise the proposal that you can claim is seen by a wide range of entities (e.g., advertising in a regional newspaper) and that you provide proof that you made “disadvantaged business enterprises” (DBEs) aware of the opportunity. You may use a range of methods to send the RFP to DBEs. For more about proper advertisement see #10 below. We recommend using the Maryland Department of Transportation (MDOT) DBE database to identify at least 15 companies to whom to send the RFP. As above, save documentation of all steps of the process, such as proof of advertisement and screen shots of emails sent that show the DBE recipients. As long as you can document that you made a good faith effort to advertise the RFP and obtain DBE bidders, it is okay if only one firm bids.

2. When can I increase the quantity or amount of an existing contract and when do I have to obtain new bids/estimates/quotes for work to be done by contractors (defined as “competition” or “competing a scope of work”)?

Changes in scopes (the body of work) of contracts are permissible without obtaining new bids/estimates/quotes for changes such as administrative items. Changes triggered by clauses or contingencies in the original contract also do not require new bids.

If you anticipate increases to the award amount available in future years, or the potential for the addition of subsequent years beyond the timeframe of your initial RFP, make sure to include a section in your RFP such as “It is anticipated that contracts issued to entities responding to this RFP will be extended up to x years.” In that way, you are alerting potential bidders to the full potential of the work to bid on the contract, and everyone has fair notification of the potential benefit.

If the nature of the extension of the work or the change to the contract is such that the intent or scope of the contract is materially altered, then you should obtain new bids/estimates/quotes and approach the next iteration of work as if it is a new activity.

3. Can I use the same contractor for another project that had a similar scope, or do I have to obtain new bids/estimates/quotes for the procurement?

Unfortunately, if the other project cannot be considered an extension of a contract under the explanation provided in question #2 above, then you have to approach the next project all over again and seek a contractor the same way as described in #1 above.

4. Can I ever issue a contract to just one entity without obtaining bids/estimates/quotes (called “sole source contracting” or “sole sourcing.”)

“Sole sourcing” means issuing a contract to just one entity without obtaining multiple bids/estimates/quotes or trying to obtain multiple bids/estimates/quotes (see 1c above).

As described in the thresholds above in #1, you can issue a contract without getting multiple bids/estimates/quotes if the dollar amount is small enough (less than \$15,000 as of October 2025).

If you (properly) issue an RFP that is adequately advertised (see 1c above) and you only get one bidder to whom you issue a contract, that is not considered sole sourcing. Sole sourcing implies no competition was sought.

The federal government DOES allow sole sourcing for larger amounts of money in certain cases, but those are very rare. You can read the exact language in 2 CFR 200.320(c), but from the Trust’s perspective, we would allow you to sole source above the dollar figure threshold only if you had extremely strong evidence that the service or

item is only available from a single source. We would work with you on a case-by-case basis to evaluate that evidence.

5. Where do I find contractors that could bid on our requested services? How do I obtain multiple estimates?

There are several ways to find potential contractors:

- a) Use the MDOT DBE database described in #1c above.
- b) Word of mouth: Other Trust grantees/awardees are a great way to learn. Go to the Trust's Annual Report website or citrust.org/impact to find other grantees/awardees who have completed similar projects, reach out to them (web searches are a great tool for finding people!), and ask for their experience with their contractors.
- c) Association websites often have lists of contractors.
- d) Government licensing websites often have lists of companies, such as the Maryland Department of Natural Resources lists of licensed tree care experts or the Maryland Department of Environment's list of licensed marine contractors.
- e) Web searches, local business directories and networks, and the Better Business Bureau can also be used to identify and evaluate potential partners.

6. What happens if I have to issue an RFP to find a contractor, but I don't get three responses for quotes for goods or services?

For awards over the dollar amount threshold described in #1 above, as long as you have followed the instructions above in 1c and properly advertise a bid and properly attempt to seek disadvantaged business enterprises, you can issue a contract if only one or two bidders reply to your RFP. Make sure you write all of your steps down, retain screen shots for evidence that you sent the opportunity to a wide range of entities and properly advertised it in a local/regional newspaper or other outlet.

7. Can I issue an award to a project partner that was named in my proposal without "competition" as described above or do I have to get multiple bids/estimates/quotes for the work as per the processes described above?

According to the rules around the federal funds that the Trust manages most frequently, and therefore the funds that you are most likely to have as part of your award, you can only issue funds to an organization listed as a partner organization in your proposal if they are a not-for-profit entity and you are issuing those dollars as a "subaward." One cannot "get around" the competition requirements spelled out above by simply naming a for-profit entity in your proposal, then sole sourcing to that entity.

8. When should I issue a contract for a body of work, and when might I use something called a “subaward” or “grant”?

There are two general types of ways for you to get funds to other “partner” entities: Through a contract or through a mechanism called a “subaward,” also referred to as a “grant.”

