

**Lord Fairfax Community College**  
**Federally Funded Sponsored Program Manual**

# FEDERALLY FUNDED SPONSORED PROGRAM MANUAL

## TABLE OF CONTENTS

### Contents

Frequently Asked Questions .....	2
Introduction and Overview .....	2
Financial Management System Procedures .....	4
Determining Allowable Costs Procedures .....	7
Federal Cash Management Procedures .....	21
Procurement System Procedures.....	22
Time and Effort Procedures .....	25
Single Audit (A-133 Audit) .....	26
eCFR Grants and Agreements Uniform Guidance .....	26

# Frequently Asked Questions

## **Question: What is the difference between Policies and Procedures?**

**Answer:** Policies = goals. Policies are formal guidance for LFCC and requires an adoption by the College's governing body.

Procedures = steps that ensure goals are met. The procedures are simply written fiscal steps/processes to achieve LFCC's goals. Changes in procedures must be internally reviewed by the appropriate staff. Written procedures (as well as policies) are an evidence of compliance under all program monitoring tools. Written procedures are also used to train new staff. Procedures and processes do not need to be adopted by the College's governing body.

## **Question: How do we know which sections require written procedures and which sections require written policies?**

**Answer:** The exact UG language is:

### **Procedures:**

- Written Cash Management Procedure - § 200.302(b)(6) & § 200.305
- Written Allowability Procedures - § 200.302(b)(7)
- Written Procurement Procedures - § 200.319(c)
- Time and Effort: the exact language is "records". Records: § 200.430. NEW: Charges for salaries must be based on records that accurately reflect the work performed and be incorporated into official records. "Records" is the same as "documented procedures".

### **Policies:**

- Written Conflicts of Interest Policy - § 200.318(c)
- Written Travel Policy - § 200.474(b)

## Introduction and Overview

### **Introduction**

This manual sets forth the policies and procedures used by Lord Fairfax Community College (LFCC) to administer federally funded sponsored programs, aka grants. The manual contains applicable internal controls and grant management procedures used by LFCC to ensure that federal funds are lawfully expended. It describes LFCC's financial management system, including cash management procedures, procurement procedures; procedures for determining allowable expenditures; time and effort reporting. LFCC employees approving, directing, and administering federally funded sponsored programs are expected to review this manual to gain familiarity and understanding of LFCC's procedures and practices.

### **Overview**

Federal regulations require grantees to use fiscal control and fund accounting procedures that ensure proper disbursement of and accounting for federal funds (34 CFR 76.702 and 2 CFR 200.302). Implementing and maintain a proper accounting system is a fiduciary responsibility associated with receiving a federal award. The acceptance of an award creates a legal duty on the part of LFCC to use the funds or property made available under the award in accordance with the terms and conditions of the sponsored program agreement. The approved grant application itself constitutes an accounting document that establishes the purposes and amount of the awarding agency's obligation to the grantee. In turn, it establishes a commitment by LFCC to perform and expend funds in accordance with the approved grant agreement and the applicable laws, regulations, rules, and guidelines. 2 CFR 200.306(b)

Financial management requirements for LFCC are established by the following:

- LFCC
- Virginia Community College System (VCCS)
- State policies
- Federal Regulations

In addition to the procedures, contained in this manual, specific to federally funded programs, below, is a list of some of the general policies and procedures applicable to federal grants and programs, followed by LFCC;

- State General Accounting, Topic 20605, Federal Grants Management
- State Travel Policy, Topic 20335, State Travel Regulations
- State and Local Government Conflict of Interests Act, Va. Code § 2.2-3100, et seq.
- Virginia Community College System (VCCS) Policy, Section 11-Federal Grants and Programs,
  - 11.0, Preparation of Application
  - 11.1, Administration of Grants
  - 11.4, Program Responsibility for Conduct of Project, Purchase of Equipment
  - 11.5, Special Restrictions
- LFCC Policies, available on the College's intranet
  - Indirect Cost Reimbursement Policy No. 30006
  - Internal Control Policy No. 30007
  - Sponsored Programs Policy No. 30005
- LFCC Procurement Manual, available on the College's intranet

# Financial Management System Procedures

LFCC maintains a proper financial management system to receive both direct and pass-through federally funded grants and to expend funds associated with a grant award.

## Financial Management Standards

The standards for financial management systems are found at 2 C.F.R. § 200.302. The required standards include:

### ***Identification***

LFCC identifies, in its accounts, all federal awards received and expended and the federal programs under which they were received. Federal program and award identification is include, as applicable, the CFDA title and number, federal award identification number and year, name of the federal agency, and, if applicable, name of the pass-through entity.

### ***Financial Reporting***

Accurate, current, and complete disclosure of the financial results of each federal award or programs must be made in accordance with the financial reporting requirements set forth in grantor agreement.

### ***Accounting Records***

LFCC maintains records which adequately identify the source and application of funds provided for federally-assisted activities. These records contain information pertaining to grant awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest, and are supported by source documentation.

### ***Internal Controls***

Effective control and accountability must be maintained for all funds, real and personal property, and other assets. LFCC must adequately safeguard all such property and must assure that it is used solely for authorized purposes.

“Internal controls” are tools to help program and financial managers achieve results and safeguard the integrity of their program. Internal controls should be designed to provide reasonable assurance that the following objectives are achieved:

- Effectiveness and efficiency of operations;
- Adequate safeguarding of property;
- Assurance property and money is spent in accordance with grant program and to further the selected objectives; and
- Compliance with applicable laws and regulations.

### ***Budget Control***

Actual expenditures or outlays must be compared with budgeted amounts for each federal award.

### ***Cash Management***

LFCC must maintain written procedures to implement the cash management requirements; see page 21 for these written cash management procedures.

## ***Allowable Costs***

LFCC must maintain written procedures for determining allowable costs in accordance with the grantor agreement; see page 6 for these written allowable procedures.

## **Overview of the Financial Management/Accounting System**

LFCC's financial management system is called Administrative Information System (AIS). AIS is administered by VCCS. AIS interfaces with the State financial management system Cardinal. Financial reports are issued by the Auditor of Public Accounts (APA).

LFCC's Director of Budget and Finance is responsible for the financial records of the College including budgets and accounts payable. Budgets are maintained in AIS at a high level; detailed budgets for sponsored programs are maintained in ancillary systems, such as Excel. Sponsored programs actual and budget comparison reports are compiled periodically; typically monthly or quarterly depending on the requirements of the program.

Financial transactions are recorded on a fund accounting basis. Federal funds are segregated for each federally funded program by a unique Department Code. Program level accounting is done in ancillary systems, such as Excel, then, reconciled to AIS, typically monthly or quarterly.

Each federally funded program should have a written work plan documenting program specific requirements and procedures. Some suggested procedures to document are budget, reporting/invoicing/reimbursement requests, expenditures/costs, financial records, level of effort certification. The work plan should also document the Agreement identifier, CFDA#, and prime and sub-recipient(s) trail to LFCC award.

The Director of Budget and Finance is responsible for drawing funds, invoices for payment, reimbursement requests, grantor-required fiscal reports, and other financially related documents for review and distribution on a timely basis.

## **Grant Funds-Budgeting and Expending**

All costs charged to a federal grant are classified as either direct or indirect. While developing and reviewing the grant budget and when expending grant funds, program and fiscal staff must follow LFCC procedures to review program costs based on the following resources to ensure consistency and the requirements of the award are followed: college policies, including applicable VCCS and State policies, state and federal regulations, and sponsored programs' restrictions, including the Uniform Guidance (UG) 2 C.F.R. 200, see Determining Allowable Costs Procedures. While developing the grant budget, the Program Director should keep in mind the difference between direct costs and indirect costs and the criteria used in classifying costs as program or administrative. Indirect costs are not synonymous with administrative costs. Administrative costs can be direct or indirect. Indirect costs can be classified as program or administrative depending on the nature of the underlying costs. As directed by the Sponsored Programs Policy No. 30005, the Grant Fiscal Agent must be consulted for guidance in developing project costs.

## ***Direct and Indirect Costs***

*Determining Whether a Cost is Direct or Indirect:* Direct costs are those costs that can be identified specifically with a particular final cost objective, such as a federal award, or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy. 2 C.F.R. § 200.413(a). Indirect costs are those that have been incurred for a common or joint purpose benefitting more than one cost objective, and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved. 2 C.F.R. § 200.56. Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect costs. 2 C.F.R. § 200.413(a).

