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Fiscal Coaching Session 1: WAP Regulations & 2 CFR 200 Essentials

May 14, 2026

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Rebecca is a Principal at CliftonLarsonAllen and leads the Grant Services group. She has over 20 years of public accounting experience and working exclusively with nonprofit organizations. She specializes in grant compliance, including single audits, and has extensive knowledge in related regulations and requirements. Rebecca also serves as a firm wide assurance resource where she oversees compliance with professional standards, provides technical assistance, and assists with training curriculum.



Agenda

- Overview of WAP financial requirements
- Key sections of 2 CFR 200 relevant to fiscal staff
- Allowable/unallowable costs
- Cost principles, documentation, and compliance expectations
- Subrecipient monitoring fundamentals



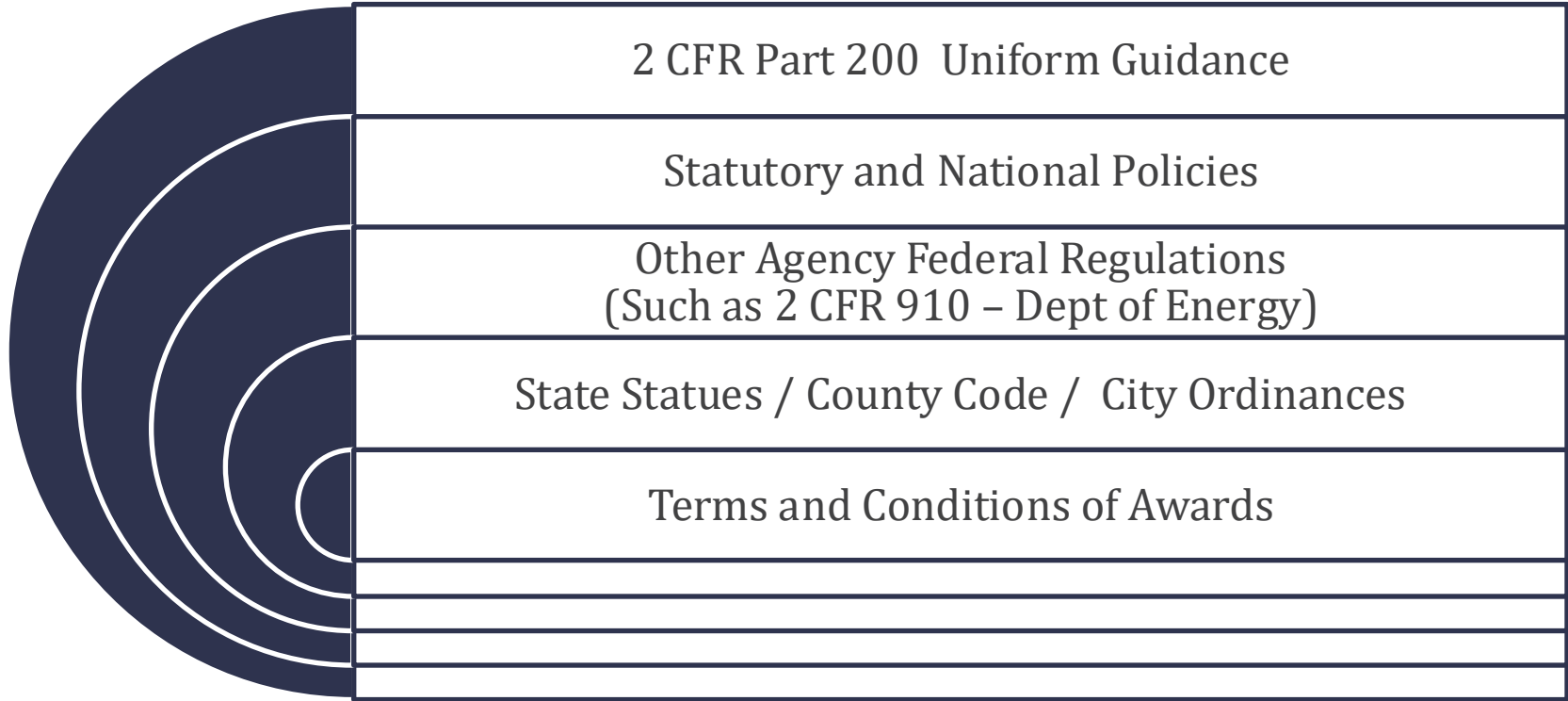


Sources of Grant Compliance Requirements

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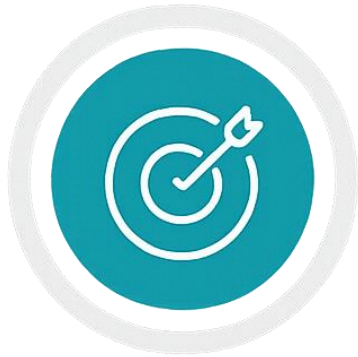
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Sources of Grant Compliance Requirements



Understanding Statute, Regulation and Policy

Statute



Sets the mandate

Regulation



Defines the rules

Policy / Guidance



Explains how to implement those rules effectively and consistently



How the authorities work together

Statute sets purpose + boundaries: 42 U.S.C. § 6861 establishes the program purpose (increase energy efficiency, reduce energy expenditures, improve health/safety for low-income households). This is the “why” behind eligibility and cost allowability decisions.

Regulation implements the program: DOE’s WAP regulations in **10 CFR part 440** translate statutory purpose into program rules, state plans/applications, subgrantee requirements, allowable expenditures, oversight, recordkeeping, and reporting.

Uniform Guidance governs how you manage the award: **2 CFR part 200** is the government-wide rulebook for managing federal funds (financial management, internal controls, cost principles, procurement, subrecipient monitoring, audit readiness).
(DOE Adopted in 2 CFR 910)

DOE develops policy, guidance, notices, and program instructions to operationalize both statute and regulation. These tools: Clarify expectations and allowable activities, interpret regulatory requirements in real-world contexts, and provide consistent direction to Grantees

Practical takeaway for fiscal staff: Every transaction should be able to answer three questions—
(1) **Does it advance WAP’s purpose?** (42 U.S.C. § 6861) (2) **Is it permitted by WAP rules?** (10 CFR part 440) (3) **Was it managed correctly?** (2 CFR part 200).



Department of Energy Federal Regulations

2 CFR Part 910 (superseded 2 CFR 600)

- **§910.120 Adoption of 2 CFR part 200.**(a) Under the authority listed above, the Department of Energy adopts the Office of Management and Budget (OMB) Guidance in 2 CFR part 200, with the following additions. Thus, this part gives regulatory effect to the OMB guidance and supplements the guidance as needed for the Department.

