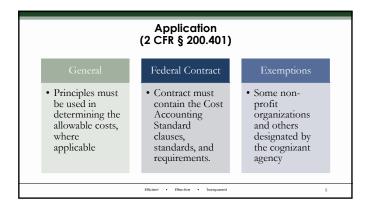
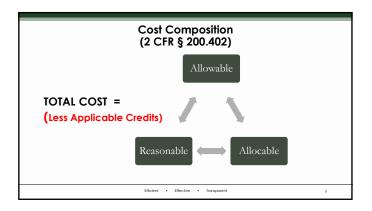


# Fundamental Premises (2 CFR § 200.400) Local Governments are Responsible for: - Efficient and effective administration through sound management practices - Administering funds in accordance with agreements and terms and conditions of the awards - Responsible for employing individuals to ensure proper efficient and effective administration through sound management practices - Responsible for employing individuals to ensure proper efficient and effective administration through sound management practices - Applying cost principles consistently - Recognition of student research in application of cost NOTE: Local Governments may not earn or keep any profit from the federal assistance unless explicitly authorized!!





# Allowability Factors (2 CFR § 200.403) Except where otherwise authorized by statute Costs must meet the following to be allowable under federal awards: Be necessary and reasonable Conform to any limitations in these principles or in the Federal award Be consistent with policies and procedures all activities of the non-Federal entity. Be accorded consistent treatment.

Allowability Factors (2 CFR § 200.403) Cont. Except where otherwise authorized by statute			
Costs must meet the following to be allowable under federal awards:			
Be determined in accordance with generally accepted accounting principles (GAAP), except, for local governments	Not be included as a cost or used to meet cost sharing or matching requirements.	Be adequately documented. If it's not documented, it didn't happen!	Cost must be incurred during the approved budget period.
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#### Direct Costs (2 CFR § 200.413)

#### Direct costs

•Those costs that can be identified specifically with a particular final cost objective or that can be directly assigned to such activities.

# Indirect Costs (2 CFR § 200.414) - Costs that benefit more than one or all Federal awards and are not readily assignable to the cost objectives specifically benefitted. Indirect cost pools must be distributed to benefitted cost objectives May be allocated as such using an approved method.

#### Example

### Photocopy costs - Direct or Indirect?

- **Direct cost if:** acquired specifically for the purpose of a Federal award.
- Indirect cost if: already leased and also used for the benefit of the organization and other programs.

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#### Selected Items of Cost

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#### **Advertising and Public Relations** Allowable (2 CFR § 200.421) Public Relations (applicable Costs specifically required by the award · Recruitment of Personnel · Procurement of goods and • Costs of communicating services with the public and press · Disposal of scrap or Costs of conducting general liaison surplus materials · Program outreach or special services Efficient • Effective • Transparent

### Advertising and Public Relations Unallowable (2 CFR § 200.421) Unallowable Advertising and Public Relations: Costs of hosting meetings, contentions, convocations, or other events Costs of promotional items and public relations designed solely to promote the non-Federal entity.

# Advertising and Public Relations Unallowable (2 CFR § 200.421) Example – What about face masks w/ logos? • Necessary for the award or Promotional item? • What if a public hospital buys employees masks with the entity logo on them? • What if a Township buys employees masks with the entity logo on them?

# Advisory Councils (2 CFR § 200.422) • authorized by statute, the Federal awarding agency or • as an indirect cost where allocable to Federal awards

Audit S (2 CFR §		
Must be a reasonable proportionate share of the costs of audit.	Must be required to be performed in accordance with the Single Audit requirements.	
Must be allowable under the terms and conditions of the grant award.	Must be allocated using a reasonable method.	
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#### Bonding Costs (2 CFR § 200.427)

Allowable when:

- Federal awarding agency requires assurance against financial loss
- Pursuant to the terms and conditions of the Federal award
- Required by the non-Federal entity in the general conduct of its operations with limitations.

#### Improper Payments (2 CFR § 200.428)

Costs incurred by a non-Federal entity to recover improper payments are allowable as either direct or indirect costs, as appropriate.

Amounts collected may be used by the non-Federal entity in accordance with cash management standards

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

Only time spent on the program objective.

Must be reasonable (generally measured against the national average for similar services).

Must have occurred during the period of performance.

Must be consistent with those not compensated with federal funds.

