

Cost Principles & Allowable Costs

Chapters II-3 and II-4

What are Cost Principles?

- Set of government-wide rules
- Applicable to all Federal grants
- Define conditions for charging costs
 - Allowable & unallowable costs
 - Direct & Indirect costs
- ┆ Descriptions

Required?

- Incorporated by reference
 - Uniform Administrative Standards
 - 29 CFR 97.22
 - 29 CFR 95.27
 - Proposed SCSEP Regulations
 - 20 CFR 641.847

Cost Principles

- OMB Circular A-87
- OMB Circular A-122
- OMB Circular A-21
- 48 CFR Part 31
- 45 CFR Part 74, Appendix E

OMB Circulars A-87 & A-122

Circular Structure

- Attachment A— Cost Principles
- Attachment B— Selected Items of Cost
- Attachment C— Indirect Cost Plans (A-87)
- Some variations between Circulars

Federal Cost Principles

- Reasonable & Necessary
 - “proper & efficient”
 - “prudent person theory”
- Allocable
 - Clearly benefit program
 - ┆ Both direct & indirect costs

Federal Cost Principles

- Authorized or not Prohibited
 - Federal, State, local law or regulations
- Consistent with the Rules
- Consistent Treatment
 - Across time
 - ┆ Direct & indirect costs

Federal Cost Principles...

- Not Used as Match
 - Unless specifically authorized
- Documented
 - Traceable to source documentation
- Consistent with GAAP
 - ┆ Accounting standards & treatment

The last of them...

- Conform to limitations/exclusions
- Net of applicable credits

Additional Guidance

- ASMB C-10
 - Issued by HHS
 - Implementation of A-87
 - <http://www.hhs.gov/grantsnet/state/asmbc10.pdf>
- DOL Indirect Cost Guide
 - Issued by DOL/OASAM
 - ┌ Non-Profit Grantees
 - ┌ Indirect Costs
 - ┌ <http://www.dol.gov/oasam/programs/boc/ocd-guide-main.htm>

Allowable Costs

- Many defined in Circulars
 - Attachment B – Selected items of costs
 - A-87 & A-122
 - 48 CFR 31.205
 - A-21, Section J
- Program regulations
 - ┆ Allowable/prohibited activities

Selected Items of Cost

- 3 types of Costs
 - Allowable
 - Unallowable
 - Allowable with Conditions
- If Cost not Treated-
 - ┌ Principles of necessary and reasonable apply

Approval Conditions

- If prior approval requirement exists
- **BEFORE** incurring cost
 - Must be requested in writing
 - Must be approved in writing
- Approval may be in grant agreement

Examples

- Advertising/Public Relations
 - Outreach not treated
- Capital Assets
 - Equipment and Real Property
- Personal Services Costs
 - ┆ Includes staff salaries, benefits, etc.
 - ┆ Leave, severance & other pay

More Examples

- Leasing
 - Capital leases
- Meetings
 - Including costs of meals
- Interest Costs
 - ┌ Cost of borrowing
 - ┌ Allowable as part of time purchases

Conditions

- Pre-Award Costs
 - Approval required
- Training & Education
 - Generally allowable
 - Relate to grant purposes
- Memberships
 - ┆ Depends on type of membership

Real Property

- Allowable cost with conditions
- Circular requirements
 - Capital assets
 - Rental costs
 - Depreciation
- Acquisition, use & management
 - ┆ 29 CFR 97.31 or 95.32

Unallowable Costs

- Entertainment
 - Be careful with employee morale costs
- Losses
- Fines & Penalties
- Contingency Reserves

Indirect Costs

- Allowable to Extent
 - Contained in Indirect Cost Allocation Plan
 - Approved by cognizant Federal Agency, if required
- Generally overhead costs of organization
- Covered in Workshop 4

SCSEP Specific Provisions

Unallowable Costs

- Legal expenses for prosecution of claims
 - Audit appeals to ALJ
 - Civil actions
- Lobbying
- Building purchase, construction
 - ┌ Exception - Compliance with ADA or Rehabilitation Act
 - Source – Proposed 20 CFR 641.850

Participant Wage & Fringe Benefit Costs

- Allowable if consistent with proposed 20 CFR 641.565
- Fringe Benefits
 - Include costs of annual physicals
 - Retirement costs only allowable if “reasonable relationship” between costs and benefits

Questions?