In distinguishing direct from indirect costs of Federal awards, the determining factor is whether the cost can be identified as exclusively for benefit of the federal award, rather than the nature of the goods and services involved. Typical costs charged directly to a Federal award are the compensation of employees who work on that award, their related fringe benefit costs, the costs of materials, and other items of expense incurred for the Federal award. 2 C.F.R. § 200.413(b). The salaries of administrative and clerical staff are normally treated as indirect costs. Direct charging of these costs may be appropriate only if all of the following conditions are met:

- Administrative or clerical services are integral to a project or activity;
- Individuals involved can be specifically identified with the project or activity;
- Such costs are explicitly included in the budget or have the prior written approval of the federal awarding agency; and
- The costs are not also recovered as indirect costs. 2 C.F.R. § 200.413(c).

*Indirect Cost (F&A) Rate and Reimbursement:* LFCC has a Negotiated Indirect Cost Rate Agreement (NICRA) with the Department of Health and Human Services (DHHS) covering all federally funded sponsored programs. For further information on indirect costs, please see the College's NICRA document and the Indirect Cost Reimbursement Policy No. 30006.

Under federal regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (UG), part 200. 200.414(c)(1), Indirect (F&A) costs, effective for funding after 12/26/2014, in general, Federal awarding agencies must accept negotiated F&A rates, Negotiated Indirect Cost Rate Agreement (NICRA), unless Federal statute or regulations require a different rate. In general, pass-through entities are required to accept a sub-recipient's Federal negotiated F&A rates except when subject to Federal statute or regulations requiring a different rate.

Since LFCC has Federal negotiated F&A rates, LFCC cannot use a de minimis rate of 10% on a base of modified total direct costs (MTDC). MTDC includes all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and up to the first \$25,000 of each sub-awards. Note, LFCC's current negotiated rate does not use MTDC as a base; it uses all direct salaries and wages and applicable fringe benefits. This differentiation is important because usually statutory limitations are based on MTDC. Meaning, when calculating recovery of F&A costs based on a required rate, the required rate base is used to determine the limitation, not LFCC's negotiated rate base.

Sample budget justification wording for statutory required rate limitations is as follows:

LFCC's federally negotiated indirect cost rate is authorized by the US Department of Health and Human Services and is based on all direct salaries and wages and applicable fringe benefit costs. However, in accordance with the (sponsor's program guidelines), indirect costs recovery will be limited to X% of (the limitation base, such as modified total direct costs).

# Determining Allowable Costs Procedures

When determining how LFCC will spend its grant funds, the proposed cost must be reviewed to determine whether it is an allowable use of federal grant funds *before* obligating and spending those funds on the proposed good or service. Allowable costs are based on the terms of the award, sponsored program agreement. Normally, the agreement outlines the level of flexibility LFCC has to deviate from proposal budget line items without grantor approval, modification request. The agreement may also contain grant specific requirements. Below is a summary of uniform regulations for all federally funded programs (2 C.F.R. 200).

## ***Necessary and Reasonable***

All costs must Be Necessary and Reasonable for the performance of the federal award. The following elements must be consider when determining the reasonableness of a cost. *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 to incur the cost was made.* For example, reasonable means that sound business practices were followed, and purchases were comparable to market prices.

When determining reasonableness of a cost, consideration must be given to:

- Whether the cost is a type generally recognized as ordinary and necessary for the College or the proper and efficient performance of the federal award.
- The restrains or requirements imposed by factors, such as: sound business practices; arm's-length bargaining; federal, state, and other laws and regulations; and terms and conditions of the federal award.
- Market prices for comparable goods or services for the geographic area.
- Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the College, its employees, its students, the public at large, and the federal government.
- Whether LFCC significantly deviates from its established practices and policies regarding the incurrence of costs, which may unjustifiably increase the federal award's cost. 2 C.F.R. §200.404.

While 2 C.F.R. §200.404 does not provide specific descriptions of what satisfies the “necessary” element beyond its inclusion in the reasonableness analysis above, necessary is determined based on the needs of the program. Specifically, the expenditure must be necessary to achieve an important program objective.

When determining whether a cost is necessary, consideration may be given to:

- Whether the cost is needed for the proper and efficient performance of the grant program.
- Whether the cost is identified in the approved budget or application.
- Whether the cost addresses program goals and objectives and is based on program data.

## ***Allocable to the federal award***

All costs must be Allocable to the federal award. A cost is allocable to the federal award if the goods or services involved are chargeable or assignable to the federal award in accordance with the relative benefit received. This means that the federal grant program derived a benefit in proportion to the funds charged to the program. 2 C.F.R. §200.405. For example, if 50% of an employee's salary is paid with grant funds, then that employee must spend at least 50% of his or her time on the grant program.

### ***Consistent with policies and procedures***

All costs must be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the College.

- Conform to any limitations or exclusions set forth as cost principles in Part 200 or in the terms and conditions of the federal award.
- Consistent treatment. A cost cannot be assigned to a federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been assigned as an indirect cost under another award.

### ***Adequately documented***

All costs must be adequately and properly documented. It is highly recommend that written documentation be included with the expenditure supporting documents, such as Purchase Order/Requisition, Travel Request Form, and/or Reimbursement Form. An example of suggested written documentation is: including a short explanation of the applicable who, what, where, when, and why the purchase was needed to support the purpose of the grant, such as, to efficiently and effectively execute the grant's mission, the Program Director needed to attend this conference, agenda attached, to network and learn from others pursuing similar missions. All costs must be determined in accordance with general accepted accounting principles (GAAP), unless provided otherwise in Part 200 of the UG, excerpted below.

### ***Not included as a match or cost-share***

Costs cannot be included as a match or cost-share, unless the specific federal program authorizes federal costs to be treated as such. Some federal program statutes require the non-federal entity to contribute a certain amount of non-federal resources to be eligible for the federal program.

### ***Be the net of all applicable credits***

The term “applicable credits” refers to those receipts or reduction of expenditures that operate to offset or reduce expense items allocable to the federal award. Typical examples of such transactions are: purchase discounts; rebates or allowances; recoveries or indemnities on losses; and adjustments of overpayments or erroneous charges. To the extent that such credits accruing to or received by LFCC relate to the federal award, they shall be credited to the federal award, either as a cost reduction or a cash refund, as appropriate. 2 C.F.R. §200.406.

### ***LFCC vs Federal and State Cost Guidelines***

Federal rules require State/VCCS/LFCC level requirements and policies regarding expenditures to be followed as well. For example, LFCC policies relating to travel or equipment may be narrower than the State rules. The stricter guidance must be followed.

LFCC personnel responsible for spending federal grant funds and for determining allowable costs must be familiar with the Part 200 selected items of cost section. LFCC must follow these rules when charging these specific expenditures to a federal grant. In addition, State, LFCC and program-specific rules may deem a cost as unallowable.

The selected item of cost addressed in Part 200 includes the following (in alphabetical order):

