



Council on Financial Assistance Reform (COFAR) Federal Grants Management 101 Uniform Guidance Cost Principles Audio Transcript

Table of Contents

Lesson 1 Uniform Guidance Cost Principles: General Principles	1
Screen 1: Title Screen	1
Screen 2: Course Navigation	1
Screen 3: Lesson Overview	1
Screen 4: Lesson Objective	1
Screen 5: Lesson 1: General Principles.....	1
Screen 6: Lesson 1: General Principles.....	1
Screen 7: §200.401 Applying Cost Principles.....	2
Screen 8: §200.402: Composition of Costs: Total Allowable Cost	2
Screen 9: Factors to Consider	3
Screen 9a: §200.403: Factors Affecting Allowability of Costs	3
Screen 9b: §200.404: Reasonable Costs	3
Screen 9c: Examples of Reasonable Costs	4
Screen 9d: §200.405: Allocable Costs	4
Screen 9e: Criteria for Allocable Costs	5
Screen 9f: Example of an Allocable Cost.....	5
Screen 9g: Charging an Allocable Cost	5
Screen 9h: Charging an Allocable Cost, cont'd.....	5
Screen 10: Knowledge Check.....	6
Screen 11: Knowledge Check.....	6
Screen 12: §200.402: Composition of Costs	6
Screen 12a: §200.402: Composition of Costs: Direct Charges	7
Screen 12b: §200.402: Composition of Costs: Indirect Charges.....	7



Screen 12c: §200.402: Composition of Costs: Credits 7

Screen 13: §200.412: Classification of Costs 7

Screen 14: §200.412: Classification of Costs: Example 8

Screen 15: §200.412: Classification of Costs: Key Considerations 8

Screen 16: Is This a Direct or Indirect Cost? 8

Screen 17: Is This a Direct or Indirect Cost? 9

Screen 18: Is This a Direct or Indirect Cost? 9

Screen 19: Is This a Direct or Indirect Cost? 9

Screen 20: Knowledge Check..... 9

Screen 21: Allocating Indirect Costs 9

Screen 22: §200.414: Indirect Costs (Negotiated Rates) 9

Screen 23: §200.414: Indirect Costs (de minimis) 10

Screen 24: §200.407: Prior Written Approval 10

Screen 25: §200.401: Application 10

Screen 26: Knowledge Check..... 10

Screen 27: Knowledge Check..... 11

Screen 28: End of Lesson..... 11

Lesson 2 Uniform Guidance Cost Principles: Generally Allowable Costs 11

Screen 1: Title Screen 11

Screen 2: Lesson Objective 11

Screen 3: Lesson 2: Generally Allowable Costs..... 11

Screen 4: §200.430: Compensation – Personal Services..... 11

Screen 5: §200.430: Personal Services Documentation 12

Screen 6: §200.431: Compensation – Fringe Benefits 12

Screen 7: Knowledge Check 12

Screen 8: Knowledge Check 12

Screen 9: §200.432: Conferences 12

Screen 10: §200.453: Materials and Supplies Costs Including Costs of Computing
Devices 13

Screen 11: §200.459: Professional Service Costs 13

Screen 12: §200.461: Publication and Printing Costs 13

Screen 13: §200.474: Travel Costs 13

Screen 14: Knowledge Check..... 13

Screen 15: Knowledge Check..... 14

Screen 16: Knowledge Check..... 14



Screen 17: End of Lesson..... 14

Lesson 3 Uniform Guidance Cost Principles: Costs That Require Prior Written Approval 14

Screen 1: Title Screen 14

Screen 2: Lesson Objective 14

Screen 3: Lesson 3: Costs That Require Prior Written Approval..... 15

Screen 4: §200.413(c): Salary of Administrative and Clerical Staff..... 15

Screen 5: §200.438: Entertainment Costs 15

Screen 6: §200.439: Equipment and Other Capital Expenditures 15

Screen 7: §200.440: Exchange Rates 16

Screen 8: Knowledge Check 16

Screen 9: §200.441: Fines, Penalties, Damages, and Other Settlements..... 16

Screen 10: §200.447: Insurance and Indemnification 16

Screen 11: §200.447: Insurance and Indemnification, cont'd 16

Screen 12: §200.454: Memberships, Subscriptions, and Professional Activity Costs 17

Screen 13: § 200.455: Organization Costs..... 17

Screen 14: Knowledge Check..... 17

Screen 15: §200.456: Participant Costs 17

Screen 16: §200.458: Pre-Award Costs..... 17

Screen 17: Pre-Award Costs Example 18

Screen 18: §200.474: Travel Costs 18

Screen 19: Miscellaneous Other Costs..... 18

Screen 20: Knowledge Check..... 18

Screen 21: End of Lesson..... 19

Lesson 4 Uniform Guidance Cost Principles: Generally Unallowable Costs or Costs that Require Further Review 19

Screen 1: Title Screen 19

Screen 2: Lesson Objective 19

Screen 3: Lesson 4: Generally Unallowable Costs or Costs that Require Further Review 19

Screen 4: §200.423: Alcoholic Beverages..... 19

Screen 5: §200.426: Bad Debts 19

Screen 6: §200.442: Fund Raising and Investment Management Costs..... 19

Screen 7: §200.444: General Costs of Government 20



Screen 8: §200.450: Lobbying..... 20

Screen 9: §200.467: Selling and Marketing 21

Screen 10: Knowledge Check..... 21

Screen 11: Knowledge Check..... 21

Screen 12: Costs That Require Further Review 21

Screen 13: §200.448(a): Intellectual Property (Patent Costs)..... 21

Screen 14: §200.448(b): Intellectual Property (Royalties for Use of Patents or
Copyright) 22

Screen 15: §200.460: Proposal Costs 22

Screen 16: §200.463: Recruiting Costs 22

Screen 17: §200.464: Relocation Costs of Employees 22

Screen 18: §200.465: Rental Costs of Real Property and Equipment 23

Screen 19: Knowledge Check..... 23

Screen 19: End of lesson 24

Lesson 5 Uniform Guidance Cost Principles: 24

Screen 1: Title Screen 24

Screen 2: Lesson Objective 24

Screen 3: Lesson 5: The Cost Principles in Practice 24

Screen 4: Budget Review 24

Screen 5: Match and Cost Share Requirement..... 24

Screen 6: §200.403: Allowable Costs..... 24

Screen 7: §200.404: Reasonable Costs 25

Screen 8: Reasonable Volunteer Costs 25

Screen 9: §200.405: Allocable Costs 25

Screen 10: Indirect Cost Rate Agreement..... 25

Screen 11: Calculating the Total Indirect Cost..... 26

Screen 12: Common Allocation Bases 26

Screen 13: Conduct a Budget Review..... 26

Screen 14: Proposed Budget (page 1 of 3) 26

Screen 15: Proposed Budget (page 2 of 3) 26

Screen 16: Proposed Budget (page 3 of 3) 26

Screen 17: Review Proposed Costs 26

Screen 18: Review Proposed Costs 27

Screen 19: Review Proposed Costs 27

Screen 20: Review Proposed Costs 27



Screen 21: Review Proposed Costs 27

Screen 22: Review Proposed Costs 28

Screen 23: Review Proposed Costs 28

Screen 24: Review Proposed Costs 28

Screen 25: Review Proposed Costs 29

Screen 26: Review Proposed Costs 29

Screen 27: Review Proposed Costs 29

Screen 28: Review Proposed Costs 30

Screen 29: Review Proposed Costs 30

Screen 30: Review Proposed Costs 30

Screen 31: Review Proposed Costs 31

Screen 32: Review Proposed Costs 31

Screen 33: Budget Review: Summary of Costs..... 31

Screen 34: End of Lesson..... 32



Lesson 1 Uniform Guidance Cost Principles: General Principles

Screen 1: Title Screen

Welcome to the Uniform Guidance Costs Principles course.