- Contracts are used as instruments in cases in which you have defined a very specific body of work or deliverable to be accomplished, and you have entered into an agreement with another entity to deliver for you that body of work for your use.
- “Subawards” or “grants” are used as instruments when you have a general area of work, but you are leaving the specific scope of work and deliverables provided to be defined by another entity to whom you will send funds for that body of work.

For example, you might issue a grant (also called a subaward) to an organization who has identified for itself a specific outcome of planting native trees to benefit a local neighborhood that does not necessarily directly benefit you. This grantee organization would propose a methodology and timeline in which to achieve the objective to which you would agree and issue the grant funds.

On the other hand, you might have a specific parcel in mind on which you need or want trees planted. In this case, you have defined the number of trees you want and/or the location of the trees and/or the timeline in which you want them planted. You might then issue a contract (after proper competition! See above) to an entity that spells out your specific terms for that body of work to which the contractor would agree. The contract is a legally binding agreement to deliver a stated number of trees at a specific quantity and price by an agreed upon date. Contracts carry specific legal consequences and remedies for failure to perform.

9. We have heard that the federal government has “best practices for MBE/WBE due diligence.” What do they mean, and how do I make sure I follow them?

MBE/WBE refers to certified Minority-owned and/or Women-owned Business Enterprises, and “DBE” means disadvantaged business enterprises and is an overarching term for MBE and WBE. The federal government encourages contracting/awarding to these entities whenever possible.

If you follow the process outlined in #1c above to obtain multiple bids/quotes/estimates for contractors, including properly advertising and properly reaching out to potential DBE firms to make them aware of the opportunity, you will have met the “good faith practices.” If you’d like to peruse the federal language on this topic, we have pasted it below:

“For awards issued after 10/1/2023, recipients of federal funding will be required to set “Fair Share Objectives” which will specify targets for the amount of the award expected to be passed through to MBE/WBE organizations over the course of the award. While these targets are non-binding, there is an expectation that they are realistic and attainable based on your analysis of the MBE/WBE organizations in your region that are capable of delivering the goods and services being purchased.”

“The federal government requires the following 6 good faith efforts to ensure compliance with MBE/WBE contracting requirements:

1. Ensure DBEs are made aware of contracting opportunities to the fullest extent practicable through outreach and recruitment activities, this will include placing DBEs on solicitation lists and soliciting them whenever they are potential sources.
2. Make information on forthcoming opportunities available to DBEs, arrange time frames for contracts, and establish delivery schedules, where the requirements permit, in a way that encourages and facilitates participation by DBEs in the competitive process. This includes, whenever possible, posting solicitations for bids or proposals for a minimum of 30 calendar days before the bid or proposal closing date.
3. Consider in the contracting process whether firms competing for large contracts could subcontract with DBEs. For Indian Tribal, State, and Local Government recipients, this will include dividing total requirements when economically feasible into smaller tasks or quantities to permit maximum participation by DBEs in the competitive process.
4. Encourage contracting with a consortium of DBEs when a contract is too large for one of these firms to handle individually.
5. Use the services and assistance of the SBA and the Minority Business Development Agency of the Department of Commerce.
6. If the prime contractor awards subcontracts, require the prime contractor to take the steps in items 1 through 5.

You can search the [Maryland Office of Minority Business Enterprise](#) website to identify certified MBE/WBE organizations. Enter the appropriate search terms (if you just want MD firms, for example). Enter keyword terms relevant to your RFP, such as “training” or “watershed restoration.” Usually searching one keyword at a time yields better results.”

Here is a link to the applicable section of [2 CFR 200.321](#) for MBE/WBE.

10. In solicitations for bids, what counts as ‘widely advertised’?

There is, of course, no hard and fast definition of “widely advertised.” If you follow the process we outlined in #1c above, you will have met the minimum standards for advertisement of a contracting opportunity. We recommend, at a minimum:

- Keep your opportunity open for bidders for at least 30 days.
- Use the MDOT DBE database as described in #1c above. (Make sure you take screenshots or keep other documentation of sending opportunities to companies on that list.)
- Post the RFP/opportunity on your website. (Make sure you take a screenshot to prove you did, because you’ll take the opportunity down when you’ve found a contractor). Because the federal government indicates that all opportunities should be ADA (Americans with Disabilities Act) compliant, we recommend putting a statement on your website that anyone with impairments should contact you for help.

- For opportunities larger than \$350,000, we recommend you put an advertisement in a local/regional newspaper. That ad can link back to the opportunity posted on your website (and save screenshots or proof that you did).
- Create your own bidders list based on word of mouth, talking to other grantees, etc. and send to that group as well. (Screenshot your email as proof!)

