

Breakout Session
Prior Approvals

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2 CFR 200.308 REVISION OF BUDGET AND PROGRAM PLANS

- (a) The approved budget for the Federal award summarizes the financial aspects of the project or program as approved during the Federal award process. It may include either the Federal and non-Federal share (see §200.43 Federal share) or only the Federal share, depending upon Federal awarding agency requirements. It must be related to performance for program evaluation purposes whenever appropriate.
- (b) Recipients are required to report deviations from budget or project scope or objective, and request prior approvals from Federal awarding agencies for budget and program plan revisions, in accordance with this section.
- (c)(1) For non-construction Federal awards, recipients must request prior approvals from Federal awarding agencies for one or more of the following program or budget-related reasons:
 - (i) Change in the scope or the objective of the project or program (even if there is no associated budget revision requiring prior written approval).
 - (ii) Change in a key person specified in the application or the Federal award.
 - (iii) The disengagement from the project for more than three months, or a 25 percent reduction in time devoted to the project, by the approved project director or principal investigator.

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- (iv) The inclusion, unless waived by the Federal awarding agency, of costs that require prior approval in accordance with Subpart E—Cost Principles of this part or 45 CFR part 75 Appendix IX, “Principles for Determining Costs Applicable to Research and Development under Awards and Contracts with Hospitals,” or 48 CFR part 31, “Contract Cost Principles and Procedures,” as applicable.
- (v) The transfer of funds budgeted for participant support costs as defined in §200.75 Participant support costs to other categories of expense.
- (vi) Unless described in the application and funded in the approved Federal awards, the subawarding, transferring or contracting out of any work under a Federal award, including fixed amount subawards as described in §200.332 Fixed amount subawards. This provision does not apply to the acquisition of supplies, material, equipment or general support services.
- (vii) Changes in the approved cost-sharing or matching provided by the non-Federal entity.
- (viii) The need arises for additional Federal funds to complete the project.

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- (2) No other prior approval requirements for specific items may be imposed unless an exception has been approved by OMB. See also §§200.102 Exceptions and 200.407 Prior written approval (prior approval).
- (d) Except for requirements listed in paragraph (c)(1) of this section, the Federal awarding agency is authorized, at its option, to waive prior written approvals required by paragraph (c) this section. Such waivers may include authorizing recipients to do any one or more of the following:
- (1) Incur project costs 90 calendar days before the Federal awarding agency makes the Federal award. Expenses more than 90 calendar days pre-award require prior approval of the Federal awarding agency. All costs incurred before the Federal awarding agency makes the Federal award are at the recipient's risk (i.e., the Federal awarding agency is under no obligation to reimburse such costs if for any reason the recipient does not receive a Federal award or if the Federal award is less than anticipated and inadequate to cover such costs). See also §200.458 Pre-award costs.
- (2) Initiate a one-time extension of the period of performance by up to 12 months unless one or more of the conditions outlined in paragraphs (d)(2)(i) through (iii) of this section apply. For one-time extensions, the recipient must notify the Federal awarding agency in writing with the supporting reasons and revised period of performance at least 10 calendar days before the end of the period of performance specified in the Federal award. This one-time extension may not be exercised merely for the purpose of using unobligated balances. Extensions require explicit prior Federal awarding agency approval when:
- (i) The terms and conditions of the Federal award prohibit the extension.
 - (ii) The extension requires additional Federal funds.
 - (iii) The extension involves any change in the approved objectives or scope of the project.

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- (3) Carry forward unobligated balances to subsequent periods of performance.
- (4) For Federal awards that support research, unless the Federal awarding agency provides otherwise in the Federal award or in the Federal awarding agency's regulations, the prior approval requirements described in paragraph (d) are automatically waived (i.e., recipients need not obtain such prior approvals) unless one of the conditions included in paragraph (d)(2) applies.
- (e) The Federal awarding agency may, at its option, restrict the transfer of funds among direct cost categories or programs, functions and activities for Federal awards in which the Federal share of the project exceeds the Simplified Acquisition Threshold and the cumulative amount of such transfers exceeds or is expected to exceed 10 percent of the total budget as last approved by the Federal awarding agency. The Federal awarding agency cannot permit a transfer that would cause any Federal appropriation to be used for purposes other than those consistent with the appropriation.
- (f) All other changes to non-construction budgets, except for the changes described in paragraph (c) of this section, do not require prior approval (see also §200.407 Prior written approval (prior approval)).

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- (g) For construction Federal awards, the recipient must request prior written approval promptly from the Federal awarding agency for budget revisions whenever paragraph (g)(1), (2), or (3) of this section applies.
- (1) The revision results from changes in the scope or the objective of the project or program.
 - (2) The need arises for additional Federal funds to complete the project.
 - (3) A revision is desired which involves specific costs for which prior written approval requirements may be imposed consistent with applicable OMB cost principles listed in Subpart E—Cost Principles of this part.
 - (4) No other prior approval requirements for budget revisions may be imposed unless an exception has been approved by OMB.
 - (5) When a Federal awarding agency makes a Federal award that provides support for construction and non-construction work, the Federal awarding agency may require the recipient to obtain prior approval from the Federal awarding agency before making any fund or budget transfers between the two types of work supported.

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- (h) When requesting approval for budget revisions, the recipient must use the same format for budget information that was used in the application, unless the Federal awarding agency indicates a letter of request suffices.

- (i) Within 30 calendar days from the date of receipt of the request for budget revisions, the Federal awarding agency must review the request and notify the recipient whether the budget revisions have been approved. If the revision is still under consideration at the end of 30 calendar days, the Federal awarding agency must inform the recipient in writing of the date when the recipient may expect the decision.