Must have accurate and adequate support for time charged.

e. time and effort)

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### Compensation – Fringe Benefits (2 CFR § 200.431)

Benefits related to time spent and salaries paid in accordance with the program objective.

Leave, insurance, pensions, severance, unemployment, etc.

Must be reasonable

Must be associated with wages paid during the period of performance.

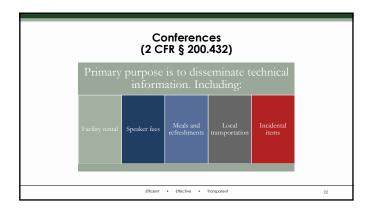
Must be consistent with those not compensated with federal funds.

Must have accurate and adequate support for time charged. (i.e. time and effort

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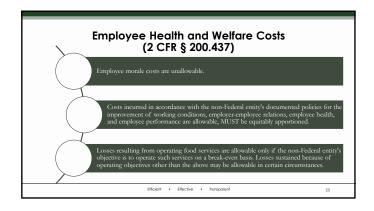
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Defense and Prosecution (2 CFR § 200.435)				
Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringements				
Allowable Costs:	Unallowable Costs:			
<ul> <li>services of in-house/private counsel, accountants, consultants, or others engaged</li> </ul>	Suits brought by employees or ex-employees under sec. 2 of the Major Fraud Act (1988)			
before, during, and after commencement of a proceeding     direct relationship to the award/grant	<ul> <li>Costs of prosecution of claims against the Federal govt.;</li> <li>and</li> </ul>			
unce teativisiap to the award grant	Costs incurred in connection with patent infringement litigation, unless otherwise authorized in the Federal award.			
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	Depreciation (2 CFR § 200.436)
Must be r	nade in accordance with Appendices III through IX.
Changes in comput followed.     No depreciation m lives.     Where the deprecia method, depreciati its entire life.     Charges for deprec physical inventories	reciated or claimed as matching for a program, but not both, ting depreciation may occur but certain guidelines must be allowed on any assets that have outlived their depreciable attion method is introduced to replace the use allowance on must be computed as if the asset had been depreciated over iation must be supported by adequate property records, and is must be taken at least once every two years to ensure that the usable, used, and needed.
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# Equipment and Capital Expenditures (2 CFR § 200.439) Capital expenditures for general purpose equipment, buildings, and land are unallowable as direct charges, unless prior written approval is obtained. Capital expenditures for special purpose equipment are allowable as direct costs, provided that items with a unit cost of \$5,000. If more, must have the prior written approval. Capital expenditures for improvements to land, buildings, or equipment which materially increase their value or useful life are unallowable as a direct cost, unless prior written approval is obtained See § 200.1 for the definitions of terms.

# Equipment and Capital Expenditures (2 CFR § 200.439) When approved as a direct charge pursuant this section, capital expenditures will be charged in the period in which the expenditure is incurred. The unamortized portion of any equipment written off as a result of a change in capitalization levels may be recovered by (1) continuing to claim as allowable depreciation on the equipment or (2) amortizing as approved by cognizant agent. Cost of equipment disposal it dictated by agency or Pass-through. Equipment and other capital expenditures are unallowable as indirect costs.

### Gains and Losses of Assets (2 CFR § 200.443)

Sale, Retirement, or Other Disposition of Depreciable Propert

- a. Must be included in the year in which they occur as credits (except some dep property) or charges to the asset cost grouping(s) in which the property was included.
- b. Amount = difference between the amount realized on the property and the undepreciated basis of the property
   c.Items no covered in a. must be excluded in computing Federal award costs
- d. Disposition proceeds must be made in accordance with §§ 200.310 through 200.316

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### Idle Facilities and Idle Capacity (2 CFR § 200.446)

The costs of <u>idle</u> <u>facilities</u> are unallowable except:

- They are necessary to meet workload requirements.
- They were necessary when acquired and are now idle because of changes in program requirements which could not have been reasonably foreseen.

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### Idle Facilities and Idle Capacity (2 CFR § 200.446)

The costs of <u>idle capacity</u> are allowable provided:

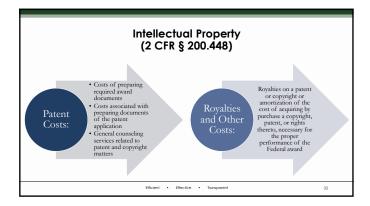
reasonably anticipated to be necessary to carry out the purpose of the Federal award or was originally reasonable and is not subject to reduction or elimination by use on other Federal awards, subletting, renting, or sale, in accordance with sound business, economic, or security practices.