Screen 2: Course Navigation

Audio: You can toggle this course's narration by selecting the "Audio" button in the Navigation Bar. Please turn your speakers on and adjust the volume on your computer as necessary, or listen through headphones for the comfort of others. You can also select the Closed Captioning button on the Navigation bar to read any accompanying narration.

Time: This course will take you between 2 and 2.5 hours to complete. This course does not have to be completed in one sitting but can be started and resumed at your convenience.

Knowledge Checks: This course contains opportunities to apply what you have learned. You need to complete all Knowledge Checks to continue to move forward in the course.

Screen 3: Lesson Overview

At the completion of this course, you will have knowledge of the Uniform Guidance Subpart E cost principles including general principles, generally allowable costs, costs that require prior written approval, generally unallowable costs or costs that require further review, and finally the cost principles in practice.

Screen 4: Lesson Objective

At the completion of this lesson, you will have a basic understanding of general cost principles to which grant recipients must adhere. This lesson also highlights differences between direct and indirect costs.

Screen 5: Lesson 1: General Principles

This lesson covers several sections of Subpart E that set out general principles for determining how costs are charged to a Federal award.

These sections describe the factors that determine what costs can be charged, the categories in which costs can be charged, and guidelines for allowable and unallowable costs.

Screen 6: Lesson 1: General Principles

The cost principles begin with general introductory language that sets the fundamental premises for applying the cost principles. These guidelines specify the responsibilities of the non-Federal entity (NFE) in terms of administering the award. They also emphasize implementing a framework to minimize the risk of waste, fraud, and abuse.



- (a) The non-Federal entity (NFE) is responsible for the efficient and effective administration of the Federal award through the application of sound management practices.
- (b) The non-Federal entity (NFE) assumes responsibility for administering Federal funds in a manner consistent with underlying agreements, program objectives, and the terms and conditions of the Federal award.
- (c) The non-Federal entity (NFE), in recognition of its own unique combination of staff, facilities, and experience, has the primary responsibility for employing whatever form of sound organization and management techniques may be necessary in order to assure proper and efficient administration of the Federal award.
- (d) The application of these cost principles should require no significant changes in the internal accounting policies and practices of the non-Federal entity (NFE). However, the accounting practices of the non-Federal entity must be consistent with these cost principles and support the accumulation of costs as required by the principles, and must provide for adequate documentation to support costs charged to the Federal award.
- (e) In reviewing, negotiating and approving cost allocation plans or indirect cost proposals, the cognizant agency for indirect costs should generally assure that the non-Federal entity (NFE) is applying these cost accounting principles on a consistent basis during their review and negotiation of indirect cost proposals. Where wide variations exist in the treatment of a given cost item by the non-Federal entity, the reasonableness and equity of such treatments should be fully considered. See §200.56 Indirect (facilities & administrative (F&A)) costs.
- (f) For non-Federal entities (NFEs) that educate and engage students in research, the dual role of students as both trainees and employees (including pre- and post-doctoral staff) contributing to the completion of Federal awards for research must be recognized in the application of these principles.
- (g) The non-Federal entity (NFE) may not earn or keep any profit resulting from Federal financial assistance, unless explicitly authorized by the terms and conditions of the Federal award. See also §200.307 Program income.

Screen 7: §200.401 Applying Cost Principles

The cost principles must be used to determine which costs of work performed by the NFE can be charged to the Federal award. These principles must also be used as a guide when pricing fixed-price contracts and subcontracts where costs are used to determine the appropriate price.

Screen 8: §200.402: Composition of Costs: Total Allowable Cost

For organizations and awards subject to the cost principles in Subpart E, the total cost of a Federal award is the sum of the allowable direct costs and allocable indirect costs minus any applicable credits.

There are several concepts in this simple equation. Let's explore these terms.



Screen 9: Factors to Consider

Let's begin with the concepts of allowable, reasonable, and allocable.

When applying the cost principles, the first question to consider is whether a cost can even be charged to an award. Three factors are critical for determining if a cost can be paid with Federal funds. First, is a charge allowable? Next, is the cost reasonable? Finally, is the cost allocable to the award? All costs that are charged to an award are evaluated against these three factors.

Select each item in the image for more information on each of these factors.

Screen 9a: §200.403: Factors Affecting Allowability of Costs

The cost principles describe the criteria that must be met for a cost to be considered "allowable" and, therefore, chargeable to the award. All allowable costs must meet these criteria.

So when you are considering whether a cost can be charged, here are some questions to think about:

- Is the cost necessary and reasonable for the work of the award?
- Is the expense in compliance with the laws, regulations and terms of the award? This can include the type of charge and the amount of each charge.
- Is the cost consistent with the policies and procedures applied to all of the non-Federal entity's, or NFE's, activities? (not just for this award)
- Is this cost charged consistently? A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
- Are costs determined in accordance with generally accepted accounting principles?
- Is the cost used to meet the matching or cost sharing requirement of another Federal award? If yes, then the cost cannot be used again for a different Federal award.
- Is the cost adequately documented?

Sections 200.420 through 200.475 of Subpart E also provide additional guidance by designating specific cost items as either "allowable" or "unallowable".

Screen 9b: §200.404: Reasonable Costs

All costs must be reasonable. This factor is the most objective of the three requirements.

According to the Uniform Guidance, a cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost.

So consider these questions when determining if a cost is reasonable:



- Is the cost ordinary and necessary for the operation of the NFE or performance of the award
- Has proper consideration been given to restraints and requirements such as sound business practices, arm's-length bargaining, applicable laws and regulations, and terms and conditions of the award?
- Are the costs similar to market prices for comparable goods or services in the geographic area?
- Have those concerned acted with prudence or caution, considering their responsibilities to the organization and its employees, the public, and the Federal government?
- Does the NFE follow or deviate from its established practices and policies for incurring costs?

The question of whether costs are reasonable is particularly important when the NFE is predominantly Federally-funded.

Consider the following prudent person tests:

- "Washington Post" test (or substitute the name of your local newspaper). If the paper got word of what you were doing, would they negatively report it on one of the first three pages?
- "Red-face" test asks whether you can explain the cost without blushing.
- "Giggle" test asks whether people start to giggle as they explain why the cost is acceptable.

Screen 9c: Examples of Reasonable Costs

So what are examples of "reasonable costs"? Let's consider first class travel, which could be considered a "reasonable" cost depending on the situation.

First class travel is generally not considered a reasonable cost. First class travel, however, may be acceptable for someone with a medical condition if this situation is consistent with NFE travel policy.

Screen 9d: §200.405: Allocable Costs

Determining whether a cost is allocable is probably the most challenging of the three factors. Let's start with a basic definition.

A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assigned to that Federal award or cost objective in accordance with relative benefits received.

