




Uniform Guidance: Cost Principles






Why This Session Is Needed

Changes to many Cost Principles and Selected Items of Cost

Impact of changes on current operations

Required systems updates

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Lesson Overview & Module Objectives

General Cost Principles

Significant Changes

Selected Items of Cost


- Identify applicability to recipients and sub-recipients
- Describe the DOL exceptions and major changes
- Identify additions and deletions
- Apply requirements the determination of allowable costs

Uniform Guidance: Cost Principles 3

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Knowledge Check

On a scale of 1 (lowest) to 5 (highest), rate your knowledge and understanding of the following by circling the appropriate number in the middle column of the sheet, labeled Pre-Training, for each of the statements.

 I am fully aware of the structure of the revised Cost Principles.

I understand the significant changes to Subpart E.

I know the applicability of DOL exceptions to specific sections.

I am knowledgeable regarding the Selected Items of Cost.

I understand the various requirements for prior approval as described in the Selected Items of Cost.


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General Cost Principles

Learning objectives for this section









- Identify applicability to recipients and sub-recipients



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Standards

Factors Affecting Allowability:

 Necessary and reasonable	 Conform with federal law, guidelines and grant terms
 Adequately documented	 Accorded consistent treatment
 Not used for cost sharing or matching funds	 Consistent with policies and procedures
 In accordance with GAAP	 Legal under state and local law

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Necessary and Reasonable (1 of 2)

200.404 Reasonable cost does not exceed what would be incurred by a prudent person under prevailing circumstances when decision was made to incur the cost.

A foundation for allowable costs

- Necessary for the performance or administration of the grant
- Follow sound business practices
- Fair market prices
- Act with prudence
- No significant deviation from established prices

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Necessary and Reasonable (2 of 2)

A foundation for allowable costs

Practical aspects of necessary

- Is this item or service needed to meet grant goals? Is this the minimum amount I need to spend to meet my need?

Practical aspects of reasonable

- 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 comfortable?

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Adequately Documented

- Amount of funds and how funds are used
- Total cost of the project
- Percentage of costs provided by other sources
- Records that show compliance/performance
- Other records to facilitate an effective audit
- Allocable benefit to the grant

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Additional Standards

-  **Applicable Credits**
-  **Composition of Costs**
-  **Prior Written Approval**
-  **Special Considerations**

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Program Regulations

Program regulations may have prohibited costs





- SCSEP
2 CFR 641
- WIA
20 CFR 667.260-268
- WIA
20 CFR 668.340-350

See the Selected Items of Cost for details

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Program Limitations

-  **Salaries & Bonus Limitations**
TEGL 5-06
-  **Public Service Employment Programs**
-  **SESA Real Property**
-  **Legal expenses for prosecution of claims, ALJ audit appeals or civil actions**

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WIOA Limitations

WIOA – Section 181(e)
Prohibits use of funds for:

- ✗ Employment-Generating activities
- ✗ Revolving loan funds
- ✗ Business capitalization
- ✗ Economic development
- ✗ Foreign travel

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Applicability

- Must be used to determine allowable costs
 - Work performed by non-Federal entity under Federal award
- Used as guide in pricing of fixed-price contracts and subcontracts

Exceptions

- Fixed amount awards
- Loans, scholarships, fellowships, etc
- Awards to Hospitals

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Status Check

Are the statements true or false?

- ? The cost principles are the criteria for charging costs to a Federal award
- ? The standards for documentation include performance information
- ? Salary and bonus restrictions no longer apply with the new Principles

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Significant Changes

Learning objectives for this section

- Describe the DOL exceptions and major changes

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Prior Written Approval

Grant Officer is the only authorized official to provide written approval (2900.12)

Request for approval must be submitted not less than 30 days before requested action occurs (2900.16)

Significant changes in the Cost Principles have added prior written approval requirements (200.407)

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Prior Approval Applicability

As a discretionary (non-formula) Grantee	As the State Formula Grantee
<ul style="list-style-type: none">Must obtain prior ETA approval in the same way as other direct recipients of discretionary grant funds	<ul style="list-style-type: none">For approval of State and Local Workforce Investment Area (LWIA) costsPrior approval authority is delegated to the GovernorNo additional ETA approval is required

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Applicability

Recipients, sub-recipients, pass-through entities

- States and local governments
- Institutions of Higher Education (IHE)
- Non-profit organizations
- For-profit or commercial entities
- Indian tribes
- Foreign organizations and foreign public entities

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Cost Allocation and Indirect Costs

- DOL clarification at 2900.17
 - Adjustments or refunds and effect on IDC rates
- 200.413—Discussion of Direct Costs
- 200.418 – Distinctions
- Use of Appendices

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De Minimis Rates

Type of Indirect Cost Rate discussed at 200.616(e)

Covered in Indirect Cost Module

Has costs classified as indirect costs + Entity has never received or does not currently have a negotiated indirect cost rate = Entity eligible to receive rate

May charge an indirect cost rate of 10% of modified total direct costs (MTDC)

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Selected Items of Cost

Learning objectives for this section

- Identify additions and deletions
- Apply requirements the determination of allowable costs