<b>Item of Cost (Citation of Allowability Rule)</b>	
<b>Advertising and public relations costs (2 CFR § 200.421):</b> The term advertising costs means the costs of advertising media and corollary administrative costs. Advertising media include magazines, newspapers, radio and television, direct mail, exhibits, electronic or computer transmittals, and the like. The term “public relations” includes community relations and means those activities dedicated to maintaining the image of the non-Federal entity or maintaining or promoting understanding and favorable relations with the community or public at large or any segment of the public (note: Allowable costs are very narrowly defined, therefore, it is important to include a copy of the script or transcript with the Purchase Order/Purchase Requisition.)	
<b>Allowable</b>	<b>Unallowable</b>
<ol style="list-style-type: none"> <li>1) The recruitment of personnel required by the non-Federal entity for performance of a Federal award. The procurement of goods and services for the performance of a Federal award.</li> <li>2) The Procurement of goods and services for the performance of a Federal award</li> <li>3) The disposal of scrap or surplus materials acquired in the performance of a Federal award except when non-Federal entities are reimbursed for disposal costs at a predetermined amount.</li> <li>4) Program outreach and other specific purposes necessary to meet the requirements of the Federal award.</li> <li>5) Costs of communicating with the public and press pertaining to specific activities or accomplishments which result from performance of the Federal award (these costs are considered necessary as part of the outreach effort for the Federal award)</li> <li>6) Costs of conducting general liaison with news media and government public relations officers, to the extent that such activities are limited to communication and liaison necessary to keep the public informed on matters of public concern, such as notices of funding opportunities, financial matters, etc.</li> </ol>	<ol style="list-style-type: none"> <li>1) Costs of meetings, conventions, convocations, or other events related to other activities of the entity including: (i) Costs of displays, demonstrations, and exhibits. (ii) Costs of meeting rooms, hospitality suites, and other special facilities used in conjunction with shows and other special events. (iii) Salaries and wages of employees engaged in setting up and displaying exhibits, making demonstrations, and providing briefings.</li> <li>2) Costs of promotional items and memorabilia, including models, gifts, souvenirs and T. Shirts.</li> <li>3) Costs of advertising and public relations designed solely to promote the non-Federal entity.</li> </ol>
<b>Advisory councils (2 CFR § 200.422):</b>	
<b>Allowable</b>	<b>Unallowable</b>
	Costs incurred by advisory councils or committees are unallowable unless authorized by statute, the Federal awarding agency or as an indirect cost where allocable to Federal awards.
<b>Alcoholic beverages (2 CFR § 200.423)</b>	
<b>Allowable</b>	<b>Unallowable</b>
	Costs of alcoholic beverages
<b>Alumni activities (2 CFR § 200.424)</b>	
<b>Allowable</b>	<b>Unallowable</b>
	Costs incurred by IHEs for, or in support of, alumni/ae activities
<b>Audit services (2 CFR § 200.425):</b>	
<b>Allowable</b>	<b>Unallowable</b>
<p>A reasonably proportionate share of the costs of audits required by, and performed in accordance with, the Single Audit Act Amendments of 1996 (31 U.S.C. 7501-7507), as implemented by requirements of this part.</p> <p>Pass-through entities may charge Federal awards for the cost of agreed-upon-procedures engagements to monitor subrecipients (in accordance with Subpart D—Post Federal Award Requirements of this part, §§200.330 Subrecipient and contractor determinations through 200.332 Fixed Amount Subawards) who are exempted from the requirements of the Single Audit Act and Subpart F—Audit Requirements of this part. This cost is allowable only if the agreed-upon-procedures engagements are:</p> <ol style="list-style-type: none"> <li>(1) Conducted in accordance with GAGAS attestation standards;</li> <li>(2) Paid for and arranged by the pass-through entity; and (3)</li> <li>Limited in scope to one or more of the following types of</li> </ol>	<p>Any costs when audits required by the Single Audit Act and Subpart F—Audit Requirements of this part have not been conducted or have been conducted but not in accordance therewith.</p> <p>Any costs of auditing a non-Federal entity that is exempted from having an audit conducted under the Single Audit Act and Subpart F—Audit Requirements of this part because its expenditures under Federal awards are less than \$750,000 during the non-Federal entity's fiscal year.</p>

compliance requirements: activities allowed or unallowed; allowable costs/cost principles; eligibility; and reporting.	
<b>Bad debts (2 CFR § 200.426):</b>	
<b>Allowable</b>	<b>Unallowable</b>
	Bad debts (debts which have been determined to be uncollectable), including losses (whether actual or estimated) arising from uncollectable accounts and other claims. Related collection costs, and related legal costs, arising from such debts after they have been determined to be uncollectable
<b>Bonding costs (2 CFR § 200.427):</b> Bonding costs arise when the Federal awarding agency requires assurance against financial loss to itself or others by reason of the act or default of the non-Federal entity. They arise also in instances where the non-Federal entity requires similar assurance, including: bonds as bid, performance, payment, advance payment, infringement, and fidelity bonds for employees and officials.	
<b>Allowable</b>	<b>Unallowable</b>
Costs of bonding required pursuant to the terms and conditions of the Federal award	Costs of bonding required by the non-Federal entity in the general conduct of its operations are allowable as an indirect cost to the extent that such bonding is in accordance with sound business practice and the rates and premiums are reasonable under the circumstances.
<b>Collection of improper payments (2 CFR § 200.428):</b>	
<b>Allowable</b>	<b>Unallowable</b>
The costs incurred by a non-Federal entity to recover improper payments are allowable as either direct or indirect costs, as appropriate.	
<b>Commencement and convocation costs (2 CFR § 200.429):</b>	
<b>Allowable</b>	<b>Unallowable</b>
	For IHEs, costs incurred for commencements and convocations are unallowable, except as provided for in Appendix III to Part 200—Indirect (F&A) Costs Identification and Assignment, and Rate Determination for Institutions of Higher Education (IHEs), paragraph (B)(9) Student Administration and Services, as student activity costs.
<b>Compensation – personal services (2 CFR § 200.430):</b> General. Compensation for personal services includes all remuneration, paid currently or accrued, for services of employees rendered during the period of performance under the Federal award, including but not necessarily limited to wages and salaries. Compensation for personal services may also include fringe benefits.	
<b>Allowable</b>	<b>Unallowable</b>
Costs of compensation are allowable to the extent that they satisfy the specific requirements of this part, and that the total compensation for individual employees: (1) Is reasonable for the services rendered and conform to the established written policy of the non-Federal entity consistently applied to both federal and non-Federal entities. (2) Follows an appointment made in accordance with a non-Federal entity laws and /or rules or written policies and meets the requirements of Federal statute, where applicable. (3) Is determined and supported as provided in the Standards for Documentation of Personnel Expenses when applicable.  Reasonable amounts of charges for activities contributing and directly related to work under an agreement, such as delivering special lectures about specific aspects of the ongoing activity, writing reports and articles, developing and maintaining protocols (human, animals, etc.), managing substances/chemicals, managing and securing project-specific data, coordinating research subjects, participating in appropriate seminars, consulting with colleagues and graduate students, and attending meetings and conferences.  Charges for work performed on Federal awards by faculty members during the academic year are allowable at the IBS rate. Except as noted in paragraph (h)(1)(ii) of this section, in no event will charges to Federal awards, irrespective of the basis of	Unless there is prior approval by the Federal awarding agency, charges of a faculty member's salary to a Federal award must not exceed the proportionate share of the IBS for the period during which the faculty member worked on the award.

computation, exceed the proportionate share of the IBS for that period. This principle applies to all members of faculty at an institution. IBS is defined as the annual compensation paid by an IHE for an individual's appointment, whether that individual's time is spent on research, instruction, administration, or other activities. IBS excludes any income that an individual earns outside of duties performed for the IHE.	
<b>Compensation – fringe benefits (2 CFR § 200.431):</b> Fringe benefits are allowances and services provided by employers to their employees as compensation in addition to regular salaries and wages. Fringe benefits include, but are not limited to, the costs of leave (vacation, family-related, sick or military), employee insurance, pensions, and unemployment benefit plans.	
<b>Allowable</b>	<b>Unallowable</b>
Leave. The cost of fringe benefits in the form of regular compensation paid to employees during periods of authorized absences from the job, such as for annual leave, family-related leave, sick leave, holidays, court leave, military leave, administrative leave, and other similar benefits, are allowable if all of the following criteria are met: (1) They are provided under established written leave policies. (2) The costs are equitably allocated to all related activities, including Federal awards. (3) The accounting basis (cash or accrual) selected for costing each type of leave is consistently followed by the non-Federal entity or specified grouping of employees.  The cost of fringe benefits in the form of employer contributions or expenses for social security; employee life, health, unemployment, and worker's compensation insurance (except as indicated in §200.447 Insurance and indemnification); pension plan costs and other similar benefits are allowable, provided such benefits are granted under established written policies.	Automobiles. That portion of automobile costs furnished by the entity that relates to personal use by employees (including transportation to and from work) is unallowable as fringe benefit or indirect (F&A) costs regardless of whether the cost is reported as taxable income to the employees.  Increases to normal and past service pension costs caused by a delay in funding the actuarial liability beyond 30 calendar days after each quarter of the year to which such costs are assignable are unallowable. Non-Federal entity may elect to follow the "Cost Accounting Standard for Composition and Measurement of Pension Costs" (48 CFR 9904.412).
<b>Conferences (2 CFR § 200.432):</b> A conference is defined as a meeting, retreat, seminar, symposium, workshop or event whose primary purpose is the dissemination of technical information beyond the non-Federal entity and is necessary and reasonable for successful performance under the Federal award.	
<b>Allowable</b>	<b>Unallowable</b>
Allowable conference costs paid by the non-Federal entity as a sponsor or host of the conference may include rental of facilities, speakers' fees, costs of meals and refreshments, local transportation, and other items incidental to such conferences unless further restricted by the terms and conditions of the Federal award. As needed, the costs of identifying, but not providing, locally available dependent-care resources are allowable.	Conference costs restricted by the terms and conditions of the Federal Award.
<b>Contingency provisions (2CFR § 200.433):</b> see citation	
<b>Contributions and donations (2 CFR § 200.434):</b> see citation	
<b>Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringements (2 CFR § 200.435):</b> see citation	
<b>Depreciation (2 CFR § 200.436):</b> see citation	
<b>Employee health and welfare costs (2 CFR § 200.437):</b> see citation	
<b>Entertainment costs (2 CFR § 200.438):</b>	
<b>Allowable</b>	<b>Unallowable</b>
	Costs of entertainment, including amusement, diversion, and social activities and any associated costs are unallowable, except where specific costs that might otherwise be considered entertainment have a programmatic purpose and are authorized either in the approved budget for the Federal award or with prior written approval of the Federal awarding agency
<b>Equipment and other capital expenditures (2 CFR § 200.439):</b>	
<b>Allowable</b>	<b>Unallowable</b>
Capital expenditures for special purpose equipment are allowable as direct costs, provided that items with a unit cost of \$5,000 or more have the prior written approval of the Federal awarding agency or pass-through entity.	Capital expenditures for general purpose equipment, buildings, and land are unallowable as direct charges, except with the prior written approval of the Federal awarding agency or pass-through entity.
<b>Exchange rates (2 CFR § 200.440):</b>	