So if a NFE provides goods and services that benefit multiple awards or activities and the proportion of benefit cannot be determined without undue effort or cost, the costs of those goods and services must be distributed, or allocated, across each award and activity. The exact cost charged must be relative to the benefit each award or activity actually receives.



Screen 9e: Criteria for Allocable Costs

Three criteria are used to determine whether a cost is allocable.

First, the cost must be incurred specifically for the Federal award.

The cost must also benefit both the award and other work of the non-Federal entity. The cost is then distributed across the work in proportions that are approximated using reasonable methods.

Finally, the cost is necessary to the overall operation of the NFE and is assignable in part to the award according to the cost principles.

Screen 9f: Example of an Allocable Cost

Let's consider an example and determine whether it is an allocable cost.

Many NFEs lease office space to support their mission and perform work associated with any Federal awards.

Is this cost allocable for a Federal award? Let's review this cost against the criteria for allocable costs.

The first criterion is the cost is incurred specifically for the Federal award.

The second criterion is that the cost benefits the award and other work of the non-Federal entity. If the use of this space supports the performance of the work for an award or for multiple awards, the cost is allocable to those awards.

The third criterion is that the cost is necessary to the overall operation of the NFE and can be assigned in part to the Federal award according to cost principles. Again, if this office space is necessary to support the performance of the award, then it is an allocable cost.

Office space often meets this criteria, so it can be an allocable cost.

Screen 9g: Charging an Allocable Cost

Remember, however, that the cost must be chargeable in accordance with the relative benefits received.

If office space is leased specifically for the purpose of supporting a single Federal award, then 100% of the cost of the office space can be allocated to that award. Associated costs such as utilities, maintenance, and insurance would also be allocable to the award.

Allocating costs is simple if they support only the work under a single award. Allocating costs is not always this clear and straightforward, however.

Screen 9h: Charging an Allocable Cost, cont'd

NFEs often work on multiple activities and awards. They may also collaborate with other Federal or State-funded agencies or other non-profit organizations. Therefore, resources are often shared across programs and across organizations. In



these situations, costs should be charged to each activity and award in proportion to the benefit that each one receives.

So if that leased office space supports the public mission of the NFE as well as staff and operations for two other Federal awards, the costs associated with that space would need to be allocated across all of these activities.

The second criterion for an allocable cost also states that the charge be distributed in proportions approximated using reasonable methods.

Screen 10: Knowledge Check

Now let's do a knowledge check. What three factors determine whether a cost can be charged to an award? Select the correct responses.

[Response choices]

- Acceptable
- Allocable
- Allowable
- Consistent
- Necessary
- Practical
- Rational
- Realistic
- Reasonable
- Sensible

Feedback: Although the other terms can be used to determine whether a cost is allowable, reasonable, or allocable, the three factors that determine whether a cost can be charged are allowable, reasonable, and allocable.

Screen 11: Knowledge Check

Here is another question about charging costs. How is a cost allocated across multiple activities and awards? Select the correct response.

[Response choices]

- A. The cost is allocated evenly across all applicable awards and activities.
- B. The applicable cost share is limited to 25% of the Federal award amount.
- C. The cost is allocated in accordance with the relative benefit received by the award or activity.
- D. Any cost must be allocated to a single award or activity.

Feedback: The cost is allocated in accordance with the relative benefit received by the award or activity.

Screen 12: §200.402: Composition of Costs

So let's come back to our formula for determining the total cost of an award. We've reviewed the three criteria for determining what costs can be charged to a Federal



award. Once you've determined that a cost can be charged, the next step is to determine how that cost can be charged: as a direct cost or an indirect cost.

Select each image for more information about each component of the total cost of an award.

Screen 12a: §200.402: Composition of Costs: Direct Charges

Direct costs are any costs that can be identified specifically with a Federal award or another activity of the NFE. Costs that can be directly assigned to the award or another activity relatively easily with a high degree of accuracy can also be charged as direct costs.

Typical costs charged directly to a Federal award are the compensation of employees who work on that award, the related fringe benefit costs, and materials, other expenses, and travel that directly support the performance of the Federal award.

Screen 12b: §200.402: Composition of Costs: Indirect Charges

Indirect charges are classified in two broad categories: Facilities and Administration, or F&A, costs. Facilities costs include depreciation of buildings; equipment and capital improvement costs; interest on debt for buildings, and operations and maintenance expenses.

Administrative costs include general expenses including costs associated with functions such as the director's office, accounting and personnel. Indirect costs also generally include the salaries of administrative and clerical staff.

Screen 12c: §200.402: Composition of Costs: Credits

Applicable credits include any receipts or transactions that offset or reduce expenses allocable to the Federal award as either direct or indirect costs. These types of transactions include purchase discounts, rebates or allowances, and adjustments for overpayments or erroneous charges. These credits are subtracted from the sum of the direct and indirect costs charged to the Federal award.

Screen 13: §200.412: Classification of Costs

There is no universal rule for classifying certain costs as either direct or indirect under every accounting system. The same cost may be charged as direct or indirect depending on the situation of the NFE and the Federal award and whether proportion of benefit can be determined without undue effort or cost.

Let's consider the example of photocopy costs. If the NFE has a policy where staff logs the number of copies per award, then the photocopy expenses can be prorated based on actual copier use.

If, however, most photocopy expenses are general in nature and difficult to prorate to awards, then the photocopy expenses should be considered an indirect cost.



Screen 14: §200.412: Classification of Costs: Example

Let's consider another example of direct and indirect costs. Typically, the salaries of administrative and clerical staff are charged as indirect costs. These salaries can be charged as a direct cost, however, if these criteria are met:

- The administrative or clerical services must be integral to the project or activity.
- The staff performing the work can be specifically identified with the project or activity without undue effort or cost.
- The costs are explicitly included in the budget or have the prior written approval of the Federal awarding agency.
- And the costs are not also charged as indirect costs.

So again, the same cost may be charged as direct or indirect depending on the circumstances.

Screen 15: §200.412: Classification of Costs: Key Considerations

Keep these guidelines in mind when determining if a cost should be charged as direct or indirect.

Application to Federal awards, not the nature of goods or services, distinguishes direct from indirect.

For example, lease costs are not always direct costs. An NFE should assess the applicability of the cost to Federal awards before classifying the cost as direct or indirect.

It is essential that each item of cost incurred for the same purpose in like circumstances be treated consistently. This means that in like circumstances, that cost will always be charged as either a direct or an indirect cost across all Federal awards. This will avoid possible double-charging of costs to Federal awards.

For example, if a NFE has a motor pool service that is a component of its indirect cost rate and the pool has a replacement schedule for official vehicles being used for the Federal award, an NFE should not charge the cost of a new vehicle as a direct cost.

Screen 16: Is This a Direct or Indirect Cost?

Now you try to determine if a cost should be charged as a direct or indirect cost. Here is your first scenario. The Executive Director of the NFE travels to a regional office to give employees a quarterly update. Would this travel cost be direct or indirect? Select the correct response.

Feedback: These travel expenses would be charged as an indirect cost since the benefit cannot be determined without undue effort or cost.



Screen 17: Is This a Direct or Indirect Cost?

Let's try another one. Is the cost of space for common areas such as hallways, restrooms, and a NFE's conference room a direct or indirect cost? Select the correct response.