11. How long do publicly competed procurement requests have to be open?

We recommend at a minimum to keep opportunities open for at least 30 days (i.e., a deadline for bidders at least 30 days from the date of publishing as per #10 above).

12. Can I issue both a contract and a subaward/grant to the same entity?

Yes, you might have situations in which you are hiring another entity as a contractor for a specific body of work that you define, and you might, if that entity is a non-profit, also issue funds to that entity for a body of work that they define. See #8 above.

Procurement Policies

13. I don't have a procurement policy. Can I see yours as an example?

One of the requirements for receiving federal awards is that your organization must have and use a documented procurement policy. Your award may be withheld until you provide evidence of written procurement procedures.

A procurement policy can be stricter than that of the federal government (i.e., you might require getting estimates for expenditures less than \$2500), but it can't be more lenient (i.e., have higher thresholds).

Here is a sample procurement policy you can review to base your policy on:

[samplepolicyprocurementfederal.pdf \(nc.gov\)](#)

If you are writing a procurement policy from scratch and do not have prior experience with them, we highly recommend reading the requirements of these policies specified in 2 CFR 200.317-320.

14. What happens if my organization's procurement policy has a micro-purchase threshold above \$15k? Can my organization request to do a micro-purchase above \$15k?

The federal government has termed purchases below \$10,000 (rules as of October 2025) as "micro-purchases". Generally, sub-awardees are encouraged to maintain micro-purchase thresholds below \$15,000. There are certain circumstances that the

federal government has allowed organizations to establish a threshold up to \$50,000, but those circumstances are rare. A Trust grantee wanting to use \$50,000 as a threshold for a micro-purchase would have to contact the Trust, and its allowance would be approved on a case-by-case basis after we reviewed the situation with our federal government partner(s). If your organization has an office of sponsored research, please contact them first before contacting the Trust.

15. How long should backup documentation be retained?

Organizations must retain all Federal award records for three years from the date of submission of their final financial report. All non-federal award records must also be retained for three years from the date of submission of their final status and financial reports.

Allowable Expenses

16. Can I use Federal funds to pay for food?

Generally, Federal funds may not be used for food and entertainment. An exception is allowable conference costs paid as a sponsor or host of a conference in which food costs are packaged with those for facilities rental. Other rare exceptions exist and will be reviewed on a case-by-case basis and must be approved prior to expenditure. Please reach out to your program administrator at the Trust during the planning phase of your award with information related to planned food expenses that demonstrates they are reasonable and necessary for your project activities. We will contact the appropriate federal agency to confirm allowability. See the next question, if the food costs are related to travel expenses.

17. Can I use Federal funds to pay for travel-related costs?

Travel is allowable if it is necessary for your project activities and reasonable. You must have prior approval for travel costs either through its inclusion in your accepted application budget or by requesting approval from your program administrator prior to expenditure via a budget revision request. We will contact the appropriate federal agency to confirm allowability. Awardees must be able to provide documentation describing the travel and explaining how and why each trip is directly related to accomplishing award objectives. Documentation should include why the individual is necessary for the award, and that the costs are reasonable and consistent with your travel policy. Costs for entertainment and alcohol are not allowable.

Travel expenses relating to meals, lodging, or ground transportation that directly support the project may be charged on a reimbursement of actual cost basis, on a per diem or mileage basis, or on a combination of the two (e.g. per diem for meals and actual costs for lodging), provided the method of reimbursement used for each type of expense is applied to an entire trip and not to selected days of the trip. For example, you cannot request a per diem for meals during day one of the trip and then request actual costs for day two. The General Services Administration (GSA) establishes per diem rates for domestic travel at [Per diem rates | GSA](#) and [Privately owned vehicle](#)

[\(POV\) mileage reimbursement rates | GSA](#). Additionally, the GSA states that if your trip includes meals that are already paid for by the government (such as through a registration fee for a conference), you will need to deduct those meals from your reimbursement request.

17. Are there any specific rules regarding telecommunications purchases?

Federal rules prohibit you from using loan or grant funds to buy telecommunications equipment produced by Huawei Technologies Company or ZTE Corporation (or any subsidiary or affiliate of such entities). This also includes video surveillance and telecommunications equipment produced by Hytera Communications Corporation, Hangzhou Hikvision Digital Technology Company, or Dahua Technology Company (or any subsidiary or affiliate of such entities). This list can be updated by the Secretary of Defense. The Trust will periodically review the list of prohibited companies and update award terms and conditions accordingly.

Costs incurred for telecommunications and video surveillance services or equipment such as phones, internet, video surveillance, and cloud servers are allowable except as noted above.

18. What is the difference between supplies and equipment?

Generally, supplies are considered to be low-cost consumables which are replenished frequently throughout the period of performance. Equipment consists of durable goods, generally of a higher cost that have a longer useful life (in other words, how long the item will be used).