Allowable	Unallowable
<p>Cost increases for fluctuations in exchange rates are allowable costs subject to the availability of funding, and prior approval by the Federal awarding agency.</p> <p>The non-Federal entity is required to make reviews of local currency gains to determine the need for additional federal funding before the expiration date of the Federal award. Subsequent adjustments for currency increases may be allowable only when the non-Federal entity provides the Federal awarding agency with adequate source documentation from a commonly used source in effect at the time the expense was made, and to the extent that sufficient Federal funds are available.</p>	
<b>Fines, penalties, damages and other settlements (2 CFR § 200.441):</b>	
Allowable	Unallowable
	<p>Costs resulting from non-Federal entity violations of, alleged violations of, or failure to comply with, Federal, state, tribal, local or foreign laws and regulations are unallowable, except when incurred as a result of compliance with specific provisions of the Federal award, or with prior written approval of the Federal awarding agency.</p>
<b>Fund raising and investment management costs (2 CFR § 200.442):</b> see citation	
Allowable	Unallowable
<p>Fund raising costs for the purposes of meeting the Federal program objectives are allowable with prior written approval from the Federal awarding agency.</p> <p>Costs of investment counsel and staff and similar expenses incurred to enhance income from investments associated with investments covering pension, self-insurance, or other funds which include Federal participation allowed by this part.</p> <p>Cost must be allocated as an appropriate share of indirect costs under conditions described in §200.413 Direct costs</p> <p>Costs related to the physical custody and control of monies and securities are allowable.</p>	<p>Costs of organized fund raising, including financial campaigns, endowment drives, solicitation of gifts and bequests, and similar expenses incurred to raise capital or obtain contributions are unallowable.</p> <p>Costs of investment counsel and staff and similar expenses incurred to enhance income from investments NOT associated with investments covering pension, self-insurance, or other funds which include Federal participation allowed by this part.</p> <p>Cost must be allocated as an appropriate share of indirect costs under conditions described in §200.413 Direct costs</p>
<b>Gains and losses on disposition of depreciable assets (2 CFR § 200.443):</b> see citation	
Allowable	Unallowable
<p>Gains and losses on the sale, retirement, or other disposition of depreciable property must be included in the year in which they occur as credits or charges to the asset cost grouping(s) in which the property was included. The amount of the gain or loss to be included as a credit or charge to the appropriate asset cost grouping(s) is the difference between the amount realized on the property and the undepreciated basis of the property.</p>	<p>Gains and losses from the disposition of depreciable property must not be recognized as a separate credit or charge under the following conditions:</p> <p>(1) The gain or loss is processed through a depreciation account and is reflected in the depreciation allowable under §§200.436 Depreciation and 200.439 Equipment and other capital expenditures.</p> <p>(2) The property is given in exchange as part of the purchase price of a similar item and the gain or loss is taken into account in determining the depreciation cost basis of the new item.</p> <p>(3) A loss results from the failure to maintain permissible insurance, except as otherwise provided in §46*200.447 Insurance and indemnification.</p> <p>(4) Compensation for the use of the property was provided through use allowances in lieu of depreciation.</p> <p>Gains or losses of any nature arising from the sale or exchange of property other than the property covered in paragraph (a) of this section, e.g., land, must be excluded in computing Federal award costs.</p>
<b>General costs of government (2 CFR § 200.444):</b> see citation	

<b>Goods and services for personal use (2 CFR § 200.445):</b>	
<b>Allowable</b>	<b>Unallowable</b>
Costs of housing (e.g., depreciation, maintenance, utilities, furnishings, rent), housing allowances and personal living expenses are only allowable as direct costs regardless of whether reported as taxable income to the employees. In addition, to be allowable direct costs must be approved in advance by a Federal awarding agency.	Costs of goods or services for personal use of the non-Federal entity's employees are unallowable regardless of whether the cost is reported as taxable income to the employees.
<b>Idle facilities and idle capacity (2 CFR § 200.446):</b> see citation	
<b>Insurance and indemnification (2 CFR § 200.447):</b> see citation	
<b>Intellectual property (2 CFR § 200.448):</b>	
<b>Allowable</b>	<b>Unallowable</b>
<p>(a) Patent costs. (1) The following costs related to securing patents and copyrights are allowable:</p> <p>(i) Costs of preparing disclosures, reports, and other documents required by the Federal award, and of searching the art to the extent necessary to make such disclosures;</p> <p>(ii) Costs of preparing documents and any other patent costs in connection with the filing and prosecution of a United States patent application where title or royalty-free license is required by the Federal Government to be conveyed to the Federal Government; and</p> <p>(iii) General counseling services relating to patent and copyright matters, such as advice on patent and copyright laws, regulations, clauses, and employee intellectual property agreements (See also §200.459 Professional service costs).</p> <p>(2) Special care should be exercised in determining reasonableness where the royalties may have been arrived at as a result of less-than arm's-length bargaining, such as:</p> <p>(i) Royalties paid to persons, including corporations, affiliated with the non-Federal entity.</p> <p>(ii) Royalties paid to unaffiliated parties, including corporations, under an agreement entered into in contemplation that a Federal award would be made.</p> <p>(iii) Royalties paid under an agreement entered into after a Federal award is made to a non-Federal entity.</p> <p>(3) In any case involving a patent or copyright formerly owned by the non-Federal entity, the amount of royalty allowed must not exceed the cost which would have been allowed had the non-Federal entity retained title thereto.</p>	<p>(2) The following costs related to securing patents and copyrights are unallowable:</p> <p>(i) Costs of preparing disclosures, reports, and other documents, and of searching the art to make disclosures not required by the Federal award;</p> <p>(ii) Costs in connection with filing and prosecuting any foreign patent application, or any United States patent application, where the Federal award does not require conveying title or a royalty-free license to the Federal Government.</p> <p>(b) Royalties and other costs for use of patents and copyrights.</p> <p>(1) Royalties on a patent or copyright or amortization of the cost of acquiring by purchase a copyright, patent, or rights thereto, necessary for the proper performance of the Federal award are allowable unless:</p> <p>(i) The Federal Government already has a license or the right to free use of the patent or copyright.</p> <p>(ii) The patent or copyright has been adjudicated to be invalid, or has been administratively determined to be invalid.</p> <p>(iii) The patent or copyright is considered to be unenforceable.</p> <p>(iv) The patent or copyright is expired.</p>
<b>Interest (2 CFR § 200.449):</b>	
<b>Allowable</b>	<b>Unallowable</b>
Financing costs (including interest) to acquire, construct, or replace capital assets are allowable, subject to the conditions in this section.	Costs incurred for interest on borrowed capital, temporary use of endowment funds, or the use of the non-Federal entity's own funds, however represented, are unallowable.
<b>Lobbying (2 CFR § 200.450):</b> Lobbying with respect to certain grants, contracts, cooperative agreements, and loans is governed by relevant statutes, including among others, the provisions of 31 U.S.C. 1352, as well as the common rule, "New Restrictions on Lobbying" published at 55 FR 6736 (February 26, 1990), including definitions, and the Office of Management and Budget "Government wide Guidance for New Restrictions on Lobbying" and notices published at 54 FR 52306 (December 20, 1989), 55 FR 24540 (June 15, 1990), 57 FR 1772 (January 15, 1992), and 61 FR 1412 (January 19, 1996).	
<b>Allowable</b>	<b>Unallowable</b>
	<p>(a) The cost of certain influencing activities associated with obtaining grants, contracts, cooperative agreements, or loans is an unallowable cost.</p> <p>(b) Executive lobbying costs. Costs incurred in attempting to improperly influence either directly or indirectly, an employee or officer of the executive branch of the Federal Government to give consideration or to act regarding a Federal award or a regulatory matter are unallowable. Improper influence means any influence that induces or tends to induce a Federal employee or officer to give consideration or to act regarding a</p>

