

2 C.F.R. Updates Effective Oct. 1, 2024

Release Date: Th10 1, 2024

Overview

As part of an ongoing federal effort to use more “plain language,” the Office of Management and Budget (OMB) revised parts of OMB Guidance for Grants and Agreements, now called the OMB Guidance for Federal Financial Assistance in Title 2 of the Code of Federal Regulations. The revisions are effective for FEMA awards issued or disasters declared on or after Oct. 1, 2024.[\[1\]](#)

Revisions were made to 2 C.F.R. Parts 25 (Unique Entity Identifier and System for Award Management); 175 (Award Term for Trafficking in Persons); 184 (Buy America Preferences in Infrastructure Projects); and 200 (Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards).

In addition to using plain language, the revisions are intended to improve flow, and structure; reduce agency and recipient burden; incorporate statutory requirements and administration priorities; and address sections that recipients or agencies have historically interpreted differently.[\[2\]](#)

Summary of Changes to 2 C.F.R.

There are two overarching changes in OMB’s revised guidance. To emphasize that 2 C.F.R. is not limited to only grants and cooperative agreements, OMB replaced references to “grants and agreements” with “Federal financial assistance.” Additionally, except for cases in which “non-Federal entity” is tied to a statute (e.g., Single Audit Act), OMB’s revised guidance uses “recipient,” “subrecipient,” or both, in the place of “non-Federal entity.”

A summary of the key substantive revisions to 2 C.F.R. is provided below:



- **Assistance Listings:** To improve the Federal Program Inventory (FPI) [3] the revisions direct Federal agencies to identify the Assistance Listings associated with each program or activity and to having a single distinct Assistance Listing per federal financial assistance program. See 2 C.F.R. Part 200, Subpart C.
- **Audits:** OMB increased the Single Audit and Major Program thresholds to \$1,000,000. See 2 C.F.R. Part 200, Subpart F.
- **Award Term for Trafficking in Persons:** OMB updated Part 175 to better align with the current statute and added a substantive compliance plan and certification requirements. Consistent with the law, Federal agencies may expand or modify this award term. See 2 C.F.R. Part 175, Appendix A (Award Term).
- **Closeout:** OMB adjusted the closeout requirements by requiring that closeout documentation be submitted within 120 days after the conclusion of the period of performance (formerly recipients had 120 days up to one year to submit closeout documentation). OMB also provided that administrative costs may be incurred through closeout if permitted by the Federal agency. See 2 C.F.R. Part 200, Subparts D & E.
- **Consistent terminology:** To ensure consistency across Federal agencies, OMB added new acronyms (e.g., NOFO means Notice of Funding Opportunity and UEI means Unique Entity Identifier) and removed infrequently used acronyms. OMB added new definitions such as “for-profit organization,” “participant,” and “prior approval.” Additionally, OMB added language to the definition of “pass-through entity” to clarify that the authority of the pass-through entity flows through the subaward and increased the “modified total direct cost” threshold to \$50,000. See 2 C.F.R. Part 200, Subpart A.
- **Fixed Amount Awards:** OMB provided new guidance on the applicability of 2 C.F.R. Part 200, Subpart E (Cost Principles) to fixed amount awards. Specifically, OMB clarified that the budgets for fixed amount awards are negotiated with the recipient or subrecipient and the total amount of funding is determined in accordance with the recipient’s or subrecipient’s proposal, available pricing data, and Subpart E. OMB explained that there is no financial reporting required for fixed amount awards, but the recipient remains subject to record retention requirements. The revisions also permit fixed amount awards to generate and use program income in accordance with the terms and conditions of the award but exempts fixed amount awards from the requirements in 2 C.F.R. § 200.307, concerning program income.



