

Grants Training

Module 4, Lesson 5



Council on Financial Assistance Reform (COFAR)

FEDERAL GRANTS MANAGEMENT 101

Uniform Guidance Subpart E Cost Principles Lesson 5

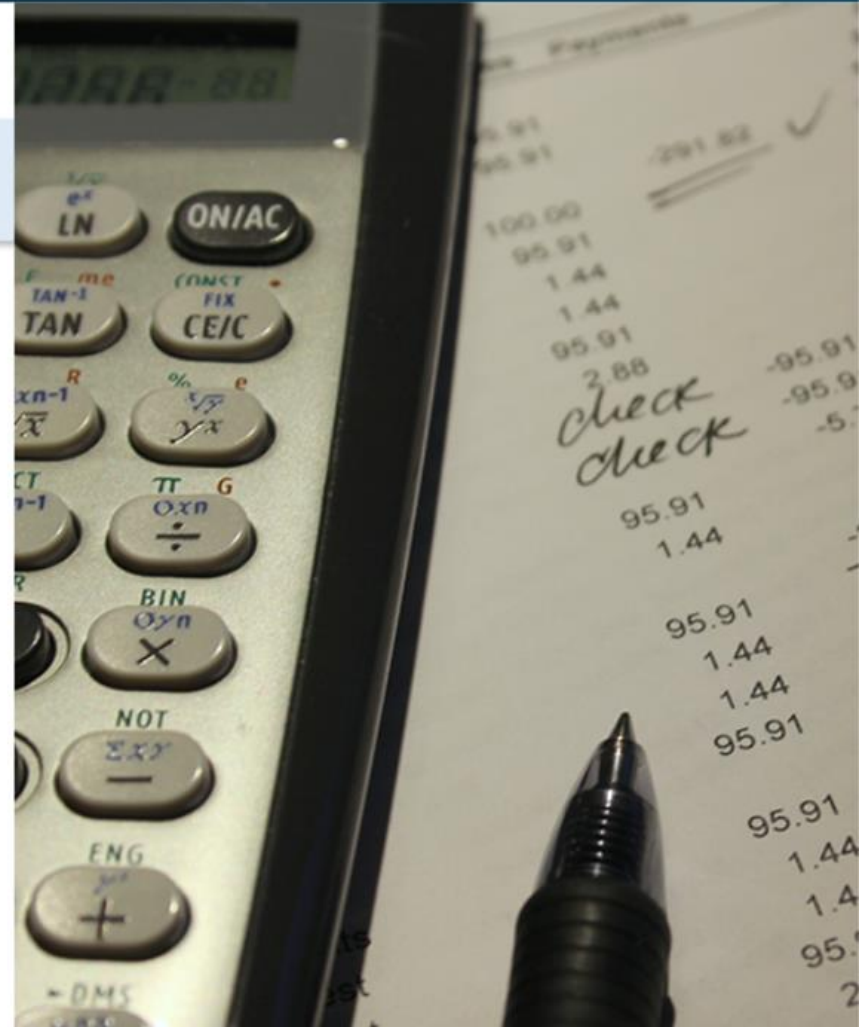


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Lesson 5:

The Cost Principles in Practice

At the completion of this lesson, you will have applied the cost principles to typical situations as you review a proposed budget.





Lesson 5 The Cost Principles in Practice

- Apply cost principles to matching and cost share
- Apply indirect cost rates
- Review a budget to determine allowable and unallowable costs

Refer to [2 CFR Part 200, APPENDIX XI Compliance Supplement](#) for a quick recap of the Cost Principles.



Budget Review

- Federal awarding agency reviews non-Federal entity's (NFE's) budget submission
 - Reasonable
 - Allowable
 - Allocable
- Best practices
 - Budget summary
 - Budget categories
 - SF-424 A (non-construction)
 - SF-424 C (construction)
 - Narrative with sufficient detail to review costs
- Helpful guides
 - [National Service Knowledge Network Online Learning Center: Preparing the Grant Budget for Senior Corps Programs \(Tutorial\)](#)
 - [Office of Justice Programs: Grants 101: Write the Proposal: Develop a Budget](#)



Match or Cost Share Requirement

Question: A Federal award has a matching or cost sharing requirement. Do the cost principles still apply?

Absolutely! The cost principles apply to all costs associated with an award.



