



# Cost Principles & Selected Items of Cost

OMB Circulars A-87, A-122, A-21

*48 CFR Part 31*

*WIA Regulations*



# Workshop Objectives

Review applicability of OMB Circulars

- Uniform Administrative Requirements
- Audit Requirements
- Cost Principles

Take a detailed look at the Cost Principles  
Circulars



# Workshop Objectives (continued)

- Review criteria for allowability
- Highlight certain ‘Selected Items of Cost’



# 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>



# 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



# Structure

- A-87
  - Attachment A: General Principles for Determining Allowable Costs
  - Attachment B: Selected Items of Cost
  - Attachment C: State/Local-Wide Central Service Cost Allocation Plan
  - Attachment D: Public Assistance Cost Allocation Plans
  - Attachment E: State and Local Indirect Cost Rate Proposals



# Structure

- A-122
  - Attachment A: General Principles
  - Attachment B: Selected Items of Cost
  - Attachment C: Non-Profit Organizations Not Subject to This Circular



# Structure

- A-21 (structured differently)
  - Section A – General principles
  - Section B – Definitions
  - Section C – Basic Considerations
  - Section D – Direct Costs
  - Section E/F – F&A/Indirect Costs
  - Section G – Determination and Application of F&A/Indirect Cost Rates
  - Section H – Simplified Method for Small Institutions
  - Section J – General Provisions for Selected Items of Cost



# 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



# Factors Affecting Allowability of Costs

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



# Allowability

- Not used as match
  - Unless specifically authorized
- Documented
  - Traceable to source documentation
- Consistent with GAAP
  - Accounting standards & treatment



# Allowability

- Conform to limitations/exclusions contained in the cost principles
- Net of applicable credits



# 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



# Exclusive Treatment

- A-87
  - General Government Expense
- A-122
  - Participant Support Costs
  - Relocation Costs
  - Page Charges in Professional Journals



# Exclusive Treatment

- A-21
  - Deans of Faculty and Graduate Schools
  - Scholarships and Student Aid
  - Student Activities
  - Commencement and Convocation
  - Alumni/ae Activities



# Exclusive Treatment

- 48 CFR 31.205
  - Asset valuations resulting from business combinations
  - Manufacturing and repair costs
  - Service and warranty costs
  - Manufacturing and product engineering costs
  - Special tooling and special test equipment costs



# Allowable Costs Examples

- Personal services costs
  - Salary & bonus limitations
    - ETA funded programs per TEGL 5-06 per Public Law 109-234
  - Includes salaries, benefits, etc.
    - Requires documentation supporting time distribution
    - Personnel Activity Reports (PAR)
  - Leave, severance & other pay



# 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 – unallowable
  - RFP & promotion of program/grant – allowable
- Capital Assets
  - Purchase of land or buildings – unallowable
  - 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



# 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)



UNITED STATES DEPARTMENT OF LABOR

Employment & Training Administration - Region 2

# Review Questions



## 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

**ALLOWABLE:** The cost of legal services as a client supportive service is allowable.



Thank you!

QUESTIONS?