	<p>Federal award or regulatory matter on any basis other than the merits of the matter.</p> <p>(c) In addition to the above, the following restrictions are applicable to nonprofit organizations and IHEs:</p> <p>(1) Costs associated with the following activities are unallowable:</p> <p>(i) Attempts to influence the outcomes of any Federal, state, or local election, referendum, initiative, or similar procedure, through in-kind or cash contributions, endorsements, publicity, or similar activity;</p> <p>(ii) Establishing, administering, contributing to, or paying the expenses of a political party, campaign, political action committee, or other organization established for the purpose of influencing the outcomes of elections in the United States;</p> <p>(iii) Any attempt to influence:</p> <p>(A) The introduction of Federal or state legislation;</p> <p>(B) The enactment or modification of any pending Federal or state legislation through communication with any member or employee of the Congress or state legislature (including efforts to influence state or local officials to engage in similar lobbying activity);</p> <p>(C) The enactment or modification of any pending Federal or state legislation by preparing, distributing, or using publicity or propaganda, or by urging members of the general public, or any segment thereof, to contribute to or participate in any mass demonstration, march, rally, fund raising drive, lobbying campaign or letter writing or telephone campaign; or</p> <p>(D) Any government official or employee in connection with a decision to sign or veto enrolled legislation;</p> <p>(iv) Legislative liaison activities, including attendance at legislative sessions or committee hearings, gathering information regarding legislation, and analyzing the effect of legislation, when such activities are carried on in support of or in knowing preparation for an effort to engage in unallowable lobbying.</p> <p>(2) The following activities are excepted from the coverage of paragraph (c)(1) of this section:</p> <p>(i) Technical and factual presentations on topics directly related to the performance of a grant, contract, or other agreement (through hearing testimony, statements, or letters to the Congress or a state legislature, or subdivision, member, or cognizant staff member thereof), in response to a documented request (including a Congressional Record notice requesting testimony or statements for the record at a regularly scheduled hearing) made by the non-Federal entity's member of congress, legislative body or a subdivision, or a cognizant staff member thereof, provided such information is readily obtainable and can be readily put in deliverable form, and further provided that costs under this section for travel, lodging or meals are unallowable unless incurred to offer testimony at a regularly scheduled Congressional hearing pursuant to a written request for such presentation made by the Chairman or Ranking Minority Member of the Committee or Subcommittee conducting such hearings;</p> <p>(ii) Any lobbying made unallowable by paragraph (c)(1)(iii) of this section to influence state legislation in order to directly reduce the cost, or to avoid material impairment of the non-Federal entity's authority to perform the grant, contract, or other agreement; or (iii) Any activity specifically</p>
--	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

	<p>authorized by statute to be undertaken with funds from the Federal award.</p> <p>(iv) Any activity excepted from the definitions of “lobbying” or “influencing legislation” by the Internal Revenue Code provisions that require nonprofit organizations to limit their participation in direct and “grass roots” lobbying activities in order to retain their charitable deduction status and avoid punitive excise taxes, I.R.C. §§501(c)(3), 501(h), 4911(a), including:</p> <p>(A) Nonpartisan analysis, study, or research reports;</p> <p>(B) Examinations and discussions of broad social, economic, and similar problems; and</p> <p>(C) Information provided upon request by a legislator for technical advice and assistance, as defined by I.R.C. §4911(d)(2) and 26 CFR 56.4911-2(56.4911-2(c)(1)-(c)(3).</p> <p>(v) When a non-Federal entity seeks reimbursement for indirect (F&amp;A) costs, total lobbying costs must be separately identified in the indirect (F&amp;A) cost rate proposal, and thereafter treated as other unallowable activity costs in accordance with the procedures of §200.413 Direct costs.</p> <p>(vi) The non-Federal entity must submit as part of its annual indirect (F&amp;A) cost rate proposal a certification that the requirements and standards of this section have been complied with. (See also §200.415 Required certifications.)</p> <p>(vii)(A) Time logs, calendars, or similar records are not required to be created for purposes of complying with the record keeping requirements in §200.302 Financial management with respect to lobbying costs during any particular calendar month when:</p> <p>(1) The employee engages in lobbying (as defined in paragraphs (c)(1) and (c)(2) of this section) 25 percent or less of the employee's compensated hours of employment during that calendar month; and</p> <p>(2) Within the preceding five-year period, the non-Federal entity has not materially misstated allowable or unallowable costs of any nature, including legislative lobbying costs.</p> <p>(B) When conditions in paragraph (c)(2)(vii)(A)(1) and (2) of this section are met, non-Federal entities are not required to establish records to support the allowability of claimed costs in addition to records already required or maintained. Also, when conditions in paragraphs (c)(2)(vii)(A)(1) and (2) of this section are met, the absence of time logs, calendars, or similar records will not serve as a basis for disallowing costs by contesting estimates of lobbying time spent by employees during a calendar month.</p> <p>(viii) The Federal awarding agency must establish procedures for resolving in advance, in consultation with OMB, any significant questions or disagreements concerning the interpretation or application of this section. Any such advance resolutions must be binding in any subsequent settlements, audits, or investigations with respect to that grant or contract for purposes of interpretation of this part, provided, however, that this must not be construed to prevent a contractor or non-Federal entity from contesting the lawfulness of such a determination.</p>
<b>Losses on other awards or contracts (2 CFR § 200.451):</b> see citation	
<b>Maintenance and repair costs (2 CFR § 200.452):</b>	
<b>Allowable</b>	<b>Unallowable</b>
Costs incurred for utilities, insurance, security, necessary maintenance, janitorial services, repair, or upkeep of buildings and equipment (including Federal property unless otherwise provided for) which neither add to the permanent value of the property nor appreciably prolong its intended life, but keep it in an efficient operating condition, are allowable. Costs incurred for	

improvements which add to the permanent value of the buildings and equipment or appreciably prolong their intended life must be treated as capital expenditures (see §200.439 Equipment and other capital expenditures). These costs are only allowable to the extent not paid through rental or other agreements.	
<b>Materials and supplies costs, including costs of computing devices (2 CFR § 200.453):</b>	
<b>Allowable</b>	<b>Unallowable</b>
Costs incurred for materials, supplies, and fabricated parts necessary to carry out a Federal award are allowable. Materials and supplies used for the performance of a Federal award may be charged as direct costs. In the specific case of computing devices, charging as direct costs is allowable for devices that are essential and allocable, but not solely dedicated, to the performance of a Federal award.	
<b>Memberships, subscriptions, and professional activity costs (2 CFR § 200.454):</b>	
<b>Allowable</b>	<b>Unallowable</b>
Costs of the non-Federal entity's membership in business, technical, and professional organizations are allowable.	Costs of membership in any country club or social or dining club or organization are unallowable.
Costs of the non-Federal entity's subscriptions to business, professional, and technical periodicals are allowable.	Costs of membership in organizations whose primary purpose is lobbying are unallowable.
Costs of membership in any civic or community organization are allowable with prior approval by the Federal awarding agency or pass-through entity.	
<b>Organization costs (2 CFR § 200.455):</b> see citation	
<b>Participant support costs (2 CFR § 200.456):</b>	
<b>Allowable</b>	<b>Unallowable</b>
Participant support costs are allowable with the prior approval of the Federal awarding agency.	
<b>Plant and security costs (2 CFR § 200.457):</b>	
<b>Allowable</b>	<b>Unallowable</b>
Necessary and reasonable expenses incurred for protection and security of facilities, personnel, and work products are allowable. Such costs include, but are not limited to, wages and uniforms of personnel engaged in security activities; equipment; barriers; protective (non-military) gear, devices, and equipment; contractual security services; and consultants. Capital expenditures for plant security purposes are subject to §200.439 Equipment and other capital expenditures.	
<b>Pre-award costs (2 CFR § 200.458):</b>	
<b>Allowable</b>	<b>Unallowable</b>
Only with written approval of the Federal awarding agency; see citation for further restrictions.	
<b>Professional services costs (2 CFR § 200.459):</b>	
<b>Allowable</b>	<b>Unallowable</b>
(a) Costs of professional and consultant services rendered by persons who are members of a particular profession or possess a special skill, and who are not officers or employees of the non-Federal entity, are allowable, subject to paragraphs (b) and (c) when reasonable in relation to the services rendered and when not contingent upon recovery of the costs from the Federal Government. In addition, legal and related services are limited under §200.435 Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringements. (b) In determining the allowability of costs in a particular case, no single factor or any special combination of factors is necessarily determinative. However, the following factors are relevant: (1) The nature and scope of the service rendered in relation to the service required. (2) The necessity of contracting for the service, considering the non-Federal entity's capability in the particular area.	