Supplies means all tangible personal property other than those described in the definition of *equipment* in this section. A computer is generally considered a supply if the acquisition cost is less than \$10,000, regardless of the length of its useful life.

Equipment means tangible personal property (including information technology systems) generally having a useful life of more than one year and a per-unit cost which equals or exceeds \$10,000.

NOTE: For Federally-funded Awards with an agreement that contains a Federal award date of September 30, 2024 or earlier, the 2 CFR 200 rules were slightly different.

Supplies are tangible property that cost less than \$5,000, and equipment means tangible property that cost \$5,000 or more. Check your award date to see which rule applies to you and ask your program administrator for clarification if you need it.

19. Are there any specific rules regarding other more general equipment purchases?

Generally, funds made under federal awards cannot be used for the purchase of general-purpose equipment, buildings, or land without the written approval in advance from the Trust. The “General Purpose” definition applies to equipment items like office furniture, copiers, IT systems, and motor vehicles.

Specialty equipment purchases are allowable. This includes items such as laboratory and scientific equipment to be used in the performance of your award. Purchases over \$10,000 (or \$5,000 for awards prior to October 1, 2024) must be authorized in advance by the Trust.

Any improvements or upgrades to land, buildings, or equipment using award funds must be approved by the Trust in advance. These purchases will be reviewed on a case-by-case basis for allowability, so contact your program administrator for final approval. You must follow all normal accounting policies regarding things like depreciation and disposal costs that pertain to equipment purchases.

NOTE: For Federally-funded Awards with an agreement that contains a Federal award date of September 30, 2024 or earlier, the 2 CFR 200 rules were slightly different. Check your award date to see which rule applies to you and ask your program administrator for clarification if you need it.

20. Can I buy gift cards with grant funds?

Yes, gift cards can be purchased with grant funds for specific purposes and amounts. Gift cards can be used to provide volunteer stipends or travel allowances in connection with conferences or training. Gift cards can also be used in a limited manner for participation in surveys or other program participation but cannot exceed the minimum reportable income threshold of \$600 per person. Gift cards may **not** be used to cover other allowable costs, including those related to employees, consultants, contractors, and may not be used as a substitute for honorariums. Due to the risk of fraud, waste, and abuse, gift cards must be used in a very limited and judicious manner. You must have adequate internal controls to manage their purchase and use including tracking the names of recipients, gift card numbers and amounts.

21. What is an appropriate honorarium for participants?

Federal procurement guidelines are silent as to set amounts or maximums for honoraria, other than to say that the amount must be “reasonable”. Typically, we see \$200-400 as the average range of honoraria.

22. How should I document honorariums or incentive-based payments for participation?

Honoraria should be documented in the same manner as any other procurement. The payee, amount, date of payment, and a brief description of the purpose of the payment should be present at a minimum. Additional recommended documents can include items like programs for speakers at conferences or meeting agendas.

23. What are the differences between stipends and honoraria?

An honorarium is a one-time payment or token of appreciation for services, typically voluntary. A stipend is a fixed, ongoing payment typically made to cover living expenses during training or research. These are classified as “other” on the FMS. Both may have different tax implications, with stipends often considered taxable income, while honorariums may be treated differently depending on the context.

24. Are participant support costs allowable?

Yes, participant support costs (as defined in the glossary below but generally include stipends, travel allowances, registration fees and per diem) are allowable as a direct cost, so long as this classification is documented in your written policies and procedures and treated consistently across all Federal awards. See [2 CFR 200.456](#).

Here is a helpful site to determine appropriate per diem rates:
<https://www.gsa.gov/travel/plan-book/per-diem-rates>

25. Are donations or sponsorships an allowable cost?

No, donations/sponsorships are unallowable under federal grants. See 2 CFR 200.434.

Indirect Costs

26. What is considered a direct vs an indirect cost? How do I easily calculate indirect of my total direct costs?

Figuring out what is an indirect cost and what is a direct cost can be one of the more challenging aspects of putting a budget together.

Direct costs are those readily identifiable and associated with a specific project, contract, or award. Literally think of the specific costs associated with doing a specific project, e.g., for a tree related project, direct costs would include the trees, supplies for the tree planting, and personnel time of people who plant the trees.

Indirect (facilities & administrative (F&A) costs cover things/processes incurred by your organization not just for that tree planting project, but for the general operation of the organization or for more than one project at the organization. Examples are things like lights, rent, toilet paper, etc. that can't be easily attributed to one specific project.

Indirect costs are generally calculated as a percentage of total program awards. To compute indirect costs, start by totaling your direct costs for the period attributable to the grant in question. This will be your base to which you will apply your agreed upon indirect rate to arrive at your total indirect costs chargeable to the grant.