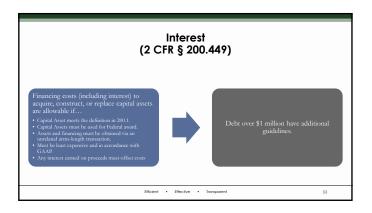
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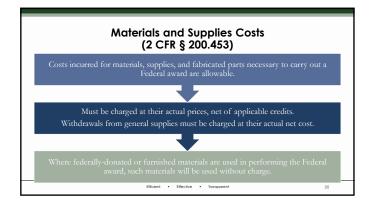
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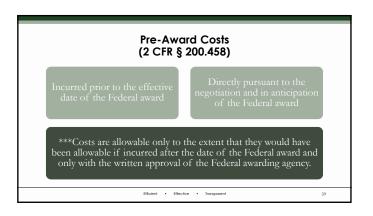
# Maintenance and Repair Costs (2 CFR § 200.452) Costs incurred for utilities, insurance, security, necessary maintenance, janitorial services, repair, or upkeep of buildings and equipment to keep it in an efficient operating condition, are allowable. Notes: Costs incurred for improvements which add to the permanent value of the buildings and equipment or appreciably prolong their intended life must be treated as capital expenditures (see § 200.439). These costs are only allowable to the extent not paid through rental or other agreements.



# Memberships, Subscriptions, and Professional Activity Costs (2 CFR § 200.454) Allowable: Unallowable • Membership in business, technical, and professional organizations • Subscriptions to business, professional, and technical periodicals • Membership in any civic or community organization, prior approval required \* Effective • Intercept \* Intercep

# Participant Support Costs (2 CFR § 200.456) Participant support costs Require prior approval Means direct costs for items such as stipends or subsistence allowances, travel allowances, and registration fees paid to or on behalf of participants or trainees (but not employees) in connection with conferences, or training projects.

# Plant and Security Costs (2 CFR § 200.457) Necessary and reasonable expenses incurred for protection and security of facilities, personnel, and work products are allowable. \*\*Received Security Costs\*\* \*\*Capital expenditures for plant security purposes are subject to § 200.439.\*\* \*\*Elicent \*\* Blocker \*\* bangarent\*\* \*\*Designation\*\* \*\*Design



#### **Professional Service Costs** (2 CFR § 200.459)

#### No single factor or any special combination of factors is necessarily determinative. However, the following factors are relevant:

- The nature and scope of the service rendered in relation to the service required.

- The necessity of contracting for the service, considering the non-Federal entity's capability in the particular area.
   The past pattern of such costs, particularly in the years prior to Federal awards.
   The impact of Federal awards on the non-Federal entity's business (i.e., what new problems have arisen).

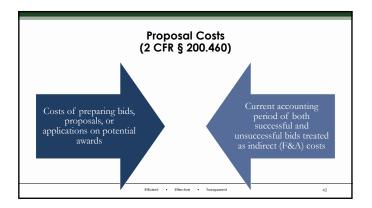
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#### **Professional Service Costs** (2 CFR § 200.459) Cont.

No single factor or any special combination of factors is necessarily determinative. However, the following factors are relevant: (Continued)

- Whether the **proportion of Federal work** to the non-Federal entity's total business is such as to influence the non-Federal entity in favor of incurring the cost.
- Whether the service can be performed more economically by direct employment rather than contracting.
- The qualifications of the individual or concern rendering the service and the customary fees charged, especially on non-federally funded activities.
- Adequacy of the contractual agreement for the service (e.g., description of the service, estimate of time required, rate of compensation, and termination

provisions).



### Publication and Printing (2 CFR § 200.461) • electronic and print media, including distribution, promotion, and general handling are allowable. • Page charges for professional journal publications (with certain restrictions)

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Rearrangement and Reconversion (2 CFR § 200.462)	
Ordinary and normal rearrangement and alteration of facilities are allowable as indirect costs	
Alterations costs incurred specifically for a Federal award are allowable as a direct cost with the prior approval	
Restoration or rehabilitation of the non-Federal entity's facilities to approximately the same condition existing immediately prior to commencement of Federal awards, less costs related to normal wear and tear, are allowable.	
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# Recruiting (2 CFR § 200.463) Recruiting costs are allowable as long as they are within the normal policy guidelines of the entity and are for staff in support of the Federal program. Note: Relocation costs paid for newly hired employee that resigns for reasons within the employee's control within 12 months after hire, the non-Federal entity will be required to refund or aredif the Federal share of such relocation costs to the Federal Government

### Relocation Costs of Employees (2 CFR § 200.464)

Must be for a permanent change in assignment of at least 12 months or upon recruitment of a new employee. Must also:

- Move is for the benefit of the employer.
- Reimbursement must be in accordance with an established written policy.
- Not exceed the actual expenses incurred.