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Types of Costs

Allowable	Unallowable	Allowable with conditions
<ul style="list-style-type: none">• Training Costs• Collection of Improper Payments• Health and Welfare	<ul style="list-style-type: none">• Entertainment• Fines and Penalties• Bad Debts	<ul style="list-style-type: none">• Personnel• Donations• Interest• (Most Costs)

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Advisory Councils 2 CFR 200.422

Unallowable Conditions

- Authorized by statute
- Authorized by Federal agency
- As an indirect cost where allocable

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Advertising 2 CFR 200.421

- Costs of media including electronic media
- Incorporates "Communication Costs"
- Recruitment of Personnel
- Procurement of goods and services
- Advertising and Public Relations are distinct types of cost

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Public Relations 2 CFR 200.421





<p>Allowable ✓</p> <ul style="list-style-type: none">• Communication Costs• Community Outreach• Program specific awards• General program liaison	<p>Unallowable ✗</p> <ul style="list-style-type: none">• Memorabilia• Organizational Recognition• Promotional Items
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Capital Assets 2 CFR 200.12

Applies to:

 Equipment	 Real Property
 Major Renovations	 Intellectual property

Expenditures capitalized in accordance with GAAP

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Child Care 2 CFR 200.432

See Conference costs

Cost of actual child care is **unallowable**

Cost of searching for and obtaining child care is **allowable**

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Collection of Improper Payments 2 CFR 200.428

New item of cost

Allowable ✓

Either direct or indirect

Use of amounts collected specified

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Contingency Provisions 2 CFR 200.433 & 2900.18

Generally unallowable

Allowable only under strict conditions:

- Included in budgets
- Broadly accepted cost estimating methods
- For budget purposes only

Any type of "reserve" is unallowable

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Conferences 200.432 (1 of 2)

Allowable with conditions

- Meeting
- Retreat
- Seminar
- Workshop
- Rental cost
- Speaker fees
- Meals and refreshments
- Local transportation

Primary purpose is dissemination of technical information beyond the non-federal entity

Unless further restricted by the terms of the federal award

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Conferences 200.432 (2 of 2)

- Must exercise discretion and judgment in ensuring conference costs are appropriate, necessary, and minimize costs to the federal award.



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Equipment 2 CFR 200.33 & 200.439

Definition		
Tangible personal property (use life > 1 year)	\$5000 cost or entity capitalization level	Computing devices IT systems General and special purpose


Management Requirements		
Specifies acquisition and use requirements	Prior approval required	Expensed in period acquired


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Fines and Penalties 2 CFR 200.441

Defined as fines, penalties, damages, violations of Federal and/or local laws

 **Unallowable**

 Examples are parking tickets, DUI equipment, late payment penalties

 Cross reference - Defense of claims against the government - unallowable

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Employee Health and Welfare Costs 2 CFR 200.437

 **Allowable with conditions**

 **Conditions**

- Health and welfare of staff
- In accordance with documented policies
- Must be allocated


 **Losses generally unallowable**

 **Eliminates "morale costs"**


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Entertainment 2 CFR 200.438

Limited exceptions 

Programmatic purpose AND Authorized within budget OR Authorized by awarding agency (prior approval)

Unallowable 

Examples:

- Sports event tickets
- Gift cards
- Movie tickets

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Intellectual Property 2 CFR 200.448 & 2900.13

PATENT PROTECTED Combines patent and royalties from Circulars
Does NOT address licensing requirements

 Further clarifies allowable and unallowable costs associated with each


 Reference requirements for intangible property


- DOL exception includes use of Creative Commons license
- Allows subsequent use in manner specified by the awardee

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Lobbying 2 CFR 200.450

 Costs of lobbying are unallowable

 Lobbying includes any actions


- Designed to influence the obtaining of grants
- Designed to influence or give special consideration to acting on an award or regulatory matter


Governed by multiple statutes

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Participant Support Costs 2 CFR 200.456 & 469, 2900.19

Allowable as defined 

 Student Activity fees are unallowable

Check your grant agreement

-  DOL exception at 2900.19
-  Allowable if meet a program requirement
-  Have prior written approval

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Status Check

Are the statements true or false?

- ? Advertising costs include electronic media
- ? Conference costs include the cost of meeting space
- ? DOL requires a Creative Commons license for intellectual property developed with grant funds
- ? The costs of collecting bad debts are unallowable.

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For Your Consideration

Are there changes that you should be making in your award documents for future awards?

How will the written prior approval requirements impact your program operations?

Will some of the new restrictions on costs affect your program design in future awards?

 Complete the QSAP to help identify next steps

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Key Concepts

- A - Z**
The Uniform Guidance consolidates the definitions and many have been changed or deleted.
- economic**
No change to premise of necessary and reasonable.
- E**
The Cost Principles have been consolidated into Subpart E of the Uniform Guidance.
- cost**
The Selected Items of Cost have been clarified and many are new.

Uniform Guidance: Cost Principles 42

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"Procrastination is the art of keeping up with yesterday."
-Don Marquis

THANK YOU!
PLEASE COMPLETE YOUR EVALUATIONS