27. Can you please explain the difference between administrative costs and indirect costs?

The terms Administrative Costs and Indirect Costs are used interchangeably. These are costs that support the entire organization but are not directly linked to the production or sale of specific products or services. Administrative costs can include salaries, rent, utilities, insurance, legal fees, accounting fees, and other general overhead costs. There are several ways to calculate total indirect costs, and the method used will be specified in the agreement you make with your funding partner.

28. How much indirect can I ask for on my award from the Trust if it includes federal money?

You generally have two options: First, using a pre-negotiated rate with the federal government, or if you do not have one, what's called the "de minimis" rate (15% as of October 1st, 2024) of the Modified Total Direct Costs (MTDC) that you've calculated using your budget spreadsheet.

Entities who routinely get federal funds often have negotiated a set indirect rate with the federal government called a Negotiated Indirect Cost Rate Agreement (NICRA), which will dictate the maximum amount of indirect costs allowable to be claimed by the grantee and the base for to which it applies (i.e. MTDC, salaries + fringe). Organizations with a NICRA do not utilize the de minimis and MTDC. If you have one of these, you probably know who you are, and likely have a finance office with whom you can speak to get that number. You'll have to provide it to the Trust in order to be awarded that rate. Organizations with a NICRA must apply it to any Federal funding requests while it is valid.

If you do not have a NICRA, you can use up to what is called a "de minimis" rate of 15% for indirect on an award that you receive either directly from the federal government or from the Trust.

If you use the de minimis rate, indirect costs are calculated against the MTDC which excludes some types of costs. MTDC means all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and up to the first \$50,000 of each subaward (regardless of the period of performance of the subawards under the award). MTDC excludes equipment, capital expenditures, charges for patient care, rental costs, tuition remission, scholarships and fellowships, participant support costs, and the portion of each subaward in excess of \$50,000.

There is one exception to the provision for using the "de minimis" rate - Governmental agencies that receive over \$35,000,000 in Federal funding during their fiscal year are ineligible for the 15% de minimis rate and must submit its indirect cost rate proposal to its cognizant agency as per 2 CFR Appendix VII to Part 200 D.1.b. (effective October 1, 2018) but you don't have to charge the full amount (see # 30).

NOTE: For Federally-funded Awards with an agreement that contains a Federal award date of September 30, 2024 or earlier, the 2 CFR 200 rules were slightly different. The "de minimis" rate is 10%. Check your award date to see which rule applies to you and ask your program administrator for clarification if you need it.

29. Do I have to use my NICRA or can my organization ask for less than our NICRA?

The NICRA establishes a ceiling for the maximum percentage of indirect costs approved for the grantee to claim. You can request less percentage indirect than approved in the NICRA but may not charge more than their NICRA. If you have an approved NICRA, you may not use the de minimis and you must provide documentation of your NICRA.

Please confer with your organization's office of sponsored projects for questions regarding your NICRA.

30. If I ask to use the *de minimis* rate (15% as of October 1, 2024) do I have to use that rate for duration of the project or can I switch to a NICRA mid-project?

The *de minimis* rate does not have to be used for the entire period of performance. Prior to receiving a final NICRA, you may apply for grants and incur costs under a provisional NICRA or by using the *de-minimis* rate. If the NICRA rate expires during the period of performance, you must update the Trust whether they will be applying for a one-time extension, applying for a new NICRA, or whether they will utilize the *de minimis* rate.

Please confer with your organization's office of sponsored projects for questions regarding your NICRA and its application.

NOTE: For Federally-funded Awards with an agreement that contains a Federal award date of September 30, 2024 or earlier, the 2 CFR 200 rules were slightly different. The "de minimis" rate is 10%. These organizations cannot elect to use the de minimis rate if they have ever had a NICRA. Check your award date to see which rule applies to you and ask your program administrator for clarification if you need it.

31. What if my organization's NICRA has expired? Can I elect to use the *de minimis* rate (15% as of October 1, 2024)?

Generally, awardees may elect to use the *de minimis* rate of 15% if their NICRA has expired and they don't intend to renew their NICRA. However, some exceptions may apply to this rule depending on the source of the federal funds. Work with a program administrator if your NICRA is expired and you want to elect for the *de minimis* rate to confirm your eligibility.

NOTE: For Federally-funded awards with an agreement for the Federal award date of September 30, 2024 or earlier, the rules were slightly different. The "de minimis" rate is 10%. Check your award date to see which rule applies to you and ask your program administrator for clarification if you need it.

32. Can green infrastructure costs be included in the calculation of Modified Total Direct Costs (MTDC)?

Construction costs related to **green infrastructure** may qualify as capital expenditures, which are not allowed to be included in MTDC – it depends on whether the costs are associated with the design/planning or implementation phase, and whether they meet a reasonable threshold (typically \$10,000 per unit cost) for materially increasing the value or useful life of the land.