Feedback: The cost of space for common areas such as hallways, restrooms, and a conference room is an indirect cost since the benefit cannot be determined without undue effort or cost.

Screen 18: Is This a Direct or Indirect Cost?

Now consider this situation. Are the postage meter costs logged for specific projects or activities a direct or indirect cost? Select the correct response.

Feedback: The postage meter costs logged for specific projects or activities are direct costs since the benefit can be determined without undue effort or cost.

Screen 19: Is This a Direct or Indirect Cost?

Now the final scenario. Is the cost of purchasing laptops for staff working full-time on a Federal award a direct or indirect cost? Select the correct response.

Feedback: The cost of purchasing laptops for staff working full-time on a Federal award is a direct cost since the benefit can be determined without undue effort or cost.

Screen 20: Knowledge Check

Time for a knowledge check. Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect (F&A) costs. True or False?

Feedback: Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect facilities and administrative costs.

Screen 21: Allocating Indirect Costs

Indirect costs should be allocated relative to the benefit of the award. There are several options for calculating that cost depending on what the cost is.

For example, the cost may be allocated based on the number of active employees, number of transactions processed, square footage occupied, salaries and wages of units supervised, or a direct assignment.

Screen 22: §200.414: Indirect Costs (Negotiated Rates)

A NFE negotiates the indirect cost rate with its cognizant agency, normally the agency with the largest dollar amount of Federal awards. The NFE may submit an indirect cost proposal or a Cost Allocation Plan. An indirect cost negotiation agreement is a document that formalizes the indirect cost rate negotiation process.

Negotiated rates for indirect costs must be accepted by all Federal awarding agencies. A Federal awarding agency may still use a different rate when required by



Federal statute or regulation or if approved by a Federal awarding agency head or delegate.

The Federal awarding agency must notify OMB of any approved deviations. If a Federal awarding agency will deviate from a negotiated rate, they must make policies, procedures and decision making criteria publicly available. The Federal awarding agency must make reimbursement information available in the notice of funding opportunity.

Screen 23: §200.414: Indirect Costs (de minimis)

Not all NFEs have established negotiated rates for indirect costs. Any NFE that has never received a negotiated indirect cost rate or qualified under exceptions in Appendix VIII to Part 200 can charge a de minimis rate of 10% of modified total direct costs. A de minimis rate is similar to the standard deduction on a tax return.

This rate may be used indefinitely. Costs must still be consistently charged as direct or indirect. A cost should not be charged as both types of costs and should not be double charged to the award.

This de minimis rate must be used until the NFE applies for a negotiated rate, which can be done at any time.

Screen 24: §200.407: Prior Written Approval

Determining whether certain costs meet the standards for being reasonable and allocable can be difficult. In order to avoid subsequent disallowance or dispute based on reasonableness or allocability tests, the NFE may seek prior written approval of a cost.

If the cost is a deviation from the negotiated indirect cost, the NFE should contact the cognizant agency. If the cost is special or unusual, the NFE should contact the Federal awarding agency in advance.

Prior written approval should include the timeframe or scope of the agreement. Absence of prior written approval for any element of a cost will not, in itself, affect the reasonableness or allocability of that element unless prior approval is specifically required for allowability.

Screen 25: §200.401: Application

Some nonprofit organizations are considered to be similar to for-profit entities when applying cost principles. These organizations are exempt from Subpart E and must instead use the Federal cost principles at 48 CFR 31.2. Appendix VIII contains a list of exempt organizations.

Screen 26: Knowledge Check

Now let's do a knowledge check. What is a de minimis rate? Select the correct response.



[Response choices]

- A. The minimum rate that must be charged for all indirect costs for all Federal awards for all NFEs.
- B. The negotiated rate for charging indirect costs for IHEs.
- C. The rate that States, local governments, and tribes use to charge for some covered services.
- D. A rate set at 10% of modified total direct costs that is used instead of a negotiated rate for charging indirect costs for qualifying organizations.

Feedback: A de minimis rate is used instead of a negotiated rate for charging indirect costs for qualifying organizations. The de minimis rate is set at 10% of modified total direct costs.

Screen 27: Knowledge Check

Here is another knowledge check. All costs must receive prior written approval in order to be allowable. True or False?

Feedback: Some costs do require prior written approval, but not all costs. Refer to Section 200.407.

Screen 28: End of Lesson

That concludes Lesson 1.

Lesson 2 Uniform Guidance Cost Principles: Generally Allowable Costs

Screen 1: Title Screen

That completes Lesson 1; select "Next" to continue to Lesson 2.

Screen 2: Lesson Objective

At the completion of this lesson, you will have a basic understanding of some of the generally allowable costs as defined in Subpart E.

Screen 3: Lesson 2: Generally Allowable Costs

Remember when reviewing a budget that all costs charged to a Federal award must be allowable, reasonable, and allocable. One of the key criteria for determining whether a cost is allowable is whether it conforms to limitations or exclusions specified in the cost principles. This module covers generally allowable costs as defined in Subpart E of the Uniform Guidance. We will discuss seven General Cost Items in this lesson.

Screen 4: §200.430: Compensation – Personal Services

Compensation for personal services includes but is not limited to wages and salaries, either paid currently or accrued. This applies only to services rendered during the period of performance under the Federal award.



Total compensation for individual employees must be reasonable for the services rendered and conform to the established written policy of the NFE.

That policy must also be consistently applied to both Federal and non-Federal activities.

The compensation must follow an appointment made in accordance with a NFE's laws and/or rules or written policies and meet the requirements of Federal statute, where applicable.

Screen 5: §200.430: Personal Services Documentation

Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. No specific types of documentation, such as personnel activity reports, are required. These records must, however, reasonably reflect the total activity that the employee is compensated by the NFE. They must also comply with the NFE's established accounting policies and practices. Additional requirements for documentation are provided in Section 200.430.

Screen 6: §200.431: Compensation – Fringe Benefits

Fringe benefits are allowances and services provided to employees as compensation in addition to regular salaries and wages. Fringe benefits include, but are not limited to, leave such as vacation, family-related, sick or military; employee insurance; pensions; and unemployment benefit plans.

Fringe benefits may be charged as a fringe benefit rate, a percentage of salary, or a component of a Federally-negotiated indirect cost rate. The costs of fringe benefits are allowable except as provided elsewhere in the cost principles.

Screen 7: Knowledge Check

Now let's do a couple of knowledge checks. Fringe benefits may be charged as a fringe benefit rate, a percentage of salary, or a component of a Federally negotiated indirect cost rate. True or False?

Feedback: Fringe benefits may be charged as a fringe benefit rate, a percentage of salary, or a component of a Federally-negotiated indirect cost rate.

Screen 8: Knowledge Check

Total compensation for services rendered must be reasonable as measured against the national average for similar services. True or False?

Feedback: Total compensation for services rendered must be reasonable for the services rendered and conform to the established written policy of the NFE.

Screen 9: §200.432: Conferences

A conference is defined as a meeting, retreat, seminar, symposium, workshop or event whose primary purpose is to disseminate technical information beyond the NFE. Allowable costs generally include support costs such as rental of facilities, speaker fees, meals and refreshments, local transportation, and other items



incidental to such events. NFEs that sponsor these types of events must exercise discretion and judgment to ensure costs are appropriate and necessary and, therefore, minimize costs to the award. Note that entertainment costs for conferences are unallowable. Refer to Section 200.438 Entertainment costs.