<p>(3) The past pattern of such costs, particularly in the years prior to Federal awards.</p> <p>(4) The impact of Federal awards on the non-Federal entity's business (i.e., what new problems have arisen).</p> <p>(5) Whether the proportion of Federal work to the non-Federal entity's total business is such as to influence the non-Federal entity in favor of incurring the cost, particularly where the services rendered are not of a continuing nature and have little relationship to work under Federal awards.</p> <p>(6) Whether the service can be performed more economically by direct employment rather than contracting.</p> <p>(7) The qualifications of the individual or concern rendering the service and the customary fees charged, especially on non-federally funded activities.</p> <p>(8) Adequacy of the contractual agreement for the service (e.g., description of the service, estimate of time required, rate of compensation, and termination provisions).</p> <p>(c) In addition to the factors in paragraph (b) of this section, to be allowable, retainer fees must be supported by evidence of bona fide services available or rendered.</p>	
<b>Proposal costs (2 CFR § 200.460):</b> Proposal costs are the costs of preparing bids, proposals, or applications on potential Federal and non-Federal awards or projects, including the development of data necessary to support the non-Federal entity's bids or proposals.	
<p align="center"><b>Allowable</b></p>	<p align="center"><b>Unallowable</b></p>
<p>Normally are <b>not</b> direct costs; allowable as indirect (F&amp;A) costs allocated currently to all activities of the non-Federal entity.</p>	<p>Proposal costs of past accounting periods in the current period.</p>
<b>Publication and printing costs (2 CFR § 200.461):</b>	
<p align="center"><b>Allowable</b></p>	<p align="center"><b>Unallowable</b></p>
<p>(a) Publication costs for electronic and print media, including distribution, promotion, and general handling are allowable. If these costs are not identifiable with a particular cost objective, they should be allocated as indirect costs to all benefiting activities of the non-Federal entity.</p> <p>(b) Page charges for professional journal publications are allowable where:</p> <p>(1) The publications report work supported by the Federal Government; and</p> <p>(2) The charges are levied impartially on all items published by the journal, whether or not under a Federal award.</p> <p>(3) The non-Federal entity may charge the Federal award before closeout for the costs of publication or sharing of research results if the costs are not incurred during the period of performance of the Federal award.</p>	
<b>Rearrangement and reconversion costs (2 CFR § 200.462):</b>	
<p align="center"><b>Allowable</b></p>	<p align="center"><b>Unallowable</b></p>
<p>Costs incurred for ordinary and normal rearrangement and alteration of facilities are allowable as indirect costs. Special arrangements and alterations costs incurred specifically for a Federal award are allowable as a direct cost with the prior approval of the Federal awarding agency or pass-through entity.</p> <p>Costs incurred in the restoration or rehabilitation of the non-Federal entity's facilities to approximately the same condition existing immediately prior to commencement of Federal awards, less costs related to normal wear and tear, are allowable.</p>	
<b>Recruiting costs (2 CFR § 200.463):</b>	
<p align="center"><b>Allowable</b></p>	<p align="center"><b>Unallowable</b></p>
<p>a) Subject to paragraphs (b) and (c) of this section, and provided that the size of the staff recruited and maintained is in keeping with workload requirements, costs of "help wanted" advertising, operating costs of an employment office necessary to secure and maintain an adequate staff, costs of operating an aptitude and educational testing program, travel costs of employees while engaged in recruiting personnel, travel costs of applicants for</p>	<p>(b) Special emoluments, fringe benefits, and salary allowances incurred to attract professional personnel that do not meet the test of reasonableness or do not conform with the established practices of the non-Federal entity, are unallowable.</p>

<p>interviews for prospective employment, and relocation costs incurred incident to recruitment of new employees, are allowable to the extent that such costs are incurred pursuant to the non-Federal entity's standard recruitment program. Where the non-Federal entity uses employment agencies, costs not in excess of standard commercial rates for such services are allowable.</p> <p>(c) Where relocation costs incurred incident to recruitment of a new employee have been funded in whole or in part to a Federal award, and the newly hired employee resigns for reasons within the employee's control within 12 months after hire, the non-Federal entity will be required to refund or credit the Federal share of such relocation costs to the Federal Government. See also §200.464 Relocation costs of employees.</p> <p>(d) Short-term, travel visa costs (as opposed to longer-term, immigration visas) are generally allowable expenses that may be proposed as a direct cost. Since short-term visas are issued for a specific period and purpose, they can be clearly identified as directly connected to work performed on a Federal award. For these costs to be directly charged to a Federal award, they must:</p> <ol style="list-style-type: none"> <li>(1) Be critical and necessary for the conduct of the project;</li> <li>(2) Be allowable under the applicable cost principles;</li> <li>(3) Be consistent with the non-Federal entity's cost accounting practices and non-Federal entity policy; and</li> <li>(4) Meet the definition of "direct cost" as described in the applicable cost principles.</li> </ol>	
<p><b>Relocation costs of employees (2 CFR § 200.464):</b> Relocation costs are costs incident to the permanent change of duty assignment (for an indefinite period or for a stated period of not less than 12 months) of an existing employee or upon recruitment of a new employee.</p>	
Allowable	Unallowable
<p>Relocation costs are allowable, subject to the limitations described in paragraphs (b), (c), and (d) of this section, provided that:</p> <ol style="list-style-type: none"> <li>(1) The move is for the benefit of the employer.</li> <li>(2) Reimbursement to the employee is in accordance with an established written policy consistently followed by the employer.</li> <li>(3) The reimbursement does not exceed the employee's actual (or reasonably estimated) expenses.</li> </ol> <p>(b) Allowable relocation costs for current employees are limited to the following:</p> <ol style="list-style-type: none"> <li>(1) The costs of transportation of the employee, members of his or her immediate family and his household, and personal effects to the new location.</li> <li>(2) The costs of finding a new home, such as advance trips by employees and spouses to locate living quarters and temporary lodging during the transition period, up to maximum period of 30 calendar days.</li> <li>(3) Closing costs, such as brokerage, legal, and appraisal fees, incident to the disposition of the employee's former home. These costs, together with those described in (4), are limited to 8 per cent of the sales price of the employee's former home.</li> <li>(4) The continuing costs of ownership (for up to six months) of the vacant former home after the settlement or lease date of the employee's new permanent home, such as maintenance of buildings and grounds (exclusive of fixing-up expenses), utilities, taxes, and property insurance.</li> <li>(5) Other necessary and reasonable expenses normally incident to relocation, such as the costs of canceling an unexpired lease, transportation of personal property, and purchasing insurance against loss of or damages to personal property. The cost of canceling an unexpired lease is limited to three times the monthly rental.</li> </ol>	<p>(d) The following costs related to relocation are unallowable:</p> <ol style="list-style-type: none"> <li>(1) Fees and other costs associated with acquiring a new home.</li> <li>(2) A loss on the sale of a former home.</li> <li>(3) Continuing mortgage principal and interest payments on a home being sold.</li> <li>(4) Income taxes paid by an employee related to reimbursed relocation costs.</li> </ol>