2 CFR 200.407 BASIC CONSIDERATIONS

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

2 CFR 200.407 PRIOR WRITTEN APPROVAL (PRIOR APPROVAL)

- (a) §200.201 Use of grant agreements (including fixed amount awards), cooperative agreements, and contracts, paragraph (b)(5);
- (b) §200.306 Cost sharing or matching;
- (c) §200.307 Program income;
- (d) §200.308 Revision of budget and program plans;
- (e) §200.311 Real property;
- (f) §200.313 Equipment;
- (g) §200.332 Fixed amount subawards;
- (h) §200.413 Direct costs, paragraph (c);

2 CFR 200.407 PRIOR WRITTEN APPROVAL (PRIOR APPROVAL)

- (i) §200.430 Compensation—personal services, paragraph (h);
- (j) §200.431 Compensation—fringe benefits;
- (k) §200.438 Entertainment costs;
- (l) §200.439 Equipment and other capital expenditures;
- (m) §200.440 Exchange rates;
- (n) §200.441 Fines, penalties, damages and other settlements;
- (o) §200.442 Fund raising and investment management costs;
- (p) §200.445 Goods or services for personal use;

2 CFR 200.407 PRIOR WRITTEN APPROVAL (PRIOR APPROVAL)

- (q) §200.447 Insurance and indemnification;
- (r) §200.454 Memberships, subscriptions, and professional activity costs, paragraph (c);
- (s) §200.455 Organization costs;
- (t) §200.456 Participant support costs;
- (u) §200.458 Pre-award costs;
- (v) §200.462 Rearrangement and reconversion costs;
- (w) §200.467 Selling and marketing costs;
- (x) §200.470 Taxes (including Value Added Tax); and
- (y) §200.474 Travel costs.

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SCENARIOS

Is prior written approval required?

IS PRIOR APPROVAL REQUIRED?

Scenario 1:

A program director on a literacy grant was budgeted to work 100% of her time on the award. She has been asked to reduce her time to 80% for next two months in order to assist another project with start-up duties. She was not named in the grant application. Is prior written approval required?

Answer: Prior approval is not required. This is not a 25% reduction, the percentage at which prior approval would be required. And even if she was named in the grant application or award, approval still wouldn't be required since the person isn't being replaced.

IS PRIOR APPROVAL REQUIRED?

Scenario 2:

Due to an exceptionally busy season, grant recipient Housing our Community has requested most Program Assistants to work overtime. Should the organization obtain prior approval from its federal funding agencies before the overtime costs are paid out? Should they obtain prior written approval before the overtime hours are worked?

Answer: Prior approval is not required. 2 CFR 200.430 does not stipulate that overtime must be approved.

IS PRIOR APPROVAL REQUIRED?

Scenario 3:

The City of Elmville has a grant to build restrooms and shelters at several parks. The City has terminated the staff member overseeing the project due to misconduct. The terminated staff member was named in the grant application. Is prior written approval required for his replacement?

Answer: Prior approval is not required under 2 CFR 200 for replacement of the director of a construction grant, even if the person was named in the grant application.

IS PRIOR APPROVAL REQUIRED?

Scenario 4:

The University of Michigan would like a 9-month extension on its research grant. Is prior written approval required?

Answer: Prior written approval is likely not required, since this is a research grant, which normally allows an extension of up to 12 months.

IS PRIOR APPROVAL REQUIRED?

Scenario 5:

Healthy Houston has a \$100,000 cooperative agreement for nutrition education and would like to move \$20,000 from the Personnel category to the Supplies category. As allowed by 2 CFR 200, the agency has enacted the 10% budget deviation prior approval requirement. Is prior written approval required?

Answer: Prior approval is not required, since this budget does not exceed the Simplified Acquisition Threshold (currently \$250,000).

IS PRIOR APPROVAL REQUIRED?

Scenario 6:

The Oak City School District has a grant from the Department of Education for after school programming. The District proposed services at 18 campuses in the grant application, but has determined it would like to provide services using grant funds at a 19th campus. They have found savings in the budget so that they can serve the 19th campus without any additional federal money. Is prior written approval required?

Answer: It depends on whether or not this is deemed a change in scope or objective. If in doubt, they should consult with the awarding agency.

IS PRIOR APPROVAL REQUIRED?

Scenario 7:

The City of Hudson has set its equipment capitalization threshold at \$1000. The City would like to repurpose unused grant funds to purchase two needed \$1200 laptops for grant staff. Is prior written approval required?

Answer: Yes, general purpose equipment of any amount requires prior written approval.

IS PRIOR APPROVAL REQUIRED?

Scenario 8:

Community Strategies, a nonprofit, has determined that it needs to develop a database to track performance data related to its education-related grant. They would like to hire a contractor to do this. This was not in the approved grant budget. Is prior written approval required.

Answer: 2 CFR 200.308(c) requires prior written approval for contracting out any work under the award.

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KEY CONSIDERATIONS

- How can a person gain awareness of all actions/costs requiring prior approval?
- What role does internal grantee training have in this?
- What controls does an organization need to utilize to ensure prior written approvals are obtained in advance of cost/actions requiring prior approval?
- What should a written policy/procedure related to prior approvals include?

KEY CONSIDERATIONS

- What types of tools would be helpful for organizations to ensure compliance in this area?
- What can an applicant do to limit the need for prior approval requests?
- Is a federal agency allowed to require its recipients to request prior approvals of costs/actions not requiring prior approval in the Uniform Guidance?
- Is a pass-through entity allowed to require its subrecipients to request prior approvals of costs/actions not requiring prior approval in the Uniform Guidance?

RESOURCES

- Federal financial assistance resources:
<https://www.cfo.gov/financial-assistance/>
- Uniform Guidance (2 CFR 200/45 CFR 75):
<http://www.ecfr.gov/>

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