



Allowable Costs and Activities

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2 CFR Part 200 Uniform Administrative Req, Cost Principles, and Audit Requirements for Federal Awards

Known as the “Uniform Grants Guidance”

2 CFR Part 200

- Subpart A – Definitions
- Subpart B – General Provisions
- Subpart C – Pre Award Requirements
- **Subpart D – Post Award Requirements**
- **Subpart E – Cost Principles**
- Subpart F – Audit Requirements

Program Statutes v. UGG

Program Statutes

VS.

Cross-Cutting Regulations
Uniform Grant Guidance

***What about State law?*

The UGG'ly Truth About Allowability





Basic Factors of Allowability. 200.403

To be allowable, a cost *must*:

- Be **necessary, reasonable** and **allocable**
- Comply with the cost principles and federal award
- Be consistent with policies and procedures applying uniformly to federal and nonfederal activities and costs
- Be consistently treated as either direct or indirect costs
- Be determined in accordance with GAAP
- Not be included or used to meet cost sharing / match requirements
- Be adequately **documented**



Necessary

- Is the cost included in your plan/ grant application?
- Is it aligned with the goals of the program/ grant?
- Does your agency have the capacity to use what you are purchasing?
- Is the staff knowledgeable regarding the program?



Reasonable 200.404

- Consideration must be given to:
 - Whether cost is a type generally recognized as ordinary and necessary for the operation of the non-Federal entity or the proper and efficient performance of the Federal award;
 - Arms length bargaining (hint: procurement processes);
 - Federal, state and local laws; and
 - Terms of the grant award.
- Market Prices for comparable goods or services in the geographical area
- Whether the individuals acted with prudence under the circumstances
- No significant deviation from established prices.

Reasonable (cont.)

- Practical Questions (best practice)
 - Do I really need this?
 - Is the expense targeted to valid programmatic/ administrative need?
 - Is this the minimum amount I need to spend to meet my need?
 - Do I have the capacity to use what I am purchasing?
 - Did I pay a fair rate?
 - If I were asked to defend this purchase, would I be able to?



Allocable 200.405

- A cost is allocable to a Federal award or cost objective if the goods or services involved are chargeable or assignable in accordance with relative benefits received.
 - Incurred specifically for the award;
 - Benefits both award and other work and can be distributed in proportions that may be approximated using reasonable methods; and
 - Necessary to the overall operation of the entity and assignable to the award in accordance with this Part.
- Can only charge in proportion to the value received by the program
 - Example: Agency purchases a computer to use 50% on the Federal grant program and 50% on a state program – can only charge half the cost to the grant.

Allocable (cont.)

- Do you have enough time to implement the cost? (UGG Section 200.405)
- Is the program that bought the product using it?
- Is the program sharing the use of the item(s)?
 - If so, how are costs being shared?
- How is the use being documented?

Applicable Credits 200.406

- Those receipts or reduction-of-expenditure type transaction that offset or reduce expense items – must be credited to the Federal award as either cost reduction or cash refund, as appropriate.
- Examples: purchase discounts, rebates or allowances, recoveries or indemnities on losses, insurance refunds or rebates, adjustments of overpayments

Direct vs. Indirect 200.413(c)

- Salaries of administrative and clerical staff should be treated as “indirect” unless all of following are met:
 - Such services are integral to the activity
 - Individuals can be specifically identified with the activity
 - Such costs are explicitly included in the budget
 - Costs not also recovered as indirect

Period of Performance 2 CFR 200.309

- May charge only allowable costs incurred during the period of performance.
- May include costs incurred before the Federal awarding agency or pass-through entity made the Federal award that were authorized.
- The Federal award must include the period of performance state and end date. [2 CFR 200.210(a)(5)]

Pre-Award Costs 2 CFR 200.458

- Those costs incurred prior to the effective date of the Federal award directly in negotiation or anticipation of the award
- Costs must be necessary for efficient and timely performance of the scope of work
- Allowable to the extent they would have been allowable if incurred after the effective date and ONLY with written approval from the Federal awarding agency



Selected Items of Cost

55 Selected Items of Cost

- Allowable
 - E.g., collection of improper payments (200.428); training and education costs (200.472)
- Allowable with special conditions
 - E.g., only as an indirect charge (leave payout, 200.431; advisory councils, 200.422); only with necessary documentation (compensation – personal services, 200.430)
- Allowable with prior approval
 - E.g., equipment and capital expenditures (200.438); entertainment (200.439); participant support costs (200.456)
- Unallowable
 - E.g., alcohol (200.423); bad debts (200.426)

Selected Items of Cost Examples



- **Alcohol 200.423**
 - Not allowable

- **Entertainment 200.438**
 - Not allowable UNLESS Prior Written Approval of Federal Awarding Agency.
 - Field Trips & Holiday Parties are common examples

Advertising/Public Relations 200.421

- Allowable for programmatic purposes including:
 - Recruitment
 - Procurement of goods
 - Disposal of materials
 - Program outreach
 - Public relations (in limited circumstances)