<p>(c) Allowable relocation costs for new employees are limited to those described in paragraphs (b)(1) and (2) of this section. When relocation costs incurred incident to the recruitment of new employees have been charged to a Federal award and the employee resigns for reasons within the employee's control within 12 months after hire, the non-Federal entity must refund or credit the Federal Government for its share of the cost. However, the costs of travel to an overseas location must be considered travel costs in accordance with §200.474 Travel costs, and not this §200.464 Relocation costs of employees, for the purpose of this paragraph if dependents are not permitted at the location for any reason and the costs do not include costs of transporting household goods.</p>	
<b>Rental costs of real property and equipment (2 CFR § 200.465):</b> see citation	
<b>Scholarships and student aid costs (2 CFR § 200.466):</b>	
Allowable	Unallowable
<p>(a) Costs of scholarships, fellowships, and other programs of student aid at IHEs are allowable only when the purpose of the Federal award is to provide training to selected participants and the charge is approved by the Federal awarding agency. However, tuition remission and other forms of compensation paid as, or in lieu of, wages to students performing necessary work are allowable provided that:</p> <p>(1) The individual is conducting activities necessary to the Federal award;</p> <p>(2) Tuition remission and other support are provided in accordance with established policy of the IHE and consistently provided in a like manner to students in return for similar activities conducted under Federal awards as well as other activities; and</p> <p>(3) During the academic period, the student is enrolled in an advanced degree program at a non-Federal entity or affiliated institution and the activities of the student in relation to the Federal award are related to the degree program;</p> <p>(4) The tuition or other payments are reasonable compensation for the work performed and are conditioned explicitly upon the performance of necessary work; and</p> <p>(5) It is the IHE's practice to similarly compensate students under Federal awards as well as other activities.</p> <p>(b) Charges for tuition remission and other forms of compensation paid to students as, or in lieu of, salaries and wages must be subject to the reporting requirements in §200.430 Compensation—personal services, and must be treated as direct or indirect cost in accordance with the actual work being performed. Tuition remission may be charged on an average rate basis. See also §200.431 Compensation—fringe benefits.</p>	
<b>Selling and marketing costs (2 CFR § 200.467):</b>	
Allowable	Unallowable
	<p>Costs of selling and marketing any products or services of the non-Federal entity (unless allowed under §200.421 Advertising and publicrelations.) are unallowable, except as direct costs, with prior approval by the Federal awarding agency when necessary for the performance of the Federal award.</p>
<b>Specialized service facilities (2 CFR § 200.468):</b> see citation	
<b>Student activity costs (2 CFR § 200.469):</b>	
Allowable	Unallowable
	<p>Costs incurred for intramural activities, student publications, student clubs, and other student activities, are unallowable, unless specifically provided for in the Federal award.</p>
<b>Taxes (including Value Added Tax) (2 CFR § 200.470):</b>	
Allowable	Unallowable
Taxes that a governmental unit is legally required to pay are	Self-assessed taxes that disproportionately affect

allowable.	Federal programs or changes in tax policies that disproportionately affect Federal programs.
<b>Termination costs (2 CFR § 200.471):</b> see citation	
<b>Training and education costs (2 CFR § 200.472):</b>	
<b>Allowable</b>	<b>Unallowable</b>
The cost of training and education provided for employee development is allowable	
<b>Transportation costs (2 CFR § 200.473):</b>	
<b>Allowable</b>	<b>Unallowable</b>
Costs incurred for freight, express, cartage, postage, and other transportation services relating either to goods purchased, in process, or delivered, are allowable. When such costs can readily be identified with the items involved, they may be charged directly as transportation costs or added to the cost of such items. Where identification with the materials received cannot readily be made, inbound transportation cost may be charged to the appropriate indirect (F&A) cost accounts if the non-Federal entity follows a consistent, equitable procedure in this respect. Outbound freight, if reimbursable under the terms and conditions of the Federal award, should be treated as a direct cost.	
<b>Travel costs (2 CFR § 200.474):</b> see citation and State Travel Policy, Topic 20335, State Travel Regulations (note: To claim travel costs as a direct cost of the sponsored program, the purpose of the travel as it relates to the program's objectives must be documented on travel request and reimbursement forms.)	
<b>Trustees (2 CFR § 200.475):</b>	
<b>Allowable</b>	<b>Unallowable</b>
Travel and subsistence costs of trustees (or directors) at IHEs and nonprofit organizations are allowable. See also §200.474 Travel costs.	

In order for a cost to be allowable, the expenditure must also be allowable under the applicable program statute along with accompanying program regulations, non-regulatory guidance and grant award notifications.

### ***Helpful Questions for Determining Whether a Cost is Allowable***

In addition to the cost principles and standards described above, in order to determine the allowability of the purchase, it is helpful to ask the following questions:

- Is the proposed cost allowable under the relevant program?
- Is the proposed cost consistent with an approved program plan and budget?
- Is the proposed cost consistent with program specific fiscal rules?
- Is the proposed cost consistent with grant agreement?

# Federal Cash Management Procedures

LFCC will comply with all applicable methods and procedures for payments that minimize the time elapsing between the transfer of funds and disbursement by LFCC, in accordance with the Cash Management Improvement Act at 31 CFR Part 205. Generally, LFCC receives payment for federally funded sponsored programs on a reimbursement basis, 2 CFR § 200.305. However, if LFCC receives an advance in federal funds, the funds are typically disbursed within 3 days of receipt

## ***Payment Methods***

*Reimbursements:* LFCC uses non-federal funds to cover federally funded sponsored program deficits pending reimbursement.

Reimbursements requests are compiled and submitted based on the sponsorship agreement.

*Advances:* LFCC may request an advance for certain obligations/encumbrances. Typically, advanced funds are disbursed within 3 days of receipt. The exception to an interest bearing account applies, 2 CFR § 200.305(b)(7)(ii).

Consistent with federal requirements, LFCC will maintain source documentation supporting the federal expenditures and will make such documentation available for grantor review upon request.

For additional information, see LFCC's SOP 219 Local Federal Funds Receipt and Disbursement.

# Procurement System Procedures

In general, LFCC must follow the same policies and procedures it uses for procurements from its non-Federal funds, §200.317, see LFCC Procurement Manual.

In addition to LFCC's general procurement procedures, the following are procurement considerations specific to federally funded purchases.

## **Subrecipient vs. Contractor**

When procuring contract services to support the federally funded program the nature of the relationship needs to be determined. Is the contract for the program participant, vendor/contractor a subaward, creating subrecipient relationship, as defined in §200.330, or a payment for services and goods?

The UG advises that the substance of the relationship is more important than the form of the agreement, therefore, it is important to carefully analyze the nature of the services provided. To help make the subrecipient vs. contractor determination, below are some characteristics to consider.

<b>Subrecipient Characteristics</b>	<b>Contractor Characteristics</b>
Program is within the objectives of the entity	Provides similar services and goods to many different purchasers
Has responsibility for programmatic decision-making	Operates in a competitive environment
Performance is measured on whether the program objectives are met	Provides services or goods that are ancillary to the operation of the program
Has responsibility for adherence to applicable program compliance requirements	Has not significantly participated in the design of the program objectives, but is merely implementing the program plan
Uses funds to carry out a program of the organization as compared to providing services and good for a program of the pass-through entity	Is not directly responsible to the sponsor for program objectives or results

All of the characteristics listed above may not be present in all cases; judgement must be used in classifying each agreement as a subaward or a procurement contract. It is important to document, in writing, the determination for each federally funded agreement.

