Grants Training

Module 4, Lesson 3
Uniform Guidance
Subpart E Cost Principles
Lesson 3
At the completion of this lesson, you will have a basic understanding of costs that require prior written approval.
Lesson 3: Costs that Require Prior Written Approval

200.413(c) – Salary of administrative and clerical staff
200.438 – Entertainment costs
200.439 – Equipment and other capital expenditures
200.440 – Exchange rates
200.441 – Fines, penalties, damages and other settlements
200.447 – Insurance and indemnification
200.454 – Memberships, subscriptions, and professional activity costs
200.455 – Organization costs
200.456 – Participant support costs
200.458 – Pre-award costs
200.474 – Travel costs
Miscellaneous other costs
§ 200.413(c): Salary of Administrative and Clerical Staff

- Salaries normally treated as indirect costs
- Charging as direct cost appropriate only if:
  - Services integral to a project or activity
  - Individuals specifically identified with the project or activity
  - Included in the budget or have prior written approval
  - Not also recovered as indirect costs
§ 200.438: Entertainment Costs

- Generally unallowable
- Limited exceptions for programmatic purposes
§ 200.439: Equipment and Other Capital Expenditures

- Unallowable as direct cost unless non-Federal entity (NFE) obtains prior written approval from the Federal awarding agency:
  - Expenditures for general purpose equipment, buildings, and land
  - Expenditures for improvements to land, buildings, or equipment which materially increase their value or useful life

- Allowable as direct cost:
  - Expenditures for special purpose equipment
  - Items with a unit cost of $5,000 or more require prior written approval of the Federal awarding agency or pass-through entity
§ 200.440: Exchange Rates

- Cost increases for fluctuations
  - Is allowable if funding is available
  - Requires prior written approval if additional Federal funding is needed or funding costs results in reducing the scope of the project

- Determine if additional funding needed before expiration of award
Knowledge Check

Which costs require prior written approval?

Select all responses that apply.

☐ Expenditures for general purpose equipment, buildings, and land

☐ Expenditures for improvements to land, buildings, or equipment which materially increase their value or useful life

☐ Expenditures for special purpose equipment

☐ Items with a unit cost of $5,000 or more
Knowledge Check

Which costs require prior written approval?

✅ Expenditures for general purpose equipment, buildings, and land
✅ Expenditures for improvements to land, buildings, or equipment which materially increase their value or useful life
✅ Expenditures for special purpose equipment
✅ Items with a unit cost of $5,000 or more

Correct!

All of these costs require prior written approval.
§ 200.441: Fines, Penalties, Damages, and Other Settlements

- Unallowable costs
  - Violations
  - Alleged violations
  - Failure to comply

- Exceptions
  - Result of compliance with specific provisions of the award
  - Prior written approval of the Federal awarding agency
§ 200.447: Insurance and Indemnification

- Allowable if required or approved and maintained pursuant to Federal award

- Subject to limitations:
  - Types, extent, and cost of coverage in accordance with NFE policy and sound business practice
  - Medical liability insurance only to the extent that Federal research programs involve human subjects or training of participants in research techniques
§ 200.447: Insurance and Indemnification, cont’d

- Unallowable coverage
  - Risk of loss or damage to Federal Government property
  - Lives of trustees, officers, or other employees when the NFE is identified as the beneficiary
  - Correcting defects in the NFE’s materials or workmanship
  - Actual losses which could have been covered by permissible insurance
§ 200.454: Memberships, Subscriptions, and Professional Activity Costs

- Allowable
  - Membership in business, technical, and professional organizations
  - Subscriptions to business, professional, and technical periodicals
  - Membership in any civic or community organization with prior written approval

- Unallowable
  - Membership in any country club or social or dining club or organization
  - Membership in organizations whose primary purpose is lobbying
§ 200.455: Organization Costs

- Unallowable unless with prior written approval
- Costs connected to establishment or reorganization:
  - Incorporation fees
  - Brokers’ fees
  - Fees to promoters, organizers, or management consultants
  - Fees to attorneys, accountants, or investment counselors
Knowledge Check

Which of the following insurance and indemnification costs is allowable?

Select the correct response.

- Medical liability insurance only to the extent that Federal research programs involve human subjects or training of participants in research techniques
- Insurance on the lives of trustees, officers, or other employees when the NFE is identified as the beneficiary
- Insurance with respect to correcting defects in the NFE's materials or workmanship
- Actual losses which could have been covered by permissible insurance
Knowledge Check

Which of the following insurance and indemnification costs is allowable?

- Medical liability insurance only to the extent that Federal research programs involve human subjects or training of participants in research techniques

Correct!

- Medical liability insurance only to the extent that Federal research programs involve human subjects or training of participants in research techniques is the only allowable cost.

- Insurance on the lives of trustees, officers, or other employees when the NFE is identified as the beneficiary

- Insurance with respect to correcting defects in the NFE's materials or workmanship

- Actual losses which could have been covered by permissible insurance

Select Next to Continue.
§ 200.456: Participant Costs

- Are allowable with prior written approval
- Defined in Section 200.75
- Includes costs such as:
  - Stipends or subsistence allowances
  - Travel allowances
  - Registration fees for conferences or training projects
§ 200.458: Pre-Award Costs

- Allowable if:
  - Incurred prior to effective date of award
  - Incurred in anticipation of award
  - Must be necessary for efficient and timely performance of the scope of work
  - Are allowable only if costs would have been allowed if incurred after date of award

- NFE incurs any pre-award costs at its own risk
Pre-Award Costs Example

- NFE purchases equipment prior to start of field work
- Cost is necessary for efficient and timely performance
- Cost is allowable if incurred after award
- NFE assumes risk of costs incurred before award

[FEBRUARY] 1

[March] 1

[April] 1
§ 200.474: Travel Costs

- Requires prior written approval for:
  - Section 200.444 General costs of government, travel of officials when specifically related to an award
  - Dependents when duration of travel exceeds 6 months
Miscellaneous Other Costs

- Prior written approval required for:
  - Section 200.430(h) – IHE compensation over institutional base salary
  - Section 200.462 – Rearrangement and reconversion costs
Knowledge Check

Which participant costs are allowable with prior written approval?

Select all responses that apply.

- Conference opening reception fee
- Conference registration fee
- Stipend
- Subsistence allowance
- Training registration fee
- Travel allowance
Knowledge Check

Which participant costs are allowable with prior written approval?

- Conference opening reception fee (Correct)
- Conference registration fee (Correct)
- Stipend (Correct)
- Subsistence allowance (Correct)
- Training registration fee (Correct)
- Travel allowance (Correct)

Incorrect

That is partially correct. All of these participant costs are allowable with prior written approval except the conference opening reception fee.

Select Next to Continue.