



Cost Principles & Selected Items of Cost

2 CFR 225, 2 CFR 220, 2 CFR
230
48 CFR 31
WIA Regulations



Workshop Objectives

Review applicability of Code of Federal Regulations (CFR) & OMB Circulars

- Uniform Administrative Requirements
- Audit Requirements
- Cost Principles

Take a detailed look at the Cost Principles



Workshop Objectives

(continued)

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

OMB CIRCULARS and FEDERAL REGULATIONS APPLICABILITY

	State, Local Governments & Indian Tribes	Educational Institutions	Non-Profit Organizations	Hospitals	Commercial Organizations
Cost Principles	2 CFR 225 (OMB A-87)	2 CFR 220 (OMB A-21)	2 CFR 230 (OMB A-122)	45 CFR 74	48 CFR 31
Uniform Administrative Requirements	29 CFR 97 (OMB A-102)	29 CFR 95 (OMB A-110)	29 CFR 95 (OMB A-110)	29 CFR 95 (OMB A-110)	29 CFR 95 (OMB A-110)
Audit Requirements	OMB A-133	OMB A-133	OMB A-133	OMB A-133	Per program or grant agreement



The Four Main Cost Principles

- 2 CFR 225 State/Local Governments and Indian Tribes
- 2 CFR 230 Non-profit Organizations
- 48 CFR 31 Contract Cost Principles and Procedures dealing with Commercial Organizations
- 2 CFR 220 Educational Institutions



Subawards

- All subawards are subject to those Federal cost principles applicable to the particular organization concerned.
 - 2 CFR 225, Attachment A, Section A.3.b
 - 2 CFR 230, Section 3.b



Structure

- **2 CFR 225**
 - 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

- 2 CFR 230
 - Attachment A: General Principles
 - Attachment B: Selected Items of Cost
 - Attachment C: Non-Profit Organizations Not Subject to This Circular



Structure

- 2 CFR 220 (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”
 - Consistent with the Federal Rules & Cost Principles
 - Authorized or not prohibited
 - Conform to limitations/exclusions contained in the cost principles



Federal Cost Principles

- Consistent treatment
 - Across time & program lines
 - Direct & indirect costs
- Consistent with GAAP
 - Accounting standards & treatment
- Not used as match
 - Unless specifically authorized



Federal Cost Principles

- Documented
 - Traceable to source documentation
- Net of applicable credits
- Allocable
 - Clearly benefit program
 - Both direct & indirect costs



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

- 2 CFR 225 (A-87)
 - General Government Expense
- 2 CFR 230 (A-122)
 - Participant Support Costs
 - Relocation Costs
 - Page Charges in Professional Journals



Exclusive Treatment

- 2 CFR 220 (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 TEGLE-06 per Public Law 109-234 (<http://www.opm.gov/oca/10tables/index.asp>)
 - 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
- Depreciation and Use Allowance



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)
- **Maintenance and Repairs**



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

- Good or services for personal use.
- 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

- 29 & 48 CFR:

www.access.gpo.gov



Exercise 1- Food and Beverages

- The grant is charged with \$396.80 for food and non-alcoholic beverages. In response to request for documentation, an email message was produced providing justification for the costs. The program director met with six members from the program council to discuss the agenda for a planned training session.



Exercise 1 – Food and Beverages

- Code of Federal Regulations and OMB Circulars basically state:
 - Costs of meetings and conferences, the primary purpose of which is the dissemination of technical information, are allowable. This includes costs of meals, transportation, rental of facilities, speakers' fees, and other items incidental to such meetings or conferences.

2 CFR 230 Attachment B Section 29
2 CFR 225 Attachment B section 27
2 CFR 220 Attachment J Section 32
48 CFR Chapter 31.205-14



Exercise 1 - Food and Beverages

- Is the \$ 396.80 cost allowable or questioned costs?
- It is questioned costs because:
 - Reasonableness of costs
 - Insufficient documentation
 - What was the necessity for holding the meeting at dinner time instead of lunch?
 - No documentation substantiating that a formal meeting took place.



Exercise 2- Sole Source Procurement

- A subrecipient issues a request for sole source procurement of a Xerox 3600 Series F copier. The justification for this request is that Andrews Office Supply Inc. is the only authorized dealer for that copier.
- Is this an allowable cost?



Exercise 2- Sole Source Procurement

- No, the use of a brand name is not justification for sole source procurement.
- All procurement transactions should contain a clear and accurate description of the technical requirements for the material, product or service to be procured. In competitive procurements, such a description shall not contain features which unduly restrict competition. It is allowable to use specific features of "brand name or equal" in the descriptions that bidders are required to meet.



Exercise 3- Compensation

- The Executive Director has spent a significant amount of time on the implementation of a new grant program.
- It was decided to charge 50% of the Director's wages and benefits directly to the new grant and the remaining costs would be allocated to the other funding sources.



Exercise 3- Compensation

- Assume the Executive Director can document spending 50% of his/her time on the new grant program.
- Is this allowable?



Exercise 3- Compensation

- No because of inconsistent treatment of costs.

A-122 Attachment A Section A 2 (d)

A-87 Attachment A Section A 2 (d)

A-21 Section C 11 (a),

48 CFR Chapter 31.202 (b)(1)



Exercise 4 - Advertisement - Recruiting

- A grantee issues a quarter page advertisement in the metropolitan new paper to recruit a new program director.
- Is this allowable?



Exercise 4 - Advertisement - Recruiting

- Recruitment of staff personnel is allowable.
 - 2 CFR 225 Attachment B 1 C (1)
 - 2 CFR 230 Attachment B 1 C (1)
 - 2 CFR 220 J 1 C (1)
 - 48 CFR 31.205-34
- However, was the cost of a quarter page advertisement reasonable and necessary?



Exercise 5 - Advertisement - Promotional

- A grantee buys 1,000 pens with the organization's logo, name and address on it at \$1.50 each.
- The pens will be used to bring employers and participants into the program.
- They charged this \$1,500 to grant as recruitment costs.
- Is this allowable?

Exercise 5- Advertisement – Promotional

- Unallowable advertising and public relations costs include the following:
 - Costs of promotional items and memorabilia, including models, gifts, and souvenirs;
 - Costs of advertising and public relations designed solely to promote the non-profit organization.

2 CFR 225 and 2 CFR 230 Attachment B 1 (f)

2 CFR 220 Section J 1 (f)

48 CFR Chapter 31.603 (b) (9)

Exercise 6 - End of Grant Expenditures

- Discretionary Grant (NEG, H1B, High Growth, etc.) Issue:
 - A discretionary grant ends on 6/30/09
 - Grantee has \$20,000 of unspent funds
 - Purchase order was issued on 6/25/09 to buy 20 computers at \$1,000 each.
 - The computers are to be used in the program which will continue to operate after the grant ends, through support from other sources.

Exercise 6 -End of Grant Expenditures

- **Discretionary Grant Issue** (continued):
 - The computers are delivered on 7/6/09 and the grantee uses the remaining \$20,000 of grant funds to pay for it.
 - The computers are installed in the classroom and are being used by the participants who were in the grant program when it ended on June 30th.
- **Is this allowable?**



Exercise 6 - End of Grant Expenditures

- Not allowable because the actual costs were accrued after the grant performance period ended.

29 CFR Part 95.28 and Part 97.23 – Period of availability of funds

TEGL 16-99 Change 1

ETA 9130 Report Instructions

Thank you!

QUESTIONS?