§ 200.403: Allowable Costs

- (a) Are necessary and reasonable
- (b) Conform to limitations and exclusions
- (c) Consistent with policies and procedures of the NFE
- (d) Accorded consistent treatment (similar costs charged consistently)
- (e) Determined in accordance with generally accepted accounting principles (GAAP)
- (f) Not used to meet matching or cost-sharing requirements of another Federal award, unless authorized by statute
- (g) Are adequately documented





§ 200.404: Reasonable Costs

- (a) Generally recognized as ordinary and necessary
- (b) Restraints and requirements (business practices, laws and regulations, terms and conditions)
- (c) Market prices for the geographic area
- (d) Prudent person rule
- (e) NFE's established practices and policies





Reasonable Volunteer Costs

- Must meet the [criteria for participating as a volunteer](#)
- Rate must be consistent for similar work in that area
- Apply prudent person tests:
 - “Washington Post” test
 - “Red face” test
 - “Giggle” test

Select the link above to review the criteria for participating as a volunteer.





§ 200.405: Allocable Costs

- (1) Incurred specifically for the Federal award
- (2) Benefits the award and other work of the NFE and can be distributed in proportions approximated using reasonable methods
- (3) Necessary to the overall operation of the NFE and can be assigned in part to the Federal award according to cost principles





Indirect Cost Rate Agreement

- The NFE's cognizant agency for indirect costs is responsible for negotiating the indirect cost rate and issuing the appropriate Rate Agreement.
- The Federal awarding agency should obtain a copy of the Rate Agreement, which includes all approved rates.
- When reviewing an NFE's budget, make sure that the total indirect cost requested for the award is correctly calculated in accordance with the Rate Agreement (rate and base).





Calculating the Total Indirect Cost

$$\text{BASE} \times \text{RATE} \\ = \\ \text{TOTAL INDIRECT COST}$$



Common Allocation Bases

- Direct salaries and wages including or excluding all fringe benefits
- Total direct cost excluding (if applicable):
 - Capital expenditures (buildings, individual items of equipment, and alterations and renovations)
 - Subawards (that portion of each subaward in excess of \$25,000)
 - Flow-through funds
- Modified total direct costs consisting of:
 - Salaries and wages
 - Fringe benefits
 - Materials and supplies
 - Services
 - Travel
 - Subawards up to \$25,000 each



Conduct a Budget Review

- Activity instructions
 - A proposed budget submitted in August 2016 is being reviewed on October 15, 2016.
 - First review the proposed costs included in the budget.
 - Then indicate whether each cost is allowable, reasonable, and allocable.
- Refer to [2 CFR Part 200, APPENDIX XI Compliance Supplement](#) (pages 45-50) to complete this activity.

Proposed Project Budget		
Cost Category		
Personnel		
Program Director	→	100,000
Field Biologist (staff)	→	50,000
Field Biologist (lead)	→	70,000
Administrative Assistant	→	45,000
Fringe Benefits		
35% annual percent fringe for all personnel (item #)		
Federal-funded by grants and funded by non-Federal funds	→	122,100
Travel		
Airfare	→	1,200
Per diem	→	880
Equipment		
Ford F-150 pickup	→	10,000
Supplies		
Tents	→	300
Alcoholic beverages	→	150
Contractual		
Lobbying fee	→	20,000
Construction		
Remodel of Program Director's office	→	150,000
Recruitment Costs		
Recruit Field Biologist (lead)	→	5,000
Total Direct	→	924,730
Indirect Cost		
35% of total direct costs, excluding capital expenditures (buildings, or individual items of equipment, alterations and renovations), and 10% in portion of each subaward in excess of \$25,000	→	181,966
In-Kind Match		
Professional volunteer	→	8,000
Student volunteers	→	1,400
Total Match	→	9,400

[View proposed budget](#)



Proposed Budget (page 1 of 3)

A State government submitted [this budget](#) with its grant proposal.