#### Note:

Costs paid for newly hired employee that resigns for reasons within the employee's control within 12 months after hire, the non-Federal entity will be required to refund or credit the Federal share of such relocation costs to the Federal Government

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### Rental Costs of Real Property and Equipment (2 CFR § 200.465) Rental costs are allowable with limitations Rates are reasonable Rates are reviewed periodically Unallowable rental costs: less than arm's length transactions related parties

amounts paid for profit, management fees, and taxes

### Specialized Service Facilities (2 CFR § 200.468)

by highly complex or specialized facilities operated by the non-Federal entity, provided the charges for the services meet certain conditions:

- If material, must be a direct charge to the program;
- If Immaterial, may be allocated as an indirect cost; and
- take into account any items of income or Federal financing that qualify as applicable credits under § 200.406.

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### Taxes (2 CFR § 200.470)

#### State and Local Governments

- Taxes that a governmental unit is legally required to pay, except for self-assessed taxes or changes in tax policies that disproportionately affect Federal programs.
- Gasoline taxes, motor vehicle fees, and other taxes that are in effect user fees for benefits provided to the Federal Government.

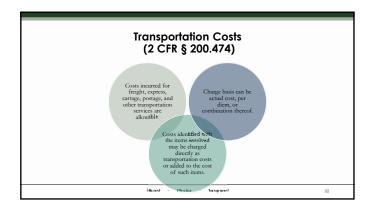
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### Termination Costs (2 CFR § 200.472)

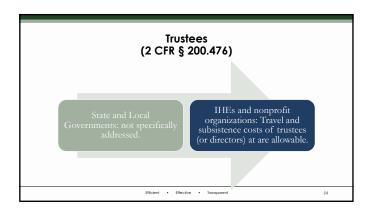
This section details specific expenses that are allowable and the conditions for each type.

### Training and Education Costs (2 CFR § 200.473)

The cost of training and employee development is



Travel Costs (2 CFR § 200.475)
Must be incurred by employees who are in traveling on official business
Must be in relation to the Federal program
Must be Reasonable
Must be Consistent with non-federal travel policy
May include temporary dependent care costs
Air travel – additional restrictions may apply
Must be allowable under the terms and conditions of the award
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### Specifically Unallowable

- Alcoholic Beverages 200.423
  Alumni Activities (IHE only) 200.424
  Bad Debts 200.426

- Commencement and Convocation Costs (IHE only) 200.429
   Contingency Provisions (allowable only in limited circumstances) 200.433
- Contributions and Donations 200.434
- Entertainment Costs (unless specifically authorized under the award) - 200.438
- Fines, penalties, damages, and other settlements 200.441
- Fund Raising and Investment Management 200.442

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### Specifically Unallowable

- General Costs of Government (State and LG Only) except Travel Costs related to the award – 200.444
- Goods and Services for Personal Use 200.445
- Lobbying 200.450
- Losses on Other Awards or Contracts 200.451
- Organization Costs (typically not applicable in government environment) - 200.455
- Selling and Marketing 200.467
- Student Activity costs (unless specified in award) 200.469

#### Specifically Unallowable

• Telecommunication Costs and Video Surveillance Costs - 200.471

#### **Items Not Specifically Addressed**

- Alumni Activities (State, LG, and NFP) 200.424
- Commencement and Convocation Costs (State, LG, and NFP) – 200.429
- General costs of Government (IHE and NFP) 200.444
- Scholarships and Student Aid 200.466

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#### Example

- Oh, but the cost is budgeted, so shouldn't it be allowable?!
- Well ... it doesn't matter.
- The fact that a proposed cost is awarded as requested by an applicant does not indicate a determination of allowability.
- It is the grantee's ultimate responsibility for ensuring that all costs charged to awards meet the requirements of the cost principles.

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# Questions??? Questions???

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