2 CFR Part 200

- Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

Uniform Guidance Contents:

Subpart A – Acronyms and Definitions

Subpart B – General Provisions

Subpart C - Pre Federal Award Requirements

Subpart D – Post Federal Award Requirements

Subpart E – Cost Principles

Subpart F – Audit Requirements





Administrative Compliance Requirements

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Key Fiscal Areas of 2 CFR 200

§200.300 Statutory and national policy requirements

§200.301 Performance measurement

§200.302 Financial management

§200.303 Internal controls

§200.305 Payment

§200.306 Cost sharing or matching

§200.307 Program income

§200.308 Revision of budget and program plans

§200.309 Period of performance

§200.310-316 Property standards

§200.317-327 Procurement standards

§200.328-330 Performance and financial monitoring and reporting

§200.331-333 Subrecipient monitoring and management

§200.334-338 Record retention and access

§200.339-343 Remedies for noncompliance

§200.344 Closeout

§200.345 Post-Closeout adjustments and continuing responsibilities

§200.400- 476 Cost Principles



Key Fiscal Areas of 2 CFR 200 Cont.

§200.302 Financial management

§200.303 Internal controls

§200.306 Cost sharing or matching

§200.308 Revision of budget and program plans

§200.309 Period of performance

§200.310-316 Property standards

§200.317-327 Procurement standards

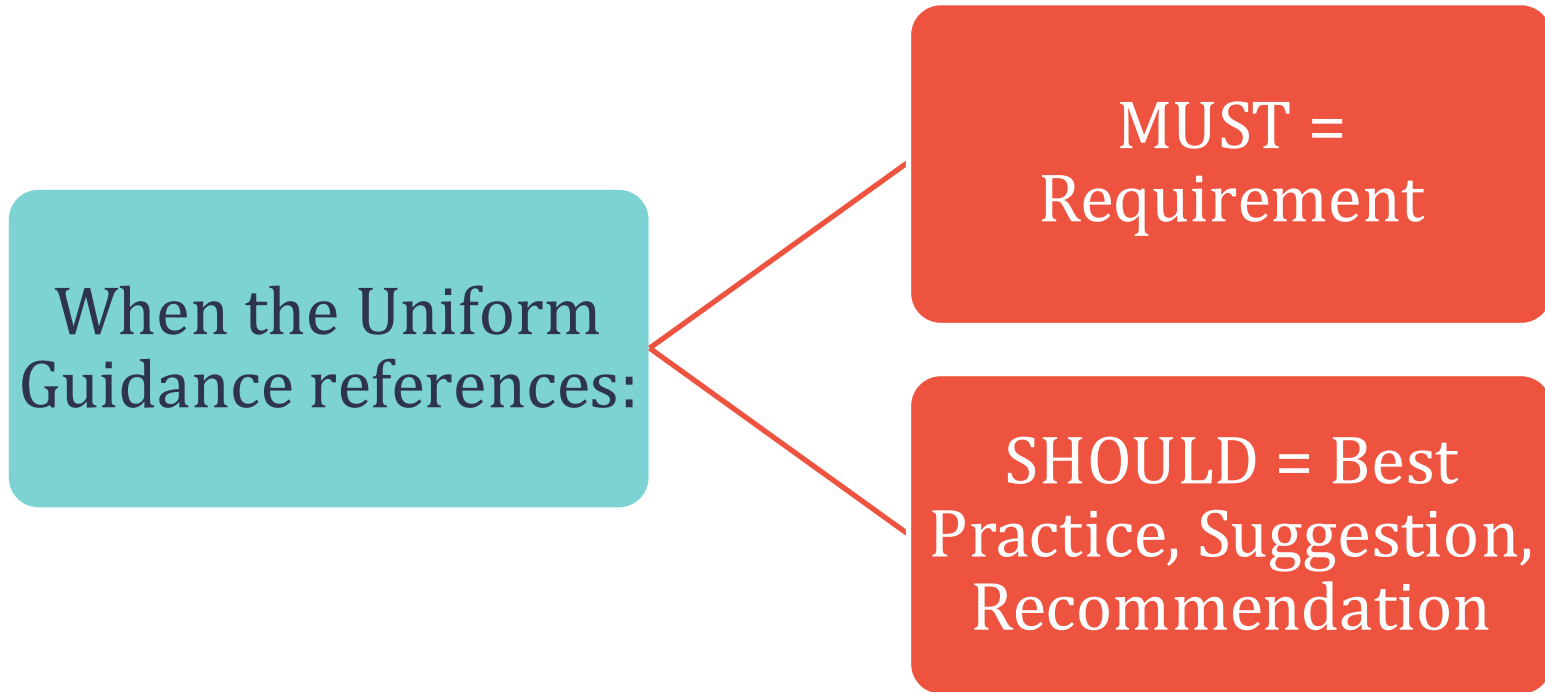
§200.328-330 Performance and financial monitoring and reporting

§200.331-333 Subrecipient monitoring and management

§200.400- 476 Cost Principles

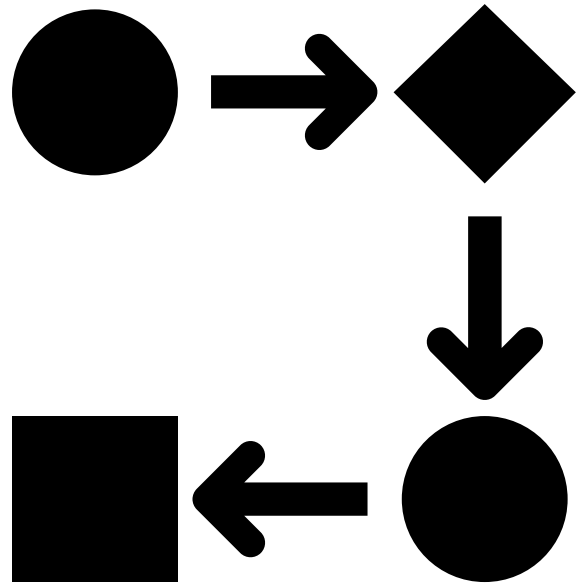


Understanding Must vs. Should



Flow Through of Regulations: [10 CFR 440.15](#) & [2 CFR 200.332](#)

Regulations are applicable to both
prime recipient and subrecipients of
federal financial assistance





Cost Principles

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Cost Principles

Subpart E of Uniform Guidance-
Cost Principles applies to both
direct and indirect costs of a
federal program



Cost Principles Cont.

Direct Costs

The **benefit** of the cost can be identified specifically with a particular final cost objective, (such as a Federal award)

Indirect Costs

The benefit of the cost can **not be identified specifically to** the cost objective (such as a Federal award)

Costs incurred for a common or joint purpose benefitting more than one cost objective



Direct and Indirect Costs

No universal rule for classifying certain costs as either direct or indirect under every accounting system



Identification with the Federal award - rather than the cost category - is the determining factor in distinguishing direct from indirect costs of Federal awards



Factors Affecting Allowability of Costs (200.403)

- Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable:
 - (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
 - (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.



Factors Affecting Allowability of Costs (200.403)

- (c) Be consistent with policies and procedures that apply uniformly to both federally financed and other activities of the recipient/subrecipient.
- (d) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost (to avoid possible double-charging of Federal awards).



Factors Affecting Allowability of Costs (200.403)

- (e) Be determined in accordance with GAAP, except, for state and local governments and Indian tribes only, as otherwise provided for.
- (f) Not be included as a cost or used to meet cost sharing requirements of any other federal award.
- (g) Be adequately documented.
 - Should support the cost being: Allowable, Reasonable, Properly Allocated



Factors Affecting Allowability of Costs (200.403)

- (h) Administrative closeout costs may be incurred until the due date of the final report(s). If incurred, these costs must be liquidated prior to the due date of the final report(s) and charged to the final budget period of the award unless otherwise specified by the Federal agency.
 - All other costs must be incurred during the approved budget period.
 - At its discretion, the Federal agency is authorized to waive prior written approvals to carry forward unobligated balances to subsequent budget periods.