Conferences 200.432

- **Generally Allowable**

- To be a conference, must disseminate technical information beyond the non-federal entity
- Allowable conference costs include rental of facilities, costs of meals and refreshments, transportation, unless restricted by the federal award
- Costs related to identifying, but not providing, locally available dependent-care resources
- Conference hosts must exercise discretion in ensuring costs are appropriate, necessary and managed in manner that minimizes costs to federal award

Travel 200.474

- Travel costs may be charged on actual, per diem, or mileage basis
- Travel charges must be consistent with entity's written travel reimbursement policies
- Allows costs for “above and beyond regular dependent care”
- Grantee must retain documentation that participation of individual is necessary for the project



Personnel Documentation 200.430(i)(1)

Time and Effort Documentation:

1. Be supported by a system of internal controls which provides reasonable assurance charges are accurate, allowable and properly allocated;
2. Be incorporated into official records;
3. Reasonably reflect total activity for which employee is compensated;
 - Not to exceed 100%
4. Encompass all activities (federal and non-federal);
5. Comply with established accounting policies and practices; and
6. Support distribution among specific activities or cost objectives.

UGG Grants Management System Requirements

Easy as:

1. Financial Management
2. Equipment/Inventory Management
3. Procurement



Financial Management. 200.302

(a) States – follow their own rules!

(b) Everyone else – seven standards.

1. Identification in accounts
2. Financial reporting
3. Accounting records
4. Internal controls, internal controls, internal controls
5. Budget control
6. Written procedures for cash management
7. Written procedures for determining allowability



Internal Controls. 200.303

MUST:

- Comply with requirements
- Evaluate and monitor compliance
- Take prompt action to correct noncompliance
- Safeguard personally identifiable information (PII)

Compliance Supplement, Internal Controls:

“Control activities are the policies and procedures that help ensure the management’s directives are carried out.”

- Clearly written and clearly communicated




Compliance?

Performance?

Payment

200.305(b)(1)-(4)


- Written procedures must describe whether non-federal entity uses:
 - 1) Advance Payments
 - Limited to minimum amounts needed to meet immediate cash needs
 - Subject to cash management requirements
 - 2) Reimbursement
 - Pass through must make payment within 30 calendar days after receipt of the billing
 - Initial payments made with state/local funds



Cash Management

200.305 (a) and (b)

- For non federal entities, payments must minimize time elapsing between draw down and disbursement (not obligation)
- Cash advances must be maintained in insured accounts
 - Accounts must be interest bearing unless:
 1. Aggregate federal awards under \$120,000
 2. Account not expected to earn in excess of \$500 per year
 3. Bank require minimum balance so high, that such account not feasible
- Interest earned must be remitted annually to HHS Payment Management System
 - Interest amounts up to \$500 may be retained by non federal entity for administrative purposes.



Procurement Standards 200.318

- All nonfederal entities must have documented procurement procedures which reflect applicable Federal, State, and local laws and regulations.
 - Open and Full Competition (Maximum Extent Possible)
 - Specific Thresholds for Purchasing
 - Prohibited In-State and Local Preferences
 - Contract Administration System
 - Conflict of Interest Rules
 - Mandatory Disclosures



Equipment Standards

200.318(a) and 200.313(c)

- All nonfederal entities must have documented procurement procedures which reflect applicable Federal, State, and local laws and regulations.
- Procedures for managing equipment must meet the following requirements:
 - Specific property records
 - Physical inventory at least every two years
 - Control system to prevent loss, damage, theft (investigation required)
 - Adequate maintenance procedures
- When equipment is no longer needed, meet Federal priorities
- Follow Federal disposition rules

Documentation



Know Where your Documents Are!

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**“I am not disorganized — I know *exactly* where everything is!
The newer stuff is on top and the older stuff is on the bottom.”**



Allowability Documentation

2 CFR 200.403(g): To meet allowability requirements... costs must be adequately documented.

Retention Requirements For Records EDGAR – 2 CFR 200.333

- Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report.
- Watch Statute of Limitations! (Example, USDE = 5 years under the General Education Provisions Act)

Written Procedures: Must or Should?

- Cash Management Procedures - 200.302(b)(6) & 200.305
- **Allowability Procedures - 200.302(b)(7)**
- Managing Equipment – 200.313(d)
- Conflicts of Interest Policy - 200.318(c)
- Procurement Procedures - 200.319(c)
- Method for Conducting Tech Evals of Proposals - 200.320(d)(3)
- Travel Policy - 200.474(b)

- Time and Effort Procedures - “essential” ED, Cost Allocation Guide (agency specific)
- Subrecipient Monitoring Procedures – required by Compliance Supplement
- Grant Application Procedures
- Record Retention Procedures
- Audit Resolution Procedures
- Program-specific Procedures

How to Maintain Documentation?

- When original records are electronic and cannot be altered, there is no need to create and retain paper copies. (UGG Section 200.335)
- When original records are paper, electronic versions may be substituted through the use of duplication or other forms of electronic media provided they:
 - Are subject to periodic quality control reviews;
 - Provide reasonable safeguards against alteration; and
 - Remain readable.

Documentation HOT BUTTON Issues



- Are records kept by school, grant, fiscal year?
- Do you backup documentation?
 - Where and how often?
- What happens when staff retire or voluntarily leave?
- What happens when staff are fired?
- What happens when a school closes?
- Staff keep documentation at home?



Questions?



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