Federal guidelines do not allow for the inclusion of the costs of the materials/goods (capital assets) used in construction in the calculation of MTDC. However, costs for design and implementation services may be included in the calculation of MTDC.

Example: the cost of the actual permeable pavers may not be included in the calculation of MTDC because it is a capital asset that materially increases the value of the land or buildings (facilities) and has a useful life of more than one year, but the costs associated with the services required to design and install the permeable pavers may be included in the calculation of MTDC.

Check your RFP for guidance on allowability of federal funds if you are an applicant, or work with your program administrator to clarify budget questions if you are an awardee.

Consider reclassifying indirect costs as personnel costs if your situation allows. This scenario is only applicable to applicants and awardees who do not have a negotiated indirect cost rate agreement (NICRA). Their NICRA document will indicate the base used for the indirect cost calculation.

UEIs

33. What is a UEI and how do I get an active registration that is searchable on SAM.gov?

Unique Entity Identifier (UEI) is an identifier required by the federal government to track whether an entity has had problems managing federal money, among other uses. The UEI is issued by the System for Award Management (SAM). You can read more about SAM at your leisure, but the bottom line is that you have to have a UEI in order to get grants with federal money in them. It's not hard to get one.

More information about SAM: SAM is the Federal repository into which an entity must provide information required for the conduct of business as a recipient of federal funds. Additional information about registration procedures may be found at the SAM Internet site at <https://www.sam.gov>. Awardees are responsible for ensuring that their information in SAM is current and updated at least annually.

34. How is getting a UEI different than registering in SAM?

Obtaining a UEI allows your organization to do business with the Federal government and is the first step to registering with SAM, which is required to receive **direct** awards from the Federal government. Sub-awardees are not required to register with SAM.gov, however, we encourage applicants to fully register.

Audits

35. If I am required to get an audit, can I charge the cost for the audit to the federal grant?

If your organization receives over \$1,000,000 in federal awards for a given year, you are required to undergo a Single Audit. A reasonably proportionate share of the costs of

audits required by, and performed in accordance with, the Single Audit Act are allowable as a necessary expense chargeable to the award.

If you are **not required** to have an audit conducted and elect to do so, you **cannot charge audit costs** to your federal awards. Only charges for required audits are chargeable against awards. Programs which do not meet the \$1,000,000 threshold are not required to engage in audit services, and as such, their audit charges will not be allowable costs.

NOTE: For Federally-funded Awards with an agreement that contains a Federal award date of September 30, 2024 or earlier, the 2 CFR 200 rules were slightly different. The threshold for audits was \$750,000. Check the Federal award date to see which rule applies to you and ask your program administrator for clarification if you need it.

Sub-awardee Requirements

36. What requirements must be passed down to sub-awardees?

With few exceptions, all requirements must also apply sub-awardees. A pass-through entity must ensure that its sub-awardees comply with the applicable federal and grant requirements and that all costs are allowable, allocable, reasonable, and necessary.

The following summarizes those requirements but please see the full details found in the terms & conditions of your application:

1. Select subrecipients and conduct subaward competitions
2. Verify that the potential subrecipient is not suspended, debarred, or otherwise excluded from receiving Federal funds.
3. Ensure that each subrecipient has a “Unique Entity Identifier” (UEI). Subrecipients are not required to complete full System for Award Management (SAM.gov) registration to obtain a UEI.
4. Establish and follow a system that ensures all subaward agreements are in writing and include all required federal award identification information, all requirements of the subaward and any additional requirements that the pass through entity imposes, the indirect cost rate, either negotiated or de minimis, a requirement for access to records and financial statements and appropriate closeout conditions
5. Ensure that sub-awardees are aware of pass through requirements including:
 - a. Title VI of the Civil Rights Act and other Federal statutes and regulations prohibiting discrimination including provisions protecting free speech, religious liberty, public welfare, and the environment
 - b. Reporting Subawards and Executive Compensation under Federal Funding Accountability and Transparency Act (FFATA).

- c. Limitations on individual consultant fees for services of designated individuals with specialized skills who are paid at a daily or hourly rate.
 - d. Prohibition on paying management fees which refer to expenses added to the direct costs in order to accumulate and reserve funds for ongoing business expenses; unforeseen liabilities; or for other similar costs which are not allowable.
 - e. The Procurement Standards in 2 CFR Part 200 including those requiring competition when the subrecipient acquires goods and services from contractors (including consultants).
 - f. Other statutes, regulations and Executive Orders that may apply to subawards that may be agreement- or program- specific.
6. Have a system for evaluating subrecipient fraud risk and risk of noncompliance with a subaward to determine the appropriate monitoring and then have a system for monitoring such as reviewing financial and performance reports.
 7. Ensure that a subrecipient provides a plan for and takes corrective action on all significant developments, such as Single Audit findings, that negatively affect the subaward.
 8. Establish and maintain an accounting system which ensures compliance with the Modified Total Direct Cost limitation for the purpose of distributing indirect costs.
 9. Have written procedures for determining that subaward costs are allowable in accordance with 2 CFR Part 200, Subpart E and the terms and conditions of the award.
 10. Verify that the sub-awardee is audited, as applicable and has a process for issuing management decisions for audits that relate to the Federal award.