Reasonable Costs (200.404)

A cost is reasonable if it does not exceed that a prudent person would incur under the prevailing circumstances when the decision was made.



Allocable Costs (200.405)

A cost is allocable to a Federal award if the cost is assignable to that Federal award in accordance with relative benefits received.



§200.405(a) Allocable costs.

Cost is properly allocated if the cost:

- (1) Is incurred specifically for the Federal award;
- (2) Benefits both the Federal award and other work of the recipient and can be distributed in proportions that may be approximated using reasonable methods; and
- (3) Is necessary to the overall operation of the recipient and is assignable in part to the Federal award in accordance with the principles in this subpart.



§200.420 Considerations for Selected Items of Cost

- (a) This section provides principles to be applied in establishing the allowability of certain items involved in determining cost, in addition to other requirements of this subpart. These principles apply whether or not a particular cost item is properly treated as a direct or indirect cost.
- (b) The following sections are not intended to be a comprehensive list of potential items of cost encountered under Federal awards. Failure to mention a particular item of cost, including as an example in certain sections, is not intended to imply that it is either allowable or unallowable. When determining the allowability for an item of cost, each case should be based on the treatment provided for similar or related items of cost and based on the principles described in [§§ 200.402](#) through [200.411](#). In case of a discrepancy between the provisions of a specific Federal award and the provisions below, the Federal award governs. Criteria outlined in [§ 200.403](#) must be applied in determining allowability.



Unallowable Costs – No Exceptions

- Alcoholic Beverages (§200.423)
- Bad Debts (§200.426)
- Contributions and donations (§200.434)
 - Unallowable (made by recipient); not reimbursable, but value may be used as cost sharing or matching (made to recipient)
- Goods or services for personal use (§200.445)
 - Unallowable (goods/services); allowable (housing) with restrictions
- Lobbying (§200.450)
- Losses on other awards or contracts (§200.451)



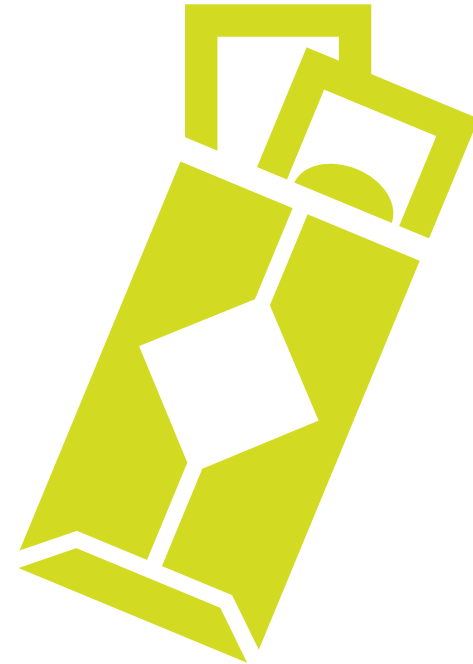
Unallowable Costs – With Exceptions

- Entertainment costs and prizes (§200.438)
 - Entertainment, including amusement, diversion, and social activities and any associated costs are unallowable *unless*:
 - They have a specific and direct programmatic purpose **and**
 - Are included in Federal award
 - Costs of prizes or challenges are allowable if they have a specific and direct programmatic purpose and are included in the Federal award.



Unallowable Costs – With Exceptions

- Fundraising (§200.442)
 - Unallowable: costs of organized fundraising, including financial campaigns, endowment drives, solicitation of gifts and bequests, and similar expenses incurred to raise capital or obtain contributions.
 - Allowable: fundraising costs for meeting the Federal program objectives when received prior written approval from Federal agency.



Unallowable Costs – With Exceptions

- Organization Costs (§200.455)
 - Unallowable: incorporation fees, brokers' fees, fees to promoters, organizers or management consultants, attorneys, accountants, or investment counselor in connection with establishment or reorganization of an organization, etc.
 - *Except* with prior approval of the Federal awarding agency.



Unallowable Costs – With Exceptions

- Selling and marketing costs (§200.467)
 - Unallowable: Costs of selling and marketing any products or services of the recipient .
 - *Unless* allowed under §200.421 Advertising and public relations.
 - *Additional exceptions*: direct costs, with prior approval by the Federal awarding agency when necessary for the performance of the Federal award.



§ 910.360 Real property and equipment.

Prior approvals for acquisition with Federal funds. Recipients may purchase real property or equipment with an acquisition cost per unit of \$5,000 or more in whole or in part with Federal funds only with the prior written approval of the contracting officer or in accordance with express award terms.



Professional service costs (§200.459)

Costs of professional and consultant services rendered by persons who are members of a particular profession or possess a special skill, and who are not officers or employees of the recipient, are allowable, when reasonable in relation to the services rendered and when not contingent upon recovery of the costs from the Federal Government.



Professional service costs (§200.459)

In determining the allowability of costs in a particular case, no single factor or any special combination of factors is necessarily determinative. However, the following factors are relevant:

(1) The nature and scope of the service rendered in relation to the service required.

(5) Whether the proportion of Federal work to the recipient's total business is such as to influence the recipient in favor of incurring the cost, particularly where the services rendered are not of a continuing nature and have little relationship to work under Federal awards.

(2) The necessity of contracting for the service, considering the recipient's capability in the particular area.

(6) Whether the service can be performed more economically by direct employment rather than contracting.

(3) The past pattern of such costs, particularly in the years prior to Federal awards.

(7) The qualifications of the individual or concern rendering the service and the customary fees charged, especially on non-federally funded activities.

(4) The impact of Federal awards on the recipient's business (i.e., what new problems have arisen).

(8) Adequacy of the contractual agreement for the service (e.g., description of the service, estimate of time required, rate of compensation, and termination provisions).



Travel Costs (200.475)

Includes: transportation, lodging, subsistence, and related items incurred by employees who are in travel status on official business.