## **Subaward Requirements**

For subawards, all requirements imposed by the federal award pass through to the subrecipient, such as federal statutes, regulations and the terms and conditions of the federal award, §200.331. Therefore, the agreement with the subreceptient needs to include the following;

- a. Federal Award Identification.
  - i. Subrecipient name (which must match the name associated with its unique entity identifier);
  - ii. Subrecipient's unique entity identifier;
  - iii. Federal Award Identification Number (FAIN);
- b. Federal Award Date;
- c. Subaward Period of Performance Start and End Date;
- d. Amount of Federal Funds Obligated by this action;

- i. Total Amount of Federal Funds Obligated to the subrecipient;
  - ii. Total Amount of the Federal Award;
- e. Federal award project description, as required to be responsive to the Federal Funding Accountability and Transparency Act (FFATA);
- f. Name of Federal awarding agency, pass-through entity, and contact information for awarding official,
- g. CFDA Number and Name; the pass-through entity must identify the dollar amount made available under each Federal award and the
- h. CFDA number at time of disbursement;
- i. Indirect cost rate for the Federal award (including if the de minimis rate is charged per §200.414 Indirect (F&A) costs).
- j. All requirements imposed by the pass-through entity on the subrecipient so that the Federal award is used in accordance with Federal statutes, regulations and the terms and conditions of the Federal award.
- k. Any additional requirements that the pass-through entity imposes on the subrecipient in order for the pass-through entity to meet its own
- l. responsibility to the Federal awarding agency including identification of any required financial and performance reports;
- m. An approved federally recognized indirect cost rate negotiated between the subrecipient and the Federal Government or, if no such rate exists, either a rate negotiated between the pass-through entity and the subrecipient (in compliance with this part), or a de minimis indirect cost rate as defined in §200.414
- n. A requirement that the subrecipient permit the pass-through entity and auditors to have access to the subrecipient's records and financial statements as necessary for the pass-through entity to meet the requirements of this part; and
- o. Appropriate terms and conditions concerning closeout of the subaward.

LFCC must evaluate and document each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring. The risk assessment should consider factors, such as;

- The subrecipient's prior experience with the same or similar subawards;
- The results of previous audits including whether or not the subrecipient receives a Single Audit and the extent to which the same or similar subaward has been audited as a major program;
- Whether the subrecipient has new personnel or new or substantially changed systems; and
- The extent and results of Federal awarding agency monitoring (e.g., if the subrecipient also receives Federal awards directly from a Federal awarding agency).
- Consider imposing specific subaward conditions upon a subrecipient if appropriate as described in §200.207 Specific conditions.

LFCC will monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved.

Monitoring must include the following;

- Reviewing financial and performance reports required by the pass-through entity.
- Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and other means.
- Issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the pass-through entity as required by §200.521 Management decision.

Depending upon the pass-through entity's assessment of risk posed by the subrecipient, the following monitoring tools may be useful for the pass-through entity to ensure proper accountability and compliance with program requirements and achievement of performance goals:

- Providing subrecipients with training and technical assistance on program-related matters;
- Performing on-site reviews of the subrecipient's program operations;
- Arranging for agreed-upon-procedures engagements as described in §200.425 Audit services;
- Verify that every subrecipient is audited as required by Subpart F—Audit Requirements of this part when it is expected that the subrecipient's Federal awards expended during the respective fiscal year equaled or exceeded the threshold set forth in §200.501 Audit requirements;
- Consider whether the results of the subrecipient's audits, on-site reviews, or other monitoring indicate conditions that necessitate adjustments to LFCC's own records;
- Consider taking enforcement action against noncompliant subrecipients as described in §200.338 Remedies for noncompliance of this part and in program regulations.

### **Debarment and Suspension**

For procurement with federal funds, LFCC may not contract with or subaward to any person or company who is debarred or suspended. For all contracts over \$25,000 LFCC verifies that the vendor with whom LFCC intends to do business with is not excluded or disqualified. 2 C.F.R. Part 200, Appendix II(1) and 2 C.F.R. §§ 180.220 and 180.300. The verification is the responsibility of the Procurement Officer.

If a contractual clause is used, suggested wording for the required contractual clause is as follows:

By signing this agreement, you certify, the entity is not presently debarred, suspended, proposed for disbarment, declared ineligible, or voluntarily excluded from covered transactions by any federal department or agency.

### **Procurement of recovered materials**

LFCC must comply with section 6002 of the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act. The requirements of Section 6002 include procuring only items designated in guidelines of the Environmental Protection Agency (EPA) at 40 CFR part 247 that contain the highest percentage of recovered materials practicable, consistent with maintaining a satisfactory level of competition, where the purchase price of the item exceeds \$10,000 or the value of the quantity acquired during the preceding fiscal year exceeded \$10,000; procuring solid waste management services in a manner that maximizes energy and resource recovery; and establishing an affirmative procurement program for procurement of recovered materials identified in the EPA guidelines.

# Written Time and Effort Procedures

In compliance with CFR § 200.430(i), LFCC follows these guidelines for salaries and wages charged to federally sponsored programs.

For federally sponsored programs, exempt employees' salaries are distributed based on the estimated percentage of their compensated level of effort on each activity/program, not exceeding 100% of compensated activities. Periodically, as required by the sponsored program(s), employees certify their level of effort percentages. The employee certification is verified by the employee's supervisor. The Sponsored Programs Level of Effort Certification includes paid leave (absences). Paid leave costs are distributed proportionately to the sponsored program(s) based on the certification period's level of effort percentages.

In the event the employee is unavailable to timely complete the Sponsored Programs Level of Effort Certification (LOECert) due to a prolonged absence or termination, the employee's supervisor, the sponsored program director, or other responsible person, who can verify the employee's level of effort, will complete the certification on behalf of the employee. The certifier's supervisor will verify the report.

After the fact, certified level of effort costs are compared to estimated percentage costs recorded. Cost distribution adjustments, based on the certified level of effort, representing a sustained change in the level of effort, are entered in the financial records in the subsequent month after certification.

Non-exempt employees are required to complete timesheets reporting daily hours worked. Non-exempt employees, working on sponsored programs, wages are distributed based on the hours worked on each activity/program. Paid leave costs are distributed to the sponsored program(s) based on the percentage of sponsored program hours worked divided by total hours worked for the period.

**Treatment of Fringe Benefits:** The fringe benefits are specifically identified to each employee and are charged individually as direct costs. The directly claimed fringe benefits are: FICA, Workers' Compensation, Unemployment, Pension, Retirement, Disability, Medical Insurance, and Life Insurance. Fringe benefit costs are distributed based on the distribution percentage/hours of salaries and wages.

**Treatment of Paid Leave (Absences):** Vacation, holiday, sick leave pay and other paid absences are included in salaries and wages and are claimed on grants, contracts, and other agreements as part of the normal cost for salaries and wages. Separate claims are not made for the cost of these paid absences. LFCC does not require timesheets for exempt employees.

LFCC has a faculty extra service pay policy; documented in VCCS Policy, Faculty Compensation, Sec. 3.08. Extra service pay paid by federally sponsored programs must follow the applicable federal regulations, CFR § 200.430(h)(4). An electronic copy of the signed agreement, between LFCC and the faculty member, is the supporting documentation for the extra service pay level of effort under the grant.

Electronic copies of signed Level of Effort Certifications and extra service pay agreements are maintained with the sponsored programs expenditure support documentation.

## Single Audit (aka A-133 Audit)

LFCC complies with the single audit requirement, §200.501 Audit Requirements, on a statewide audit basis. For a copy of the most recent Single Audit, aka A-133 Audit, go to the Auditor of Public Accounts (APA) website; [http://www.apa.virginia.gov/APA\\_Reports/Reports.aspx](http://www.apa.virginia.gov/APA_Reports/Reports.aspx).

## Link to eCFR, Grants and Agreements Uniform Guidance

[https://www.ecfr.gov/cgi-bin/text-idx?SID=bf582b730fef03fe9ab6fef0fba35173&mc=true&tpl=/ecfrbrowse/Title02/2tab\\_02.tpl](https://www.ecfr.gov/cgi-bin/text-idx?SID=bf582b730fef03fe9ab6fef0fba35173&mc=true&tpl=/ecfrbrowse/Title02/2tab_02.tpl)

**Knowledge to Work (K2W):**

## **A Portal for Competencies and Individualized Learning**

**Lord Fairfax Community College (LFCC)**

173 Skirmisher Lane

Middletown, VA 22645-1745

[KnowledgeToWork.com](http://KnowledgeToWork.com)

[HigherEd.org](http://HigherEd.org)

[LFCC.edu](http://LFCC.edu)



This work is licensed under a [Creative Commons Attribution 4.0 International License](https://creativecommons.org/licenses/by/4.0/).

This work was funded in part by a grant awarded by the U.S. Department of Labor's Employment and Training Administration. This work was created by Lord Fairfax Community College (LFCC) and does not necessarily reflect the official position of the U.S. Department of Labor. The Department of Labor makes no guarantees, warranties, or assurances of any kind, express or implied, with respect to such information, including any information on linked sites and including, but not limited to, accuracy of the information or its completeness