



U.S. Department of Labor  
Employment and Training Administration  
Region 2 - Philadelphia

# Discretionary Grantee Conference

## Cost Principles & Selected Items of Cost

OMB Circulars A-87, A-122, A-21  
48 CFR Part 31  
WIA Regulations

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## Training Objectives

Review applicability of OMB Circulars

- Uniform Administrative Requirements
- Audit Requirements
- Cost Principles

Take a detailed look at the Cost Principles Circulars

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## Training Objectives (continued)

- Review criteria for allowability
- Highlight certain 'Selected Items of Cost'

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## OMB CIRCULARS APPLICABILITY

	<b>Educational Institutions</b>	<b>States, Local Governments &amp; Indian Tribes</b>	<b>Non-Profit Organizations</b>	<b>Commercial Organizations</b>
<b>COST PRINCIPLES</b>	<b>2 CRR 220 (OMB A-21)</b>	<b>2 CFR 225 (OMB A-87)</b>	<b>2 CRR 230 (OMB A-122)</b>	<b>48 CFR 31</b>
<b>UNIFORM ADMINISTRATIVE REQUIREMENTS</b>	<b>2 CFR 215 (OMB A-110)  29 CFR 95</b>	<b>OMB A-102 “Common Rule” 29 CFR 97 Common Rule</b>	<b>2 CFR 215 (OMB A-110)  29 CFR 95</b>	<b>29 CFR 95</b>
<b>AUDIT REQUIREMENTS</b>	<b>OMB A- 133</b>	<b>OMB A-133</b>	<b>OMB A-133</b>	<b>29 CFR 96</b>

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## The Four Main Cost Principles

- OMB A-21 Educational Institutions
- OMB A-87 State/Local Governments and Indian Tribes
- OMB A-122 Non-profit Organizations
- 48 CFR 31 Contract Cost Principles and Procedures dealing with Commercial Organizations

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## Federal Cost Principles

- Purpose – provides that the Federal government bears its fair share of costs except where restricted or prohibited by law
  - Reasonable & Necessary
    - “Prudent Person Rule”
  - Allocable
    - Clearly benefit program
    - Both direct & indirect costs

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## Factors Affecting Allowability of Costs

- Authorized or not prohibited
- Consistent with the Federal Rules & Circulars
- Consistent treatment
  - Across time & program lines
  - Direct & indirect costs

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## Selected Items of Cost

- 4 types of costs
  - Allowable
  - Unallowable
  - Allowable with conditions
  - Allowable with prior approval
- If cost not treated
  - Principles of necessary and reasonable apply

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## Allowable Costs Examples

- Personal services costs
  - Salary & bonus limitations
    - ETA funded programs per TEG5-06 per Public Law 109-234
  - Includes salaries, benefits, etc.
    - Requires documentation supporting time distribution
    - Personnel Activity Reports (PAR)
  - Leave, severance & other pay

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## Allowable Costs Examples

- Audit costs and related services
- Meeting costs
- Subscriptions & periodicals



## Allowable Costs Examples

- Training costs
- Travel



## Costs Allowable With Conditions

### Examples

- **Advertising/Public Relations**
  - Solely for public relations of organization – unallowed
  - RFP & promotion of program/grant – allowable
- **Capital Assets**
  - Purchase of land or buildings – unallowed
  - Equipment – allowable (w/ prior approval)



## Costs Allowable With Conditions

### Examples

- Leasing
  - Lease-purchase arrangements for real property – unallowable
    - Operating leases for real property – allowable
- Memberships



## Approval Conditions

- If prior approval requirement exists
  - Needed **BEFORE** incurring cost
    - Must be requested in writing
    - Must be approved
  - May exist in grant agreement
- Seek approval from state or, if a direct grant recipient, from the Federal agency

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## Unallowable Costs EXAMPLES

- Entertainment
  - Allowable for certain WIA Youth recreation activities
- Losses, fines & penalties
- Contingency reserves
- Donations and contributions



## Unallowable EXAMPLES

- Employment generating activities & economic development activities
- Public service employment programs
- Legal expenses for prosecution of claims, ALJ audit appeals or civil actions



## Unallowable

### EXAMPLES

- Alcoholic beverages
- Goodwill
- Lobbying



## RESOURCES

- Where to find the OMB Circulars and Code of Federal Regulations

- OMB Circulars:

[www.whitehouse.gov/omb/circulars/index.html](http://www.whitehouse.gov/omb/circulars/index.html)

- 29 & 48 CFR:

[www.access.gpo.gov](http://www.access.gpo.gov)



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## Review Questions

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## Question #1

An agency sponsors a table of 10 at the cost of \$600 to an annual luncheon benefiting the local food bank. As part of the luncheon, a graduation ceremony will take place for individuals that successfully completed a food service program. The actual cost of the meal per person is \$25 and 10 graduates will be attending. What is the allowable expense to the DOL-ETA program?



## Question #1: Answer

**\$250:** The actual cost of the meal is allowable, the remaining \$350 is unallowable as it is considered a charitable contribution.



## Question #2

An agency pays a client's legal fees in connection with the reinstatement of a suspended drivers license.

Is this cost allowable or unallowable?



## Question #2: Answer

### **UNALLOWABLE:**

Costs covering penalties and penalty fees are unallowable.



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Thank you for your attention!

Questions?



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