37. How do I assess risk of my sub-awardee or sub-contractor?

If you plan to make sub-awards with federal funds, your organization must evaluate each subrecipient's risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate level of subrecipient monitoring necessary. The main determination before awarding federal funds is whether the subrecipient is capable of managing a federal award. Consider factors such as:

- (1) The subrecipient's prior experience with the same or similar subawards.
- (2) The results of previous audits including whether or not the subrecipient receives a Single Audit.
- (3) Whether the subrecipient has new personnel or new or substantially changed systems; and

- (4) The extent and results of Federal awarding agency monitoring (e.g., if the subrecipient also receives Federal awards directly from a Federal awarding agency).

Consider imposing specific subaward conditions upon a subrecipient if deemed appropriate.

Throughout the period of performance, monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Pass-through entity monitoring of the subrecipient must include:

- (1) Reviewing financial and performance reports required by the pass-through entity.
- (2) Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies detected through audits, on-site reviews, and written confirmation from the subrecipient, highlighting the status of actions planned or taken to address Single Audit findings related to the particular subaward.
- (3) Issuing a management decision for applicable audit findings pertaining only to the Federal award provided to the subrecipient from the pass-through entity.

Depending upon your assessment of risk posed by the subrecipient the following monitoring tools may be useful to ensure proper accountability and compliance with program requirements and achievement of performance goals:

- (1) Providing subrecipients with training and technical assistance on program-related matters; and
- (2) Performing on-site reviews of the subrecipient's program operations.
- (3) Arranging for agreed-upon-procedures engagements.

38. What conditions should be imposed if a sub-awardee is identified as having higher risk of non-compliance with federal regulations and terms and conditions of a subaward?

Pass-through entities should tailor subaward conditions appropriate to the designated risk level. Pass-through entities may include additional subaward conditions, such as:

- requiring reimbursements rather than advance payments
- withholding authority to proceed with their project until there is evidence of acceptable performance
- requiring more frequent and more detailed financial reports

- requiring additional project monitoring
- requiring the subrecipient to obtain technical or management assistance
- establishing additional prior approvals

Pass-through entities must notify subrecipients if they impose specific subaward conditions, including the nature of the additional requirement(s), the reason(s) why the additional requirements are being imposed, the nature of the action(s) needed to remove the additional requirements, if applicable, the time allowed for completing the action(s), and the method for requesting reconsideration of the additional requirement(s). Pass-through entities must promptly remove specific subaward conditions once subrecipients have resolved the issue(s).

GLOSSARY OF FREQUENTLY USED TERMS

Allowable Cost means a cost that is permissible under the specified terms of the contract or broader federal procurement terms and conditions.

Capital assets means a tangible or intangible purchase used in operations having a useful life of more than one year that is capitalized. Capital assets include land, buildings (facilities), equipment, and intellectual property (including software), and any improvements that materially increase their value or useful life (not ordinary repairs and maintenance).

Capital expenditures means expenditures to acquire capital assets or expenditures to make additions, improvements, modifications, replacements, rearrangements, reinstallations, renovations, or alterations to capital assets that materially increase their value or useful life.

Cognizant Federal Agency means the Federal agency that, on behalf of all Federal agencies, is responsible for establishing final indirect cost rates and forward pricing rates, if applicable, and administering cost accounting standards for all contracts in a business unit.

Contract means a mutually binding legal relationship obligating the seller to furnish the supplies or services (including construction) and the buyer to pay for them. It includes all types of commitments that obligate the Government to an expenditure of appropriated funds and that, except as otherwise authorized, are in writing. Contracts do not include grants and cooperative agreements.

Debarment means action taken by a debarring official under FAR Subpart [9.406](#) and 2 CFR part 180 to exclude a contractor from Government contracting and Government-approved subcontracting for a reasonable, specified period; a contractor that is excluded is "debarred."

Direct cost means any cost that is identified specifically with a particular final cost objective. Direct costs are not limited to items that are incorporated in the end product as material or labor. Costs identified specifically with a contract are direct costs of that contract. All costs identified specifically with other final cost objectives of the contractor are direct costs of those cost objectives.

Federal agency means any executive agency or any independent establishment in the legislative or judicial branch of the Government.