May be charged on:

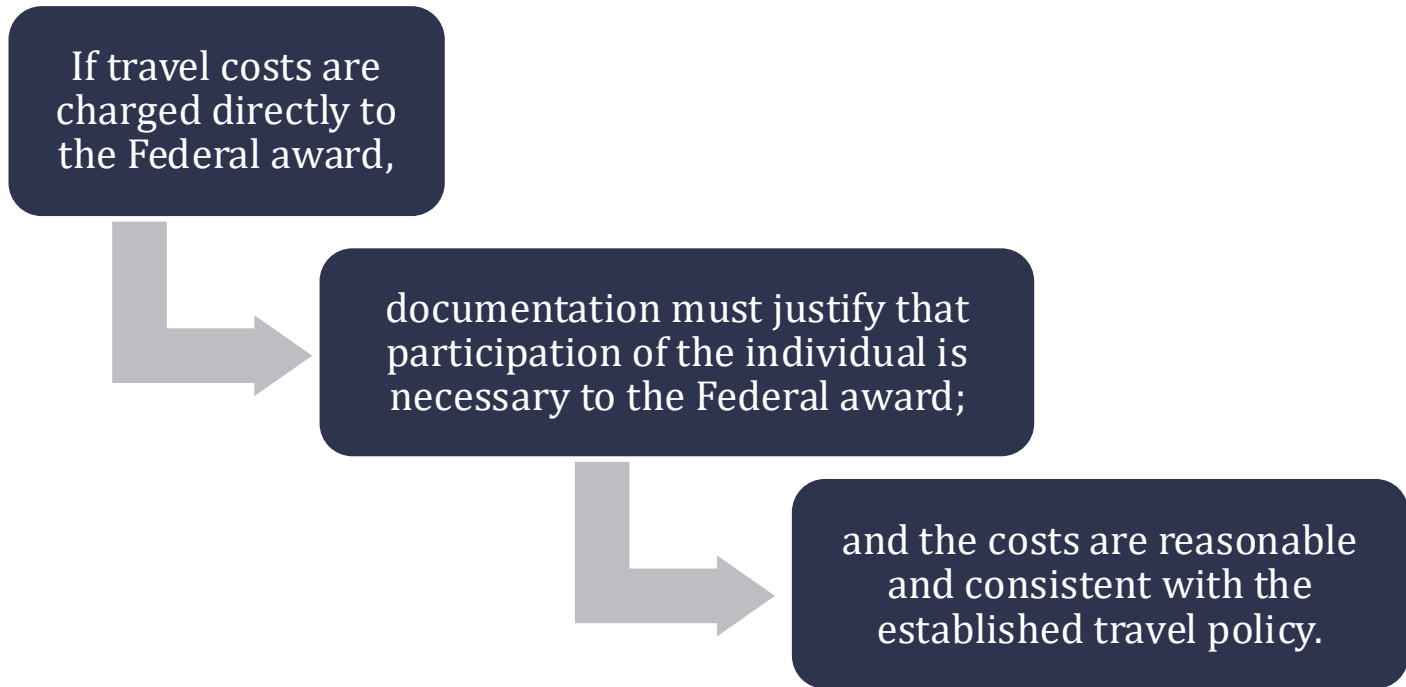
- an actual cost basis,
- per diem or mileage basis,
- or a combination of the two, provided method used is applied to an entire trip.

Must be:

- Consistent with those normally allowed in like circumstances
- In accordance with established written policies



§200.474 Travel Costs



§200.474 Travel Costs

Airfare costs in excess of the basic least expensive (lowest priced) unrestricted accommodations class offered by commercial airlines are unallowable except when such accommodations would:

require circuitous routing,

require travel during unreasonable hours,

excessively prolong travel that would offset the transportation savings

offer accommodations not reasonably adequate for the traveler's medical needs.

Must justify and document these conditions on a case-by-case basis in order to be allowable in such cases.



Prior Written Approval

Prior Written Approval - Section 200.407

- Provides one place for recipients and subrecipients to consult regarding the circumstances under which they should seek prior approval from the federal awarding agency.



Prior Written Approval (2 CFR §200.407)

Section	Cost Category	Section	Cost Category
200.306	Cost sharing	200.441	Fines, penalties, settlements
200.307	Program income	200.442	Fundraising & investment costs
200.308	Budget & program plan revisions	200.445	Personal use goods/services
200.333	Fixed amount subawards	200.447	Insurance & indemnification
200.430 (h)	Compensation—personal services	200.455	Organization costs
200.431	Fringe benefits	200.458	Pre-award costs
200.439	Equipment & capital expenditures	200.462	Rearrangement costs
200.440	Exchange rates	200.475	Travel costs



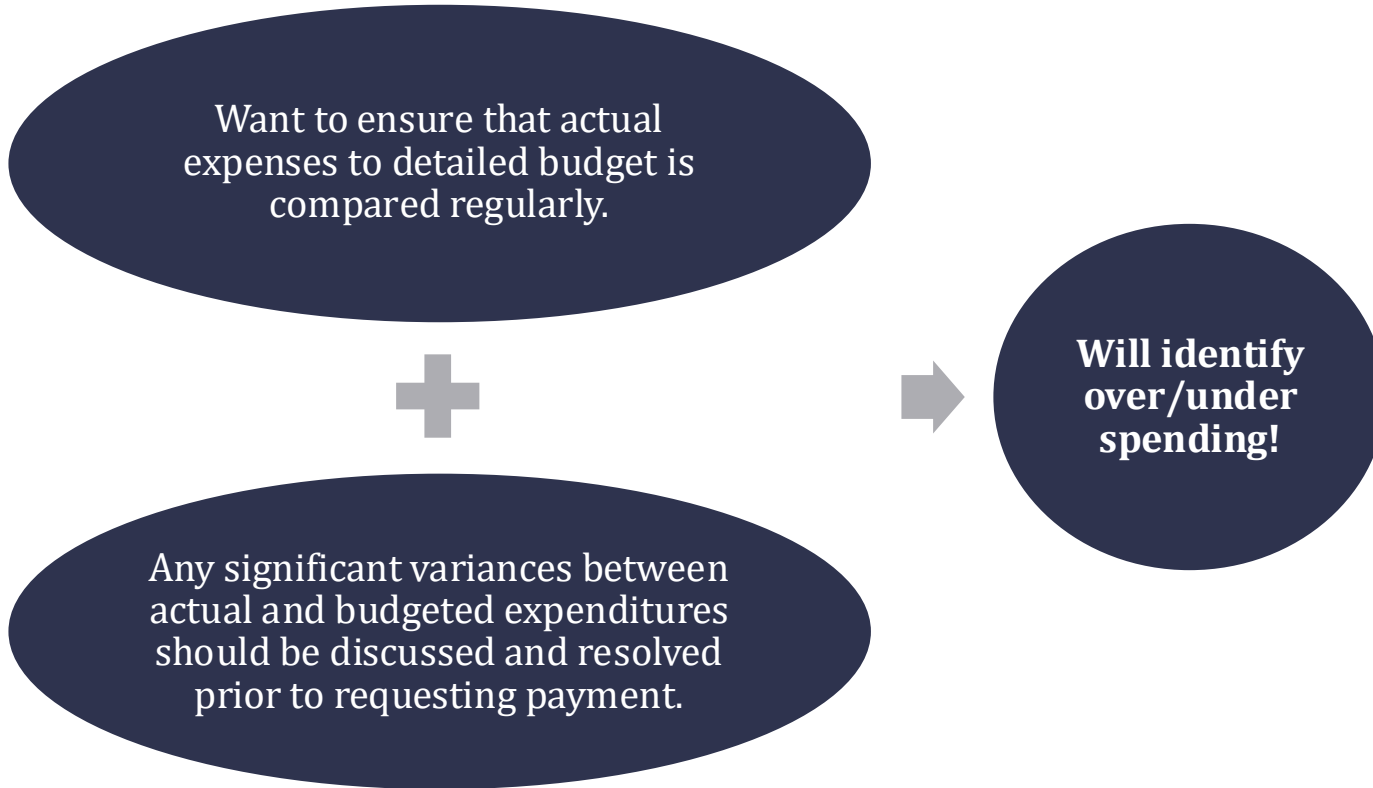
Prior Written Approval (200.407)

Seek prior
written
approval from
Federal agency:

- When allowability of cost is difficult to determine.
- To avoid subsequent disallowance or dispute.
- Prior to incurring the cost!