Personnel

Program Director, 50% of time spent on this project	\$200,000
Field Biologist/staff, 100% dedicated to project	\$50,000
Field Biologist/lead, 100% dedicated to project	\$75,000
Administrative Assistant, difficult to track time without undue cost, 1 year salary	\$45,000

Fringe Benefits

Calculate using 33%, actual percent fringe for all personnel (both Federal funded by grants and funded by non-Federal funds)	\$122,100
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Travel

Field work. Can drive to location using State-issued vehicle but prefer to fly for convenience	
Airfare 2 biologists x \$300 one way x 2 (for round trip)	\$1,200
Per diem (adjusted for locality) 14 days in the field x \$35/day x 2 biologists	\$980



Proposed Budget (page 2 of 3)

A State government submitted [this budget](#) with its grant proposal.

Equipment

Provide description and estimated cost per unit (if appropriate) for items \geq \$5000

State currently has a pick-up truck that's still usable and participates in a motor pool program that has a replacement cycle for vehicles.

Pick-up truck, Ford F-150	\$50,000
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Supplies

2 tents	\$300
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Alcoholic beverages	\$150
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Contractual

Lobbying Fee	\$25,000
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Construction

Remodel of Program Director's office, not part of State-scheduled remodel	\$350,000
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Proposed Budget (page 3 of 3)

A State government submitted [this budget](#) with its grant proposal.

Other – Services

Cost of recruiting field biologist/lead before Federal award proposal was submitted.

This position is new and specifically created for this award, as cleared with the Federal awarding agency.

\$5,000

Direct Costs (allocation base for determining indirect cost)

\$524,730.00

Indirect Cost

Apply 35% to the total direct costs excluding capital expenditures (buildings, individual items of equipment, and alterations and renovations) and that portion of each subaward in excess of \$25,000 per the [indirect cost rate agreement](#)

\$183,656.00

In-kind Match

President of the “Friends of State Wildlife” is assisting with fieldwork. She is a partner in an accounting firm who will take 14 days off to assist.

Estimated value of her fieldwork assistance

\$8,000

College Student Volunteers

Paid a stipend of \$20/day x 5 volunteers x 14 days

\$1,400



Review Proposed Costs

Program Director Salary

Proposed cost: 50% of
time spent on this
project for a total cost
of \$200,000

Allowable

- Yes
- No

Reasonable

- Yes
- No

Allocable

- Yes
- No

Submit



Review Proposed Costs

Program Director Salary

Proposed cost: 50% of time spent on this project for a total cost of \$200,000

Allowable

- Yes
- No

Reasonable

- Yes
- No

Allocable

- Yes
- No

Submit

Yes, this is an allowable cost.

No, this is not a reasonable cost. Program Directors do not usually earn \$400,000 per year.

Yes, this is an allocable cost.



Review Proposed Costs

Field Biologist Salary (staff)

Proposed cost: 100%
dedicated to project for
\$50,000

Allowable

- Yes
- No

Reasonable

- Yes
- No

Allocable

- Yes
- No

Submit



Review Proposed Costs

Field Biologist Salary (staff)

Proposed cost: 100%
dedicated to project for
\$50,000

Allowable

- Yes
- No

Reasonable

- Yes
- No

Allocable

- Yes
- No

Submit

Yes, this is an allowable cost.

Yes, this is a reasonable cost.

Yes, this is an allocable cost.



Review Proposed Costs

Field Biologist Salary (lead)

Proposed cost: 100%
dedicated to project for
\$75,000

Allowable

- Yes
- No

Reasonable

- Yes
- No

Allocable

- Yes
- No

Submit



Review Proposed Costs

Field Biologist Salary (lead)

Proposed cost: 100%
dedicated to project for
\$75,000

Allowable

- Yes
- No

Reasonable

- Yes
- No

Allocable

- Yes
- No

Submit

Yes, this is an allowable cost.

Yes, this is a reasonable cost.

Yes, this is an allocable cost.



Review Proposed Costs

Administrative Assistant Salary

Difficult to track time without undue cost so proposed cost of 1 year salary of \$45,000

Allowable

- Yes
- No

Reasonable

- Yes
- No

Allocable

- Yes
- No

Submit



Review Proposed Costs

Administrative Assistant Salary

Difficult to track time without undue cost so proposed cost of 1 year salary of \$45,000

Allowable

- Yes
- No

Reasonable

- Yes
- No

Allocable

- Yes
- No

Submit

Yes, this is an allowable cost.

Yes, this is a reasonable cost.

No, this is not an allocable cost. If it is difficult to track actual time spent, this should be charged as part of the indirect cost pool.