Final Indirect Cost Rate means the indirect cost rate established and agreed upon by the Government and the contractor as not subject to change. It is usually established after the close of the contractor's fiscal year (unless the parties decide upon a different period) to which it applies.

Fringe Benefits means allowances and services provided by the contractor to its employees as compensation in addition to regular wages and salaries. Fringe benefits include, but are not limited to, the cost of vacations, sick leave, holidays, military leave, employee insurance, and supplemental unemployment benefit plans.

General and administrative (G&A) expense means any management, financial, and other expense which is incurred by or allocated to a business unit, and which is for the general management and administration of the business unit as a whole. G&A expense does not include those management expenses whose beneficial or causal relationship to cost objectives can be more directly measured by a base other than a cost input base representing the total activity of a business unit during a cost accounting period.

Indirect cost means any cost incurred for a common or joint purpose not directly identified with a single final cost objective but identified with two or more final cost objectives or with at least one intermediate cost objective. Indirect costs include costs which are frequently referred to as overhead expenses (for example, rent and utilities) and general and administrative expenses (for example, officers' salaries, accounting department costs and personnel department costs).

Indirect cost rate means the percentage or dollar factor that expresses the ratio of indirect expense incurred in a given period to direct labor cost, manufacturing cost, or another appropriate base for the same period. An indirect cost rate is simply a device for determining fairly and expeditiously the proportion of general (non-direct) expenses that each project will bear. It is the ratio between the total indirect costs of an applicant and some equitable direct cost base.

Memorandum of Understanding (MOU) means a written non-binding agreement between entities to document lines of authority or responsibility or to clarify cooperative procedures.

Micro-purchase means an acquisition of supplies or services using simplified acquisition procedures, the aggregate amount of which does not exceed the micro-purchase threshold. \$10,000 from October 1, 2024.

Modified Total Direct Cost (MTDC) means all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and up to the first \$50,000 of each subaward (regardless of the period of performance of the subawards under the award). MTDC excludes equipment, capital expenditures, charges for patient care, rental costs, tuition remission, scholarships and fellowships, participant support costs, and the portion of each subaward in excess of \$50,000. NOTE: For Federal Awards with an agreement that contains a Federal award date of September 30, 2024 or earlier, the 2 CFR 200 rules were slightly different. The portion of each subaward in excess of \$25,000 was excluded from the MTDC calculation. Check your award date to see which rule applies to you and ask your program administrator for clarification if you need it.

Participant support costs means direct costs that support individuals participating in or attending program activities such as training or conferences and their involvement in the award, such as stipends, subsistence allowances, travel allowances, registration fees, temporary dependent care, and per diem paid directly to or on behalf of participants. Participants are not responsible for implementation of the award. Examples may include community members participating in a community outreach program, members of the public whose perspectives or input are sought as part of a program, students, or conference attendees.

Pass-through entity means a recipient or subrecipient that provides a subaward to a subrecipient (including lower tier subrecipients) to carry out part of a Federal program.

Purchase order, when issued by the Government, means an offer by the Government to buy supplies or services, including construction and research and development, upon specified terms and conditions, using simplified acquisition procedures.

Simplified Acquisition Threshold is defined at 2 CFR 200.1 and is currently set at \$250,000 but the amount is subject to adjustment.

Sole source acquisition means a contract for the purchase of supplies or services that is entered into or proposed to be entered into by an agency after soliciting and negotiating with only one source.

Solicitation means any request to submit offers or quotations to the Government. Solicitations under sealed bid procedures are called "invitations for bids." Solicitations under negotiated procedures are called "requests for proposals." Solicitations under simplified acquisition procedures may require submission of either a quotation or an offer.

System for Award Management (SAM) - the Federal repository into which an entity must provide information required for the conduct of business as a recipient. Additional information about registration procedures may be found at the SAM Internet site: <https://www.sam.gov/SAM/>.

Subaward means a legal instrument to provide support for the performance of any portion of the substantive project or program for which you received this award and that you as the recipient award to an eligible subrecipient. This does not include procurement of property and services needed to carry out the project or program. A subaward may be provided through any legal agreement, including an agreement that the recipient or a subrecipient considers a contract.

Subrecipient means a non-Federal entity or Federal agency that: 15.5.e.1. Receives a subaward from the recipient under this award; and 15.5.e.2. Is accountable to the recipient for the use of the Federal funds provided by the subaward.

Supplies means all property except land or interest in land.

Suspension means action taken by a suspending official to disqualify a contractor temporarily from Government contracting and Government-approved subcontracting; a contractor that is disqualified is "suspended."

Unallowable cost means any cost that, under the provisions of any pertinent law, regulation, or contract, cannot be included in prices, cost-reimbursements, or settlements under a government contract to which it is allocable.

Unique entity identifier (UEI) means a number or other identifier used to identify a specific commercial, nonprofit, or Government entity.