Actual to Budget Comparisons





Time and Effort Reporting

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Time and Effort Reporting (200.430(g))

Charges must be **based on records that accurately reflect the work performed** and must:

Be supported by a system of internal controls which provides reasonable assurance that the charges are accurate, allowable and properly allocated.


Reasonably reflect the total activity for which the employee is compensated.

Comply with the established accounting policies and practices of the non-federal entity.

Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one federal award.



Time and Effort Reporting



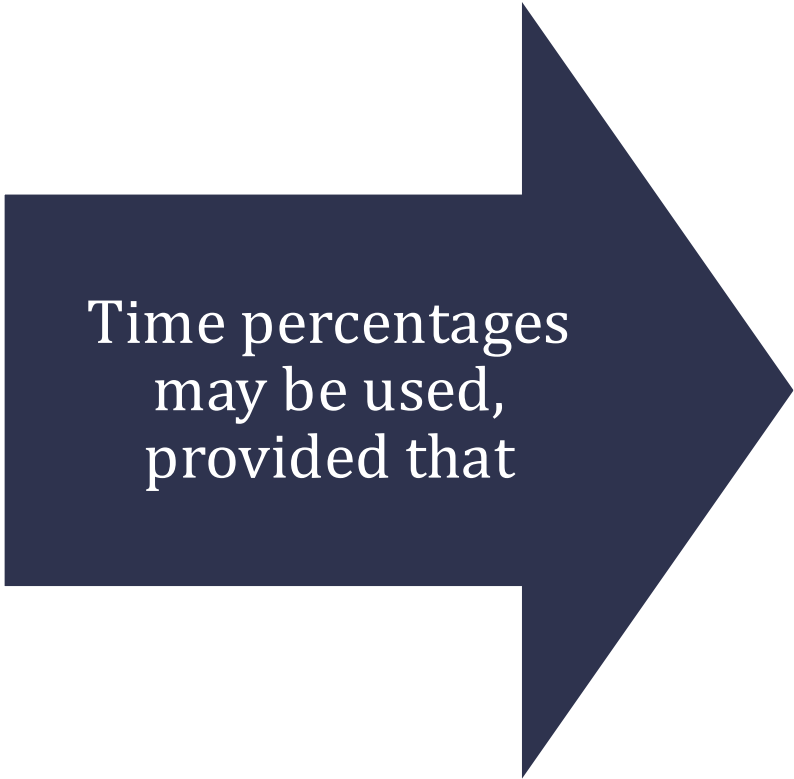
Ensure that the amount charged to the federal grant can trace back to payroll records for **proportionate** amount of total worked.

Hourly employees are straight forward and use hourly rate.

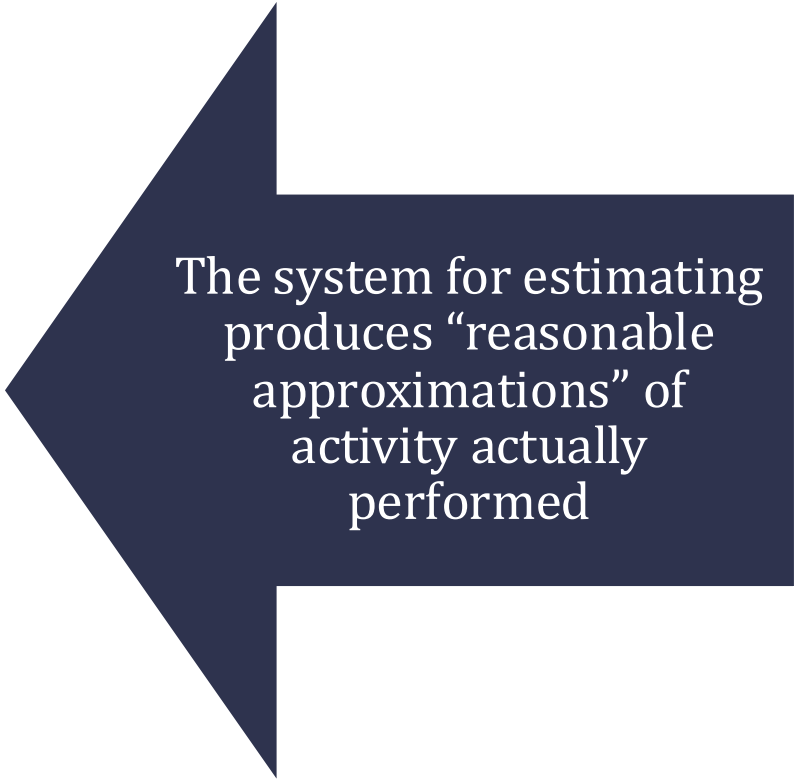
Salaries employee you can not pre-calculate hourly rate!



Time and Effort Reporting - alternative



Time percentages
may be used,
provided that



The system for estimating
produces “reasonable
approximations” of
activity actually
performed





Indirect Cost Rates


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Indirect Cost Rate

The indirect cost rate is designed to provide a method for recovering the costs that indirectly support the program