Review Proposed Costs

Fringe Benefits

Calculate using 33%, actual percent fringe for all personnel for cost of \$122,100

Allowable

- Yes
- No

Reasonable

- Yes
- No

Allocable

- Yes
- No

Submit



Review Proposed Costs

Fringe Benefits

Calculate using 33%, actual percent fringe for all personnel for cost of \$122,100

Allowable

- Yes
- No

Reasonable

- Yes
- No

Allocable

- Yes
- No

Submit

Yes, this is an allowable cost.

Yes, this is a reasonable cost.

Yes, this is an allocable cost.



Review Proposed Costs

Airfare

Can drive to location for field work using State-issued vehicle but prefer to fly for convenience at cost of \$1200 (2 biologists x \$300 one way x 2 for round trip)

Allowable

- Yes
- No

Reasonable

- Yes
- No

Allocable

- Yes
- No

Submit



Review Proposed Costs

Airfare

Can drive to location for field work using State-issued vehicle but prefer to fly for convenience at cost of \$1200 (2 biologists x \$300 one way x 2 for round trip)

Allowable

- Yes
- No

Reasonable

- Yes
- No

Allocable

- Yes
- No

Submit

Yes, this is an allowable cost.

No, this is not a reasonable cost. Staff can use an official vehicle to drive to the field work location.

Yes, this is an allocable cost.



Review Proposed Costs

Per Diem

Proposed cost: Adjusted for locality so proposed cost of \$980 (14 days in the field x \$35/day x 2 biologists)

Allowable

- Yes
- No

Reasonable

- Yes
- No

Allocable

- Yes
- No

Submit



Review Proposed Costs

Per Diem

Proposed cost: Adjusted for locality so proposed cost of \$980 (14 days in the field x \$35/day x 2 biologists)

Allowable

- Yes
- No

Reasonable

- Yes
- No

Allocable

- Yes
- No

Submit

Yes, this is an allowable cost.

Yes, this is a reasonable cost.

Yes, this is an allocable cost.



Review Proposed Costs

Pick-up Truck
State currently has a pick-up truck that's still usable and participates in a motor pool program that has a replacement cycle for vehicles. Proposed cost of \$50,000 for Ford F-150 pick-up truck.

Allowable

- Yes
- No

Reasonable

- Yes
- No

Allocable

- Yes
- No

Submit



Review Proposed Costs

Pick-up Truck
State currently has a pick-up truck that's still usable and participates in a motor pool program that has a replacement cycle for vehicles. Proposed cost of \$50,000 for Ford F-150 pick-up truck.

Allowable

- Yes
- No

Reasonable

- Yes
- No

Allocable

- Yes
- No

Submit

Yes, this cost is allowable with prior approval.

No, this is not a reasonable cost. The motor pool takes care of State vehicle needs so no need to directly charge the project.

No, this is not an allocable cost. Motor pool costs are part of the indirect cost pool.



Review Proposed Costs

Tents

Proposed cost: \$300 for
2 tents

Allowable

- Yes
- No

Reasonable

- Yes
- No

Allocable

- Yes
- No

Submit



Review Proposed Costs

Tents

Proposed cost: \$300 for
2 tents

Allowable

- Yes
- No

Reasonable

- Yes
- No

Allocable

- Yes
- No

Submit

Yes, this is an allowable cost.

Yes, this is a reasonable cost.

Yes, this is an allocable cost.



Review Proposed Costs

Alcoholic Beverages

Proposed cost: \$150

Allowable

- Yes
- No

Reasonable

- Yes
- No

Allocable

- Yes
- No

Submit



Review Proposed Costs

Alcoholic Beverages

Proposed cost: \$150

Allowable

- Yes
- No

Reasonable

- Yes
- No

Allocable

- Yes
- No

Submit

No, this is not an allowable cost. Alcoholic beverages are always unallowable.

No, this is not a reasonable cost.

No, this is not an allocable cost.



Review Proposed Costs

Lobbying Fee
Proposed cost: \$25,000

Allowable

- Yes
- No

Reasonable

- Yes
- No

Allocable

- Yes
- No

Submit



Review Proposed Costs

Lobbying Fee
Proposed cost: \$25,000

Allowable

- Yes
- No

Reasonable

- Yes
- No

Allocable

- Yes
- No

Submit

No, this is not an allowable cost. Lobbying fees are generally unallowable.