- **Indirect Costs (effective 4/22/24):** OMB made substantive revisions to the regulations regarding the *de minimis* indirect cost rate. Specifically, OMB increased the *de minimis* indirect cost rate to 15% (when allowed by statute and regulation) and clarified that the *de minimis* rate does not require documentation to justify its use and may be used indefinitely. OMB also emphasized that pass-through entities must accept negotiated indirect cost rate agreement (NICRA) for subrecipients. See 2 C.F.R. §§ 200.414, 200.332, Appendix VII to Part 200.
- **Notice of Funding Opportunities (NOFOs):** OMB issued substantive guidance on NOFOs to improve the applicant experience by making the NOFO more accessible, readable, and clearly communicate requirements including identifying eligible applicants, providing an executive summary, and offering technical assistance to inexperienced applicants. OMB emphasized simplifying NOFOs by using plain language, reducing word count by 25 percent, eliminating unnecessary provisions and when possible moving content to appendices and linked webpages. See 2 C.F.R. Part 200, Subpart C; Appendix I to Part 200.
- **Procurement:** OMB revised the procurement under grants standards to allow Indian Tribes to follow their own policies and procedures for procurements, removed the geographic preference prohibition when evaluating bids or proposals previously found in 2 C.F.R. § 200.319(c), "encouraged" verses "required" the six socioeconomic affirmative steps, added a "veteran-owned businesses" as target firms, and encouraged use of recovered materials pursuant to Executive Order 14057 ("Catalyzing Clean Energy Industries and Jobs Through Federal Sustainability"). See 2 C.F.R. §§ 200.317-200.327; [Purchasing Under a FEMA Award: 2024 OMB Revisions](#).
- **Property:** OMB revised the definitions of "equipment" and "supply" by increasing the fair market value thresholds to \$10,000 and clarified that "intangible property" includes data licenses, website, Intellectual Property (IP) licenses, trade secrets, IP, software, and software subscriptions or licenses. OMB's revised guidance allow Indian Tribes to follow their own use, manage, and disposition of equipment requirements in accordance with tribal laws and procedures as well as provided Federal agencies more flexibility on disposition of equipment. OMB added a provision requiring that real property appraisals by the recipient or subrecipient be conducted by an independent contractor. See 2 C.F.R. Part 200, Subpart D.



- **Remedies for Noncompliance:** OMB clarified its position on termination of awards by the Federal agency or pass-through entity, specifically stating the need to communicate termination conditions clearly and unambiguously in the terms and conditions of the award. The revisions also require Federal agencies to maintain written procedures for processing objections, hearings, and appeals. See 2 C.F.R. Part 200, Subpart D.
- **Reporting:** OMB's guidance clarified that reporting requirements are limited to only those necessary for effective monitoring of the award and that recipients are obligated to report on subgrants and subrecipient spending and activities. See 2 C.F.R. Part 200, Subpart D.
- **Subrecipient Monitoring and Management:** The revised guidance explains that Federal agencies do not have a direct legal relationship with subrecipients or contractors of any tier. OMB also increased the monetary cap for fixed amount subawards to \$500,000 consistent with the Simplified Acquisition Threshold (SAT) and noted that use of fixed amount subawards are subject to the written approval from the Federal agency. See 2 C.F.R. Part 200, Subpart D.

Effective Dates

April 22, 2024

- The effective date for indirect costs, including the *de minimis* rate of up to 15% is when the current approved or provisional negotiated indirect cost rate expires. The amendments to 2 C.F.R. Part 200 made by the Final Rule, including the revised rules with respect to indirect costs, will apply to new indirect cost rate proposals, agreements, or use of the *de minimis* rate on or after **April 22, 2024**.

Oct. 1, 2024

- 2 C.F.R. revisions are effective for all federal awards issued or disasters declared on or after Oct. 1, 2024.

References



a. Title 2 of the C.F.R is available at [2 CFR Part 200 -- Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards](#).

B. The Council on Federal Financial Assistance (COFFA) FY 2024 Revisions to 2 C.F.R: Federal Agency Implementation (2 C.F.R Supplementary Information).

C. The memorandum to Reduce Burden in the Administration of Federal Financial Assistance is available at <https://www.whitehouse.gov/wp-content/uploads/2024/04/M-24-11-Revisions-to-2-CFR.pdf>

Note: This does not have the force and effect of law, except as authorized by law or as incorporated into a contract or federal financial assistance award.

Footnotes

1. 2 C.F.R. Part 184 revisions are effective for [subject FEMA grant programs](#) issued on or after October 23, 2023.
2. [OMB Memorandum M-24-11](#), Reducing Burden in the Administration of Federal Financial Assistance.
3. OMB launched the Federal Program Inventory (FPI) on February 15, 2024. The FPI makes it easier for applicants and potential recipients to find programs, ensures the effective stewardship of taxpayer funds, and increases transparency in the Federal Government. To do this the FPI uses Assistance Listings to connect program and performance information to spending information required by the Digital Accountability and Transparency Act of 2014 (Pub. L. No. 113-101).



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