Screen 10: §200.453: Materials and Supplies Costs Including Costs of Computing Devices

The costs for materials, supplies, and fabricated parts that are necessary to carry out a Federal award are allowable as direct costs. Computing devices less than \$5,000 may be charged as supplies.

Screen 11: §200.459: Professional Service Costs

Professional and consultant services are rendered by persons who are members of a particular profession or possess a special skill. They are not officers or employees of the NFE. Costs for professional and consultant services are allowable, but the costs must be reasonable in relation to the services rendered and not contingent upon recovery of the costs from the Federal Government.

Legal and related services are limited under Section 200.435 Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringements. Retainer fees must be supported by evidence of services available or rendered.

Screen 12: §200.461: Publication and Printing Costs

Allowable publication costs apply to both print and electronic media. Covered costs include distribution, promotion, and general handling. If the publication or printing benefits more than one Federal award or activity of the NFE and the benefit cannot be determined without undue effort or cost, allocate the charge as an indirect cost.

Screen 13: §200.474: Travel Costs

Travel costs include transportation, lodging, subsistence, and incidental expenses incurred by employees on official business of the NFE. These costs can be charged as actual costs, on a per diem or mileage basis, or a combination as long as the same method is applied to the entire trip. Travel costs should not exceed charges normally allowed by the NFE's written travel policy. The charge for commercial air travel should not exceed the cost for the least expensive unrestricted accommodations except in limited circumstances.

Screen 14: Knowledge Check

Now for some knowledge checks. Which of these conference costs are generally allowable? Select all responses that apply.

[Response choices]

- Facility rental
- Happy hour
- Incidental items



- Opening reception
- Local transportation
- Refreshments
- Speaker fees

Feedback: Generally allowable conference costs include facility rental, incidental items, local transportation, refreshments, and speaker fees.

Screen 15: Knowledge Check

Which of these are generally allowable travel costs? Select all responses that apply.

[Response choices]

- Business class air travel
- Economy class air travel
- Hotel costs in line with the national average
- Hotel costs in line with the NFE's written travel policy
- Mileage for auto transportation
- Subway fare
- Subsistence
- Train fare

Feedback: Generally allowable travel costs include economy class air travel, hotel costs in line with the NFE's written policy, mileage for auto transportation, subway fare, subsistence, and train fare.

Screen 16: Knowledge Check

Now for the final knowledge check. Allowable legal and related services are limited under Section 200.435 Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringements. True or false?

Feedback: Limitations to allowable legal and related services are listed under Section 200.435 Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringements.

Screen 17: End of Lesson

That concludes Lesson 2.

Lesson 3 Uniform Guidance Cost Principles: Costs That Require Prior Written Approval

Screen 1: Title Screen

That completes Lesson 2; select "Next" to continue to Lesson 3.

Screen 2: Lesson Objective

At the completion of this lesson, you will have a basic understanding of costs that require prior written approval.



Screen 3: Lesson 3: Costs That Require Prior Written Approval

As discussed in Lesson 1, determining whether some costs are allowable, reasonable, and allocable can be challenging. Obtaining prior written approval can prevent some costs from being disallowed or disputed. Some costs also require prior written approval or will be disallowed.

This lesson covers costs that should be authorized prior to incurring the cost. In this lesson, we will discuss eleven cost items that require prior written approval. Refer to Section 200.407 Prior written approval (prior approval) for the complete list. Agencies may waive prior approval for some of these cost items. Please refer to your agency's policies and procedures.

Screen 4: §200.413(c): Salary of Administrative and Clerical Staff

Salaries of administrative and clerical staff should normally be treated as indirect costs. Charging these salaries as direct costs may be appropriate if all required conditions are met. First, these services are integral to a project or activity. Next, all individuals involved must be specifically identified with the project or activity. These costs must be explicitly included in the budget or have the prior written approval of the Federal awarding agency. Finally, the costs must not also be recovered as indirect costs.

Screen 5: §200.438: Entertainment Costs

Entertainment costs are generally unallowable. This includes costs for amusement, diversion, and social activities as well as any costs associated with these activities. The only exception is when specific costs that might otherwise be considered entertainment have a programmatic purpose. These costs must be included in the approved budget for the Federal award or receive prior written approval of the Federal awarding agency. For example, a Federal award for disabled children may include entertainment costs for pony rides, if the pony rides are part of a therapy program.

Screen 6: §200.439: Equipment and Other Capital Expenditures

Capital expenditures for general purpose equipment, buildings, and land or improvements which materially increase their value or useful life are unallowable as a direct cost. The only exception is with prior written approval of the Federal awarding agency or pass-through entity.

Capital expenditures for special purpose equipment such as electron microscopes for research projects are allowable as direct costs. Items that have a unit cost of \$5,000 or more must have the prior written approval of the Federal awarding agency or pass-through entity.

Approved capital expenditures are to be charged in the period in which the expenditure is incurred or as otherwise determined appropriate and negotiated with the Federal awarding agency.



Screen 7: §200.440: Exchange Rates

If costs increase due to fluctuations in exchange rates, these costs are still allowable subject to the availability of funding. Prior written approval of these costs is required only if the change results in the need for additional Federal funding or the need to significantly reduce the scope of the project. The Federal awarding agency must ensure that adequate funds are available to cover currency fluctuations in order to avoid a violation of the Anti-Deficiency Act. The NFE must review local currency gains to determine if additional funding is needed before the expiration date of the award.

Screen 8: Knowledge Check

Now let's do a knowledge check. Which costs require prior written approval? Select all responses that apply.

[Response choices]

- 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

Feedback: All of these costs require prior written approval.

Screen 9: §200.441: Fines, Penalties, Damages, and Other Settlements

Any costs resulting from violations of, alleged violations of, or failure to comply with Federal, State, tribal, local or foreign laws and regulations are unallowable. The only exceptions are when the cost results from compliance with specific provisions of the Federal award or with prior written approval of the Federal awarding agency.

Screen 10: §200.447: Insurance and Indemnification

Insurance costs may be allowable in some circumstances. Insurance costs are allowable if either required or approved and maintained by the award. Costs of other insurance are allowable subject to set limitations. For example, the types, extent, and cost of coverage should be in accordance with the NFE's policy and sound business practices. Medical liability insurance is allowable only to the extent that Federal research programs involve human subjects or training of participants in research techniques. Allowable insurance and indemnification costs require prior written approval or must be specified in the award.

Screen 11: §200.447: Insurance and Indemnification, cont'd

Many insurance costs, however, are unallowable. This includes insurance to cover the risk of loss or damage to Federal Government property or to cover the lives of trustees, officers or other employees when the NFE has been designated as the beneficiary. Insurance with respect to any defects or actual losses which could have been covered are also unallowable. Some unallowable insurance costs may be allowed by the Federal awarding agency subject to 2 CFR 200.447.



Screen 12: §200.454: Memberships, Subscriptions, and Professional Activity Costs

The Uniform Guidance is clear about allowable memberships, subscriptions, and professional activity costs. Allowable costs include memberships in business, technical and professional organizations and subscriptions to business, professional, and technical periodicals. Membership in any civic or community organization is allowable with prior written approval.