Indirect cost rate % is applied to the direct base

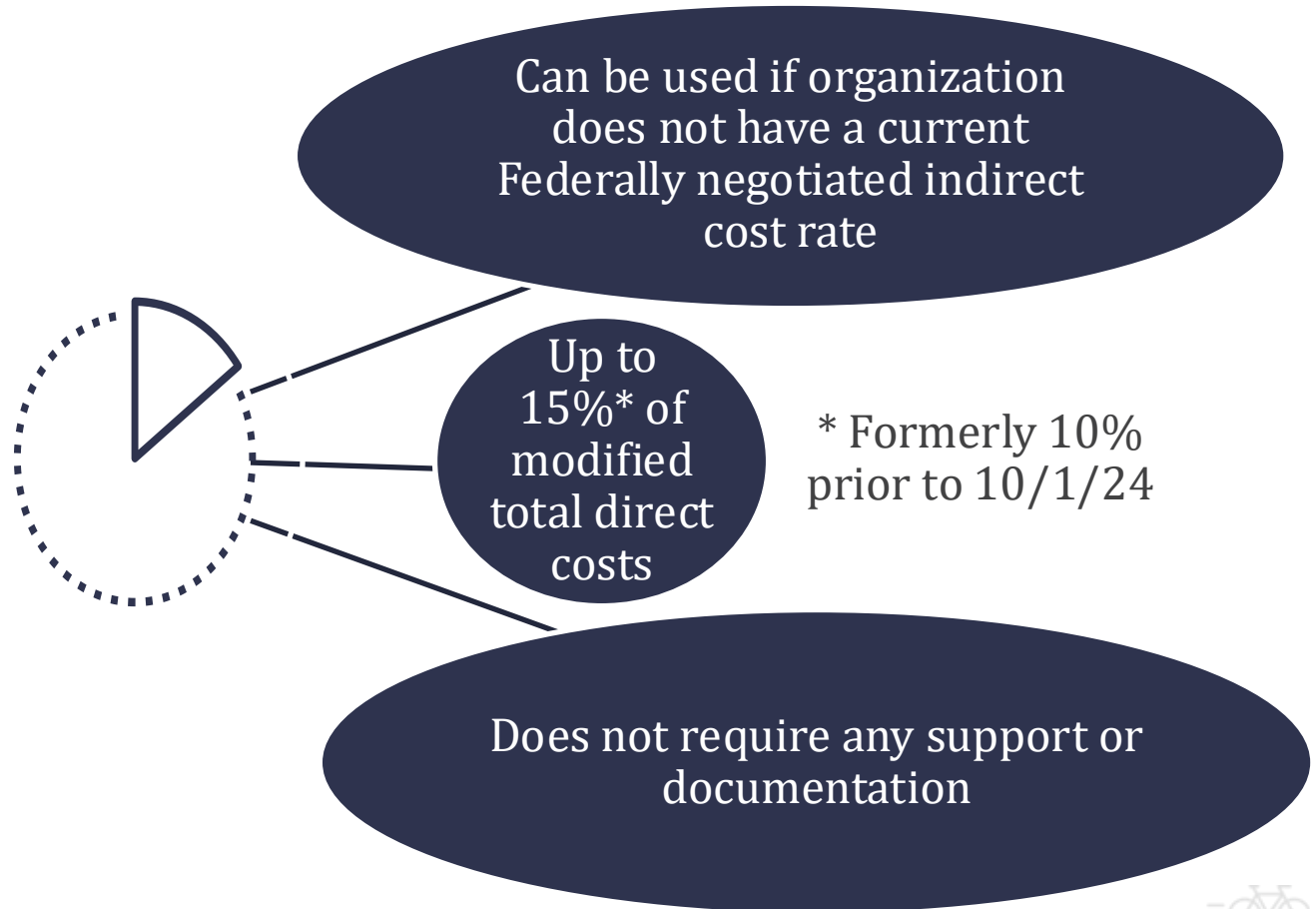


Budget Example

Budget Categories:	
Personnel	\$1,000,000
Fringe Benefits (30%)	\$300,000
Travel	\$15,000
Equipment	\$25,000
Supplies	\$33,000
Contractual	\$45,000
Other	\$52,150
Total Direct	\$1,470,150
Indirect Costs (17.53% of MTDC)	\$253,335
TOTAL	\$1,723,485



Indirect Costs: De Minimis Rate (200.414(f))



Indirect Costs: Negotiated Indirect Cost Rate (200.414(c))

Federal agencies must accept negotiated indirect cost rates

Pass-through entities are required to honor an organization's negotiated indirect cost rate or negotiate a rate

Organization's that are receiving direct funding and do not have a negotiated rate may negotiate an indirect cost rate



Indirect Costs: Negotiated Indirect Cost Rate (200.414(c))

NICRA: Negotiated Indirect Cost Rate Agreement

Negotiated with organization's cognizant agency

Cognizant agency = Federal agency with the largest dollar value of Federal awards directly funded to an organization

Negotiated on behalf of all Federal agencies



Governmental Requirement

- A governmental department or agency (such as a state or local Department of Health, Department of Transportation, or Department of Housing) that receives more than \$35 million in direct Federal funding during its fiscal year must submit its indirect cost rate proposal to its cognizant agency for indirect costs.



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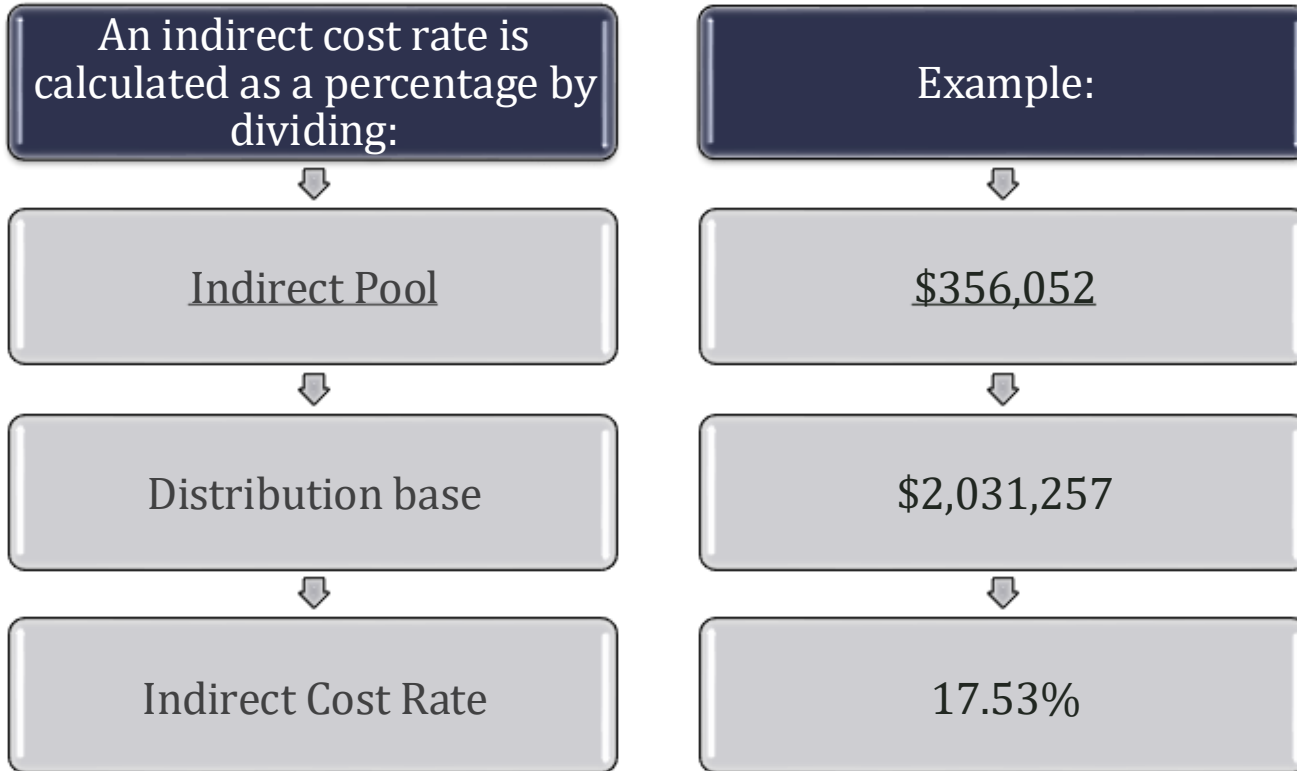
Governmental Requirement

If a governmental department or agency receives \$35 million or less in **direct Federal funding** during its fiscal year, it must develop an indirect cost proposal in accordance with the requirements of the Uniform Guidance and maintain the proposal and related supporting documentation for audit but are not required to submit their proposals unless they are specifically requested to do so by an awarding Federal agency if request a rate higher than the de minimis.