No, this is not a reasonable cost.

No, this is not an allocable cost.



Review Proposed Costs

Remodel of Program
Director's Office

Proposed cost: \$350,000
(not part of
State-scheduled
remodel)

Allowable

- Yes
- No

Reasonable

- Yes
- No

Allocable

- Yes
- No

Submit



Review Proposed Costs

Remodel of Program
Director's Office

Proposed cost: \$350,000
(not part of
State-scheduled
remodel)

Allowable

- Yes
- No

Reasonable

- Yes
- No

Allocable

- Yes
- No

Submit

Yes, this is an allowable cost with prior approval.

No, this is not a reasonable cost if this is not part of a State-scheduled remodel.

Yes, this is an allocable cost.



Review Proposed Costs

Recruiting Costs

\$5,000. Cost of recruiting field biologist/lead before Federal award proposal was submitted. This position is new and specifically created for this award, as cleared with the Federal awarding agency.

Allowable

- Yes
- No

Reasonable

- Yes
- No

Allocable

- Yes
- No

Submit



Review Proposed Costs

Recruiting Costs

\$5,000. Cost of recruiting field biologist/lead before Federal award proposal was submitted. This position is new and specifically created for this award, as cleared with the Federal awarding agency.

Allowable

- Yes
- No

Reasonable

- Yes
- No

Allocable

- Yes
- No

Submit

Yes, this cost is allowable with prior approval and is considered a pre-award cost.

Yes, this is a reasonable cost.

Yes, this is an allocable cost.



Review Proposed Costs

Indirect Costs

Apply 35% of total direct costs excluding capital expenditures and that portion of each subaward in excess of \$25,000 for a cost of \$183,656 per negotiated agreement.

Allowable

- Yes
- No

Reasonable

- Yes
- No

Allocable

- Yes
- No

Submit



Review Proposed Costs

Indirect Costs

Apply 35% of total direct costs excluding capital expenditures and that portion of each subaward in excess of \$25,000 for a cost of \$183,656 per negotiated agreement.

Allowable

- Yes
- No

Reasonable

- Yes
- No

Allocable

- Yes
- No

Submit

Yes, this is an allowable cost.

Yes, this is a reasonable cost.

Yes, this is an allocable cost.



Review Proposed Costs

In-Kind Match: President of
"Friends of State Wildlife"

Partner in an accounting
firm taking 14 days off to
assist with field work.
Estimated value is \$8,000.

Allowable

- Yes
- No

Reasonable

- Yes
- No

Allocable

- Yes
- No

Submit



Review Proposed Costs

**In-Kind Match: President of
"Friends of State Wildlife"**

Partner in an accounting
firm taking 14 days off to
assist with field work.
Estimated value is \$8,000.

Allowable

- Yes
- No

Reasonable

- Yes
- No

Allocable

- Yes
- No

Submit

Yes, this is an allowable cost.

No, this is not a reasonable cost. Use the cost of the volunteer work and should not exceed the cost of a field biologist.

Yes, this is an allocable cost.



Review Proposed Costs

**In-Kind Match: Student
Volunteers**

Proposed cost: stipends
totaling \$1,400 (\$20/day x
5 volunteers x 14 days)

Allowable

- Yes
- No

Reasonable

- Yes
- No

Allocable

- Yes
- No

Submit



Review Proposed Costs

In-Kind Match: Student Volunteers

Proposed cost: stipends totaling \$1,400 (\$20/day x 5 volunteers x 14 days)

Allowable

- Yes
- No

Reasonable

- Yes
- No

Allocable

- Yes
- No

Submit

Yes, this is an allowable cost.

Yes, this is a reasonable cost.

Yes, this is an allocable cost.



Budget Review: Summary of Costs

Costs that are chargeable (as proposed)

- Field biologist (staff)
- Field biologist (lead)
- Fringe benefits
- Per diem
- Tents
- Recruiting costs
- Indirect cost (limited to amount approved using the base and rate on Rate Agreement)
- In-kind match: student volunteers

Costs that are not chargeable (as proposed)

- Program Director
- Administrative assistant
- Airfare (for field biologists)
- Pick-up truck
- Alcoholic beverages
- Lobbying fee
- Remodel of Program Director's office
- In-kind match: President of the "Friends of State Wildlife"