The Uniform Guidance is also clear about unallowable costs. These include membership in any country club or social or dining club or organization as well as any organization whose primary purpose is lobbying.

Screen 13: § 200.455: Organization Costs

Costs associated with establishing or reorganizing an organization are unallowable. This includes costs such as incorporation fees or brokers' fees as well as fees to promoters, organizers, management consultants, attorneys, accountants, or investment counselors whether or not they are employees of the NFE. These costs are only allowable with prior written approval of the Federal awarding agency.

Screen 14: Knowledge Check

And now a knowledge check. Which of the following insurance and indemnification costs is allowable? Select the correct response.

[Response choices]

- 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

Feedback: 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.

Screen 15: §200.456: Participant Costs

Participant support costs are allowable with the prior written approval of the Federal awarding agency. Participant support costs as defined in Section 200.75 include items such as stipends or subsistence allowances, travel allowances, and registration fees for conferences or training projects.

Screen 16: §200.458: Pre-Award Costs

Pre-award costs are incurred prior to the effective date of the Federal award directly following the negotiation and in anticipation of the Federal award. These costs must be necessary for efficient and timely performance of the scope of work.



Such costs are allowable only if costs would have been allowed if incurred after the date of the award. The NFE incurs any pre-award costs at its own risk. Prior written approval from the Federal awarding agency is required.

Screen 17: Pre-Award Costs Example

Let's consider an example of pre-award costs. An NFE is waiting for grant approval from the Federal awarding agency for a fish tagging project. It is February 1, and the field work will begin in April.

If the NFE purchases fish tagging equipment now in preparation for field work, the cost of the fish tagging equipment is allowable because the cost is necessary for efficient and timely performance of the scope of work and would have been allowed if incurred after the date of the award. Remember that the NFE assumes the risk of any costs incurred before the actual award.

Screen 18: §200.474: Travel Costs

Some travel costs require prior written approval. The travel costs of officials subject to the provisions of Section 200.444 General costs of government are allowable with prior written approval of the Federal agency or pass-through entity if the travel is specifically related to the Federal award. Travel costs for dependents are unallowable except in cases where the duration of the travel is six months or longer and with prior written approval of the Federal agency.

Screen 19: Miscellaneous Other Costs

Several other costs may also require prior written approval.

Certain conditions require special consideration and possible limitations in determining allowable personnel compensation costs under Federal awards for institutions of higher education. Refer to Section 200.430 for more information about these conditions.

Under Section 200.462, special arrangements and alteration costs to rearrange or reconvert facilities that are incurred specifically for a Federal award are allowable as a direct cost with the prior written approval of the Federal awarding agency or pass-through entity.

Screen 20: Knowledge Check

And time for the last knowledge check. Which participant costs are allowable with prior written approval? Select all responses that apply.

[Response choices]

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



Feedback: All of these participant costs are allowable with prior written approval except the conference opening reception fee.

Screen 21: End of Lesson

That concludes Lesson 3.

Lesson 4 Uniform Guidance Cost Principles: Generally Unallowable Costs or Costs that Require Further Review

Screen 1: Title Screen

That completes Lesson 3; select “Next” to continue to Lesson 4.

Screen 2: Lesson Objective

At the completion of this lesson, you will have a basic understanding of generally unallowable costs or costs that require further review.

Screen 3: Lesson 4: Generally Unallowable Costs or Costs that Require Further Review

This lesson addresses two groups of costs. Several costs are generally unallowable although this is subject to conditions and prior written approval from the Federal awarding agency. Some costs require further review to determine if they are allowable or unallowable. We will discuss six cost items in each group.

Screen 4: §200.423: Alcoholic Beverages

Let’s begin with costs that are generally unallowable. For example, the cost of alcoholic beverages is always unallowable.

Screen 5: §200.426: Bad Debts

The costs associated with bad debt are unallowable, but note the difference between delinquent debt and bad debt. A debt is considered delinquent if it is past due but still deemed collectible. Collection and legal fees related to delinquent debts are allowable.

Bad debts are defined as debts that have been determined to be uncollectable. Bad debts are written off as losses. This includes losses arising from uncollectable accounts and other claims and includes either actual or estimated losses. Related collection costs and legal costs arising from debts determined to be uncollectable are also unallowable.

Screen 6: §200.442: Fund Raising and Investment Management Costs

Fund raising or investment management costs may be allowable depending on the purpose of these activities.



Fund raising costs for the purpose of meeting Federal program objectives are allowable with prior written approval from the Federal awarding agency.

Costs that are incurred for organized fund raising to raise capital or obtain contributions are unallowable. This includes financial campaigns, endowment drives, solicitation of gifts and bequests, and similar expenses.

Costs of investment counsel and staff and similar expenses incurred to enhance income from investments are unallowable.

The only exception is when these costs are associated with investments covering pension, self-insurance, or other funds which include Federal participation.

Costs related to the physical custody and control of monies and securities are allowable.

An NFE's fund raising and investment activities must be allocated as an appropriate share of indirect costs under the conditions described in Section 200.413 (e) Direct costs.

Screen 7: §200.444: General Costs of Government

The only allowable costs are salaries and expenses for Indian tribes and Councils of Governments. Up to 50% of these costs can be included in the indirect cost calculation without documentation. These costs must be directly attributable to managing and operating Federal programs by the chief executive and his or her staff.

The general costs for States, local governments, and Indian tribes, the general costs of government are unallowable. This covers a variety of costs such as the salaries and expenses of the Office of the Governor of a State, the chief executive of a local government, chief executive of an Indian tribe, or of a State legislature, tribal council, or similar local government body. Local governmental body includes functions such as a county supervisor, city council, school board, etc. This includes costs incurred for purposes of legislation or executive direction.

Costs related to the judicial branch, prosecutorial activities, or general services such as fire and police are unallowable unless provided for as a direct cost to the program. These requirements are only applicable to State, local, and Indian governments. They do not apply to universities or non-profit organizations.

Screen 8: §200.450: Lobbying

The costs of certain influencing activities associated with obtaining grants, contracts, cooperative agreements, or loans are unallowable. Lobbying with respect to these activities is governed by relevant statutes, including among others the common rule, "New Restrictions on Lobbying", the OMB "Government-wide Guidance for New Restrictions on Lobbying", and several notices.

Executive lobbying costs are also unallowable. These are costs incurred while attempting to improperly influence, either directly or indirectly, an employee or officer of the executive branch of the Federal Government. The objective of this influence is to give consideration or to act regarding a Federal award or a



regulatory matter. Improper influence means any influence that induces or tends to induce a Federal employee or officer to give consideration or to act regarding a Federal award or regulatory matter on any basis other than the merits of the matter.

Limited lobbying costs are allowable. Refer to Section 200.450: Lobbying(c)(2).

Screen 9: §200.467: Selling and Marketing

The costs of selling and marketing any products or services of the non-Federal entity are unallowable except under the circumstances defined in Section 200.421 Advertising and public relations. The only exception is if the product or service is necessary for performance of the award. These costs can then be charged as direct costs with prior approval by the Federal awarding agency.

Screen 10: Knowledge Check

Collection fees and legal fees associated with delinquent debt are allowable. True or false?

Feedback: True. The costs associated with bad debt are unallowable. A delinquent debt, however, is past due but still deemed collectible. Collection and legal fees related to delinquent debts are allowable.