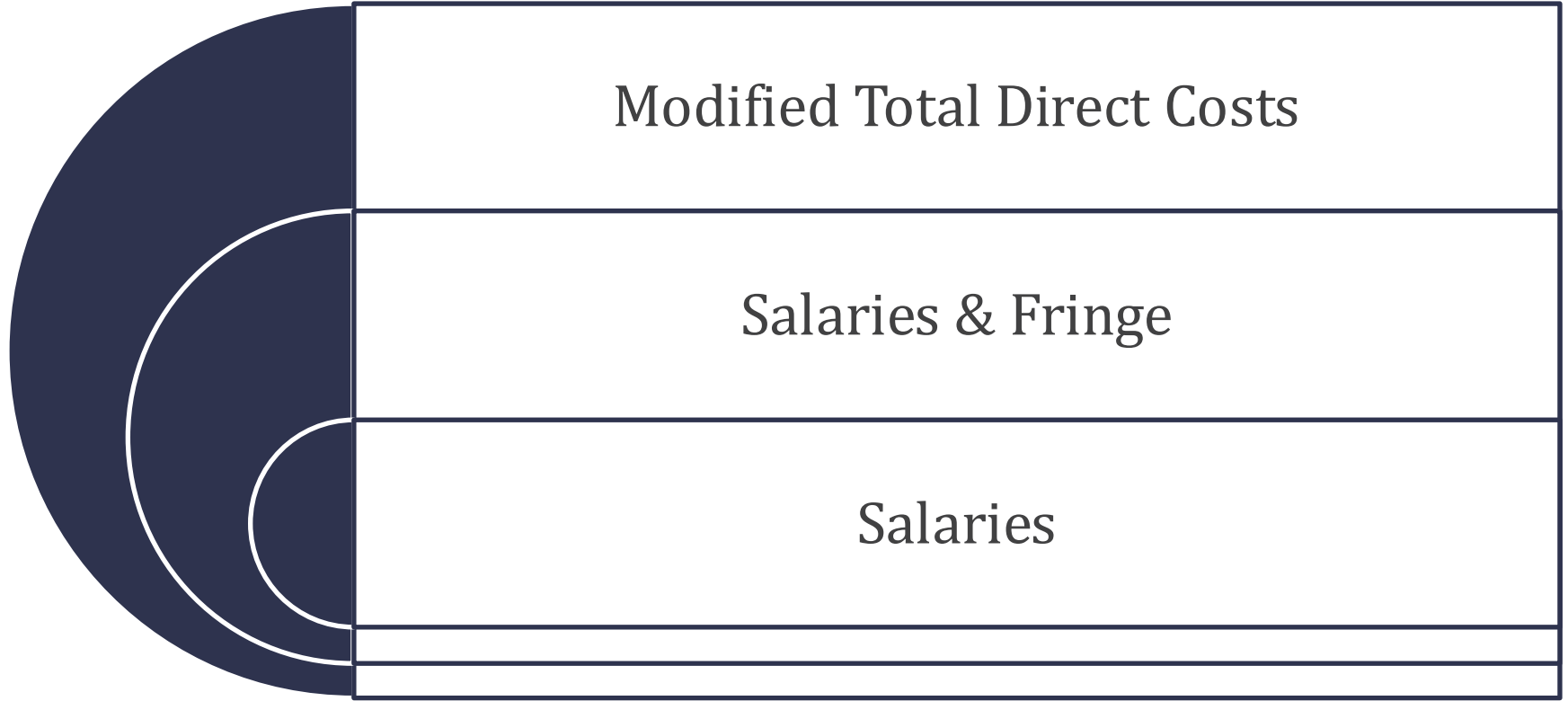
This established rate must be accepted by any Federal agency to which the governmental department or agency applies for funding (Or the de minimis rate can be utilized).



Indirect Cost Calculation



Distribution Base



Modified Total Direct Costs (MTDC)

MTDC = all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and up to the first \$50,000 of each subaward (\$25,000 for award made prior to 10/1/24).

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 (\$25,000 for awards made prior to 10/1/24).

Other items may only be excluded when necessary to avoid a serious inequity in the distribution of indirect costs. Requires approval of the cognizant agency for indirect costs.



Indirect Cost Calculation

Start with statement of functional expenses from audited financial statements:

	Programs	Management & General	Fundraising	Total
Salaries and wages	1,121,979	\$ 276,136	\$ 44,065	1,442,180
Employee Benefits & Payroll Taxes	233,492	68,040	11,153	312,685
Accounting	-	10,815	-	10,815
Professional Services	308,306	6,332	48,100	362,738
Office Expenses	112,869	5,408	10,067	128,344
Travel Expense	106,543	3,524	9,152	119,219
Insurance	-	7,859	-	7,859
Information Technology	23,757	1,568	-	25,325
Occupancy	32,262	20,671	-	52,933
Interest	-	4,743	-	4,743
Depreciation	-	687	-	687
Conference Fees	7,153	54	-	7,207
Miscellaneous	30,726	12,120	1,104	43,950
Total per Audited Financial Statements	1,977,087	417,957	123,641	2,518,685



Indirect Cost Calculation

Remove unallowable costs and modify and adjust in accordance with 2 CFR 200:

Less: Unallowable Costs (See extensive list on "Unallowable Costs" spreadsheet:

Entertainment Costs	3,400			3,400
M&G Salaries Included in PPP Forgiven Loan	-	41,053		41,053
M&G Employee Benefits in PPP Forgiven Loan		10,731		10,731
Finance and Late Charges	20	757		777
Interest Costs	-	1,843		1,843
Fundraising	-	267	-	267
Contributions	200	6,905		7,105
Bad Debt	-	270		270
Total Unallowable Cost Adjustments	(3,620)	(61,826)	-	(65,446)

Less: Other Modifications/Adjustments to Total Costs

Equipment Purchases	49,918	79		49,997
Rental Costs	15,933			15,933
Total Other Modifications/Adjustments	(65,851)	(79)	-	(65,930)
TOTAL ADJUSTED COSTS	1,907,616	356,052	123,641	2,387,309

$$2,031,257$$

$$= 17.53\%$$



Use of Indirect Cost Calculation

Indirect Cost Rate is applied to the MTDC base:

Salaries	\$10,000
Benefits	3,500
Supplies	2,000
Equipment	7,500
Travel	<u>500</u>
Total Direct Costs:	\$23,500

Modified Total Direct Costs $\$23,500 - \$7,500 = \$16,000$ (must exclude equipment)

Indirect cost: $\$16,000 \times 17.53\% = \$2,805$

Total Reimbursement: \$26,305



Types of Negotiated Rates

Provisional / Final

Predetermined

Fixed rate with carry-forward

Rates always line up with entity's fiscal year



Fringe Benefits- Budget Example

Budget Categories	
Personnel	\$1,000,000
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Fringe Benefit Rate

- Fringe benefits are shared costs relating to employees:
 - Health benefits
 - Different kinds of leave
 - Retirement accounts
- Calculated by taking total benefit costs / total salary costs.
- Some awards allow the costs to be recovered through a fringe benefit rate (vs. actual costs).
 - Some organizations choose to get a federally negotiated fringe benefit rate, others determine rate with funder.