Screen 11: Knowledge Check

Lobbying costs are allowable if they are charged as indirect costs. True or false?

Feedback: Costs associated with lobbying are generally unallowable and may not be charged as an indirect cost.

Screen 12: Costs That Require Further Review

Some costs require further review. These are costs that typically do not benefit government projects but are not generally unallowable either. These costs must be reviewed against the three criteria to determine if the cost can be charged: allowable, reasonable, and allocable.

Screen 13: §200.448(a): Intellectual Property (Patent Costs)

The guidance for intellectual property addresses securing patents and copyrights as well as royalties for the use of patents and copyrights. Several costs associated with patents are allowable. The costs of preparing disclosures, reports, and other documents required by the award as well as searching the art to the extent necessary to make such disclosures are allowable. The costs of preparing documents and any other patent costs in connection with filing and pursuing a patent application are allowable when a title or royalty-free license is required in order to successfully complete the project.



Screen 14: §200.448(b): Intellectual Property (Royalties for Use of Patents or Copyright)

Royalties on a patent or copyright or amortization of the cost to purchase a copyright, patent, or rights to the copyright or patent are allowable. These costs are no longer allowable if the Federal Government already has a license or the right to free use of the patent or copyright, the patent or copyright has been adjudicated to be invalid or has been administratively determined to be invalid, the patent or copyright is considered to be unenforceable, or the patent or copyright is expired. Exercise special care when determining reasonableness where the royalties may have been arrived at as a result of less-than-arm's-length bargaining.

Screen 15: §200.460: Proposal Costs

Proposal costs of the current accounting period of both successful and unsuccessful bids and proposals normally should be treated as indirect (F&A) costs and allocated currently to all activities of the non-Federal entity. No proposal costs of past accounting periods would be allocable to the current period.

Screen 16: §200.463: Recruiting Costs

Several recruiting-related costs are allowable but must conform to the NFE's standard recruitment program. This includes the costs of help wanted advertising, the costs of operating an employment office to obtain adequate staff, a program for testing candidate aptitude and education, and travel costs for either NFE employees or applicants. Travel costs include short-term travel visas, which should be proposed as a direct cost.

Unallowable costs include special fees, fringe benefits, and salary allowances required to attract professional personnel but that do not meet the test of reasonableness or conform to the recruitment program.

If an employment agency is used to identify personnel, these costs must not exceed standard commercial rates for such services.

Screen 17: §200.464: Relocation Costs of Employees

Relocation costs are also generally allowable but are subject to several requirements and limitations. Relocation costs include costs that are incident to the permanent change of duty assignment for either an existing employee or a newly hired employee. This move must be to the benefit of the employer, and the costs must be reimbursed in accordance with the NFE's standard recruitment program or applicable policy.

The total reimbursement must not exceed the employee's actual or reasonably estimated costs. Relocation costs for a new employee who resigns within 12 months of hire for reasons within the employee's control are not allowable. Any costs associated with this employee and charged to the award must be refunded to the Federal government.



Allowable costs include transportation of the employee, their immediate family, and their household and personal effects to the new location. The costs of finding a home, including any advance trips and temporary lodging, and closing costs up to 8% of the sales price of the former home are also allowable. Continuing costs for a vacant former home are allowable for up to six months after the settlement or lease date of the new home. These costs include insurance, taxes, and utilities but do not include the costs to improve the home.

Screen 18: §200.465: Rental Costs of Real Property and Equipment

Rental costs of real property and equipment are allowable within specified constraints. The costs must be reasonable as compared to comparable or similar property under the market conditions of the area, to any other alternatives available to meet the requirement, and considering the type, life expectancy, condition, and value of the leased property.

Carefully review any arrangements that constitute a “less than arms length” arrangement. These are arrangements in which a relationship exists so that one party of the arrangement can substantially influence the actions of the other party. So these are arrangements where there is some sort of relationship that may influence the terms of the rental or lease agreement. Examples of these situations include agreements between divisions of a NFE, between the NFE and one of its directors, trustees, officers, or key employees or any of their family members or domestic partners.

Also remember that allocability of these costs is a key factor as these costs are usually charged as indirect costs. Carefully review any agreements that are charged as a direct cost.

Screen 19: Knowledge Check

Which of the following recruitment costs are unallowable? Select all responses that apply.

[Response choices]

- Applicant travel
- Aptitude and education testing
- Employment agency
- Employee travel
- “Help wanted” advertising
- Operating costs of employment office
- Relocation costs for existing employees transferred to a new duty assignment
- Relocation costs for new employee who resigns within 12 months to take a new position

Feedback: Unallowable costs include relocation costs for a new employee who resigns within 12 months for reasons under the employee’s control. If these costs have already been charged to the award, they will need to be refunded to the Federal government.



Screen 19: End of lesson

That concludes lesson 4.

Lesson 5 Uniform Guidance Cost Principles:

Screen 1: Title Screen

That completes Lesson 4; select “Next” to continue to Lesson 5.

Screen 2: Lesson Objective

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

Screen 3: Lesson 5: The Cost Principles in Practice

This lesson demonstrates how to apply the cost principles to actual situations. You will be required to make decisions about how to apply the cost principles and determine allowable and unallowable costs. You should take this lesson only after completing lessons 1 through 4. Refer to 2 CFR Part 200, APPENDIX XI Compliance Supplement for a quick recap of the Cost Principles.

Screen 4: Budget Review

The Federal awarding agency reviews the non-Federal entity’s (NFE’s) budget submission to determine whether costs are reasonable, allowable, and allocable.

Some best practices to prepare for this review include a budget summary and budget categories in the SF-424 A (non-construction) or SF-424 C (construction). A narrative that provides sufficient detail for the Federal awarding agency to review costs, including those that need pre-approval, also supports the budget review process.

Screen 5: Match and Cost Share Requirement

Let’s first consider how the cost principles apply to a matching or cost sharing requirement. So the question is: Do the cost principles still apply in this situation?

And the answer is absolutely! The cost principles apply to all costs associated with an award. Let’s consider an example of how the cost principles might apply in this situation.

Screen 6: §200.403: Allowable Costs

Let’s review the concepts we learned in Lesson 1 and apply them to cost share. Using the criteria for allowability, volunteer services may be counted as cost sharing or matching if the service is an integral and necessary part of an approved award. Also, confirm whether any costs require prior written approval.



Screen 7: §200.404: Reasonable Costs

Then consider whether the volunteer costs associated with the project are reasonable.

Screen 8: Reasonable Volunteer Costs

Also consider how volunteers are identified and reimbursed. A volunteer has a specific Federal definition under the Fair Labor Standards Act. So volunteers who participate in this activity must meet this criteria.

The rate for volunteer services must be consistent for similar work in that area. For example, if a lawyer is volunteering her time to plant trees, her rate would not be calculated using her standard rate for her time as a lawyer. Her rate would be calculated for the actual work performed, which in this case would be for tree planting. So her rate must be calculated using the market rate for tree planting in that area.

Remember the prudent person tests covered in Lesson 1. Consider the “Washington Post” test or substitute the name of your local newspaper. If the paper got word of what you were doing, would they negatively report it on one of the first three pages?

The “Red-face” test asks whether you can explain the cost without blushing.

The “Giggle” test asks whether people start to giggle as they explain why the cost is acceptable.

Make sure the costs associated with this activity pass these three tests for determining whether they are reasonable.

Screen 9: §200.405: Allocable Costs

Finally, are the costs allocable? For example, if the award has nothing to do with planting trees, then the volunteer labor is not allocable to this award.

Screen 10: Indirect Cost Rate Agreement

The NFE’s cognizant agency is the Federal awarding agency that provides the predominant amount of direct funding to the NFE. Reviewing an NFE’s Rate Agreement is necessary in making sure that a NFE is not double charging costs. For example, if a NFE has a motor pool service that is a component of its indirect cost rate and the pool has a replacement schedule for official vehicles being used for the Federal award, an NFE should not charge the cost of a new vehicle as a direct cost.

The Rate Agreement specifies the factors that the NFE should use to calculate the indirect cost for its award. The indirect cost rate should be applied to the items of costs specified in the allocation base. A Federal awarding agency may not negotiate a lower indirect cost rate than specified in the Rate Agreement although an NFE may volunteer to reduce its indirect cost rate for the particular award. Also there are special provisions in Section 200.414 regarding the use of the 10% de minimis rate.



Screen 11: Calculating the Total Indirect Cost

The total indirect costs allowed for a Federal award is calculated by multiplying the direct costs that factor into the base times the indirect cost rate.

Screen 12: Common Allocation Bases

This slide reflects some of the common methods for calculating the allocation base for determining the amount of indirect costs allowed on a Federal award.

Screen 13: Conduct a Budget Review

Now let's consider the items in a budget and conduct a budget review to determine whether they are allowable, reasonable, and allocable according to the cost principles. You will be given several budget items to review, and you will need to indicate whether they are allowable, reasonable, and allocable. A Federal awarding agency should only approve items of cost that meet all three criteria of allowable, reasonable, and allocable.

Screen 14: Proposed Budget (page 1 of 3)

For this activity, a State government has submitted this budget with its grant proposal. This screen provides proposed costs for personnel, fringe benefits, and travel. Additional proposed costs are provided on the next two screens.

Screen 15: Proposed Budget (page 2 of 3)

This screen provides proposed costs for equipment, supplies, contractual costs, and construction. Additional proposed costs are provided on the next screen.

Screen 16: Proposed Budget (page 3 of 3)

This screen provides proposed costs for other services, indirect cost, an in-kind match, and college student volunteers. Next you will be determining whether each of these costs are allowable, reasonable, and allocable.

Screen 17: Review Proposed Costs

Program Director Salary

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

Select yes or no to indicate whether the cost is allowable, reasonable and allocable. When you have completed this screen, continue to the next screen to review the next cost proposed in this budget.

Feedback:

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.



Screen 18: Review Proposed Costs

Field Biologist Salary (staff)

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

Select yes or no to indicate whether the cost is allowable, reasonable and allocable. When you have completed this screen, continue to the next screen to review the next cost proposed under this budget.

Feedback:

Yes, this is an allowable cost.

Yes, this is a reasonable cost.

Yes, this is an allocable cost.

Screen 19: Review Proposed Costs

Field Biologist Salary (lead)

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

Select yes or no to indicate whether the cost is allowable, reasonable and allocable. When you have completed this screen, continue to the next screen to review the next cost proposed under this budget.

Feedback:

Yes, this is an allowable cost.

Yes, this is a reasonable cost.

Yes, this is an allocable cost.

Screen 20: Review Proposed Costs

Administrative Assistant Salary

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

Select yes or no to indicate whether the cost is allowable, reasonable and allocable. When you have completed this screen, continue to the next screen to review the next cost proposed under this budget.

Feedback:

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.

Screen 21: Review Proposed Costs

Fringe Benefits



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

Select yes or no to indicate whether the cost is allowable, reasonable and allocable. When you have completed this screen, continue to the next screen to review the next cost proposed under this budget.

Feedback:

Yes, this is an allowable cost.

Yes, this is a reasonable cost.

Yes, this is an allocable cost.

Screen 22: 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)

Select yes or no to indicate whether the cost is allowable, reasonable and allocable. When you have completed this screen, continue to the next screen to review the next cost proposed under this budget.

Feedback:

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.

Screen 23: 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)

Select yes or no to indicate whether the cost is allowable, reasonable and allocable. When you have completed this screen, continue to the next screen to review the next cost proposed under this budget.

Feedback:

Yes, this is an allowable cost.

Yes, this is a reasonable cost.

Yes, this is an allocable cost.

Screen 24: 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.

Select yes or no to indicate whether the cost is allowable, reasonable and allocable. When you have completed this screen, continue to the next screen to review the next cost proposed under this budget.

Feedback:

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.

Screen 25: Review Proposed Costs

Tents

Proposed cost: \$300 for 2 tents

Select yes or no to indicate whether the cost is allowable, reasonable and allocable. When you have completed this screen, continue to the next screen to review the next cost proposed under this budget.

Feedback:

Yes, this is an allowable cost.

Yes, this is a reasonable cost.

Yes, this is an allocable cost.

Screen 26: Review Proposed Costs

Alcoholic Beverages

Proposed cost: \$150

Select yes or no to indicate whether the cost is allowable, reasonable and allocable. When you have completed this screen, continue to the next screen to review the next cost proposed under this budget.

Feedback:

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.

Screen 27: Review Proposed Costs

Lobbying Fee

Proposed cost: \$25,000



Select yes or no to indicate whether the cost is allowable, reasonable and allocable. When you have completed this screen, continue to the next screen to review the next cost proposed under this budget.

Feedback:

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.

Screen 28: Review Proposed Costs

Remodel of Program Director's Office

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

Select yes or no to indicate whether the cost is allowable, reasonable and allocable. When you have completed this screen, continue to the next screen to review the next cost proposed under this budget.

Feedback:

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.

Screen 29: 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.

Select yes or no to indicate whether the cost is allowable, reasonable and allocable. When you have completed this screen, continue to the next screen to review the next cost proposed under this budget.

Feedback:

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.

Screen 30: 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.



Select yes or no to indicate whether the cost is allowable, reasonable and allocable. When you have completed this screen, continue to the next screen to review the next cost proposed under this budget.

Feedback:

Yes, this is an allowable cost.

Yes, this is a reasonable cost.

Yes, this is an allocable cost.

Screen 31: 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.

Select yes or no to indicate whether the cost is allowable, reasonable and allocable. When you have completed this screen, continue to the next screen to review the next cost proposed under this budget.

Feedback:

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.

Screen 32: Review Proposed Costs

In-Kind Match: Student Volunteers

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

Select yes or no to indicate whether the cost is allowable, reasonable and allocable. When you have completed this screen, continue to the next screen to review the next cost proposed under this budget.

Feedback:

Yes, this is an allowable cost.

Yes, this is a reasonable cost.

Yes, this is an allocable cost.

Screen 33: Budget Review: Summary of Costs

Based on this review, several of the costs do not meet all three criteria of allowable, reasonable, and allocable. Remember that a Federal awarding agency should only approve items of cost that meet all required criteria. Also remember that the Federal awarding agency must have sufficient budget detail from the NFE in order to evaluate whether their grant costs meet all three criteria of allowable, reasonable, and allocable.



Screen 34: End of Lesson

That concludes Lesson 5.