Weatherization Specific Costs

- Consolidated Appropriations Act of 2021 (Pub.L.116-260)
 - 15% maximum administrative costs (not more than 7.5% Grantee and not less than 7.5% Subgrantee, and an optional 5% for small subgrantees)



Weatherization Specific Costs: 10 CFR 440.18 Allowable expenditures

(1) The cost of purchase and delivery of weatherization materials;

(2) Labor costs, in accordance with [§ 440.19](#);

(3) Transportation of weatherization materials, tools, equipment, and work crews to a storage site and to the site of weatherization work;

(4) Maintenance, operation, and insurance of vehicles used to transport weatherization materials;

(5) Maintenance of tools and equipment;

(6) The cost of purchasing vehicles, except that any purchase of vehicles must be referred to DOE for prior approval in every instance.

(7) Employment of on-site supervisory personnel;

(8) Storage of weatherization materials, tools, and equipment;



Weatherization Specific Costs: 10 CFR 440.18 Allowable expenditures

(9) The cost of incidental repairs if such repairs are necessary to make the installation of weatherization materials effective;

(10) The cost of liability insurance for weatherization projects for personal injury and for property damage;

(11) The cost of carrying out low-cost/no-cost weatherization activities in accordance with [§ 440.20](#);

(12) The cost of weatherization program financial audits as required by [§ 440.23\(d\)](#);

(13) Allowable administrative expenses under [paragraph \(d\)](#) of this section; and

(14) Funds used for leveraging activities in accordance with [§ 440.14\(b\)\(9\)\(xiv\)](#); and

(15) The cost of eliminating health and safety hazards elimination of which is necessary before, or because of, installation of weatherization materials.



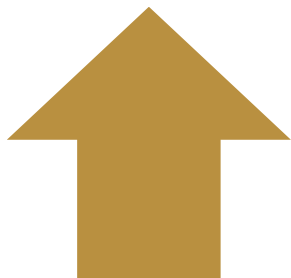


Subrecipient Monitoring Fundamentals

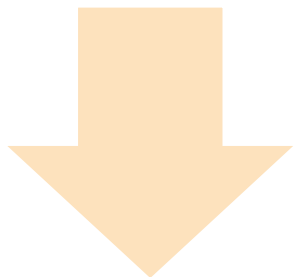
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Subrecipient Monitoring ([2 CFR 200.331-333](#)) and [Weatherization Program Notice 24-4](#)



Subawarding: for the purpose of carrying out a portion of a federal award; creates a federal assistance relationship.



Subrecipient Characteristics:

- Determines eligibility
- Has performance measured in relation to objectives of program
- Has responsibility for programmatic decision making
- Responsible for adherence to Federal program requirements
- Implements program for public purpose, as opposed to providing goods or service of the benefit of PTE



Subrecipient Monitoring ([2 CFR 200.331-333](#)) and [Weatherization Program Notice 24-4](#)



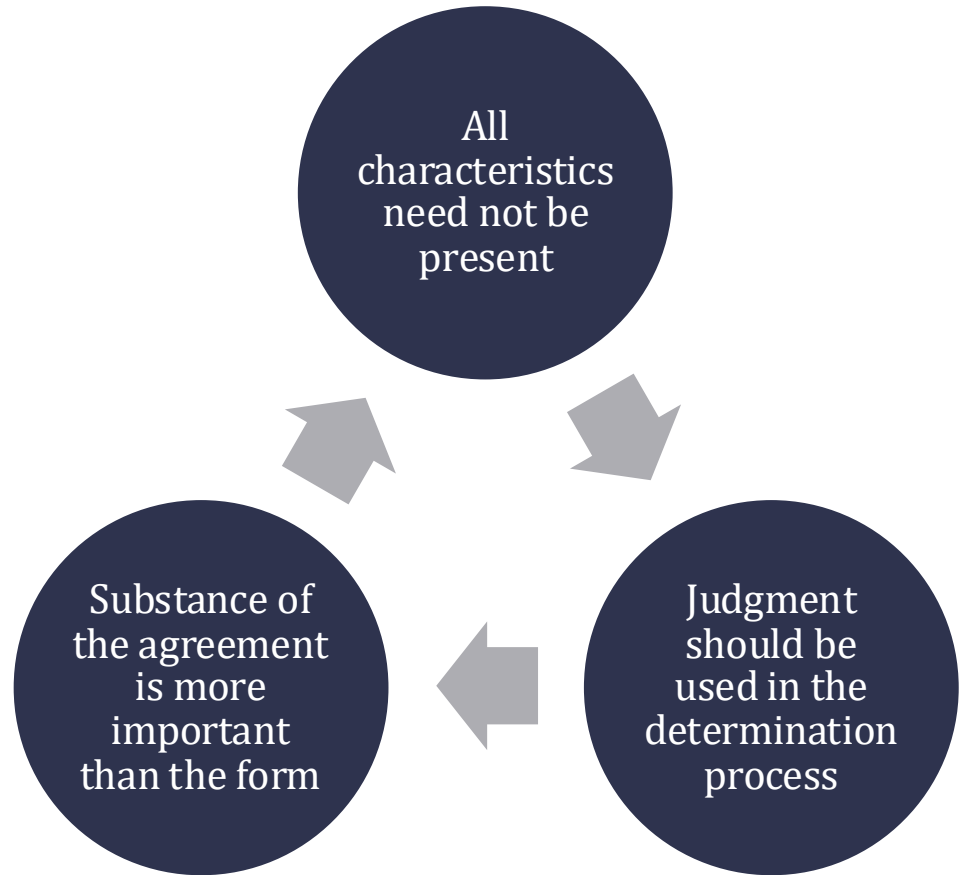
Contracting: for the purpose of obtaining goods and services (G&S) for the recipient's own use; creates a procurement relationship.

Contractor Characteristics:

- Provides the G&S within normal business operations
- Provides similar G&S to many different purchasers
- Normally operates in a competitive environment
- Provides G&S that are ancillary to implementation of fed program
- Not subject to programmatic compliance requirements



Subrecipient / Contractor Determination



§ 200.332(a) Requirements for pass-through entities.

Verify that the subrecipient is not suspended or debarred

Provide Subaward with proper terms and conditions

Perform risk assessment that drives monitoring plan

Perform monitoring



Subrecipient Monitoring

Pass-through entities must monitor activities of the subrecipient:

Review financial and programmatic reports

Verify that audit is being performed (if necessary) and following up on audit findings and deficiencies

Issuing management decision on audit findings

Resolve audit findings specifically related to subaward



Subrecipient Monitoring

Additional monitoring tools / procedures that may be used depending on risk assessment of sub-recipient:

Providing training and technical assistance

Regular check-ins

On-site reviews of program operations

Arranging for agreed upon procedures



Risk and Monitoring at Various Stages



Department of Energy and NASCSP WAP Resources

- [Weatherization Assistance Program Resource Hub | Department of Energy](#)
- [Weatherization Program Notices and Memorandums | Department of Energy](#)
- [Annual WAP State Plan Application Training \(PY25\)](#)
- [WAP IIJA Monthly Coaching Training](#)





Questions?



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create opportunities —
for our clients, our people,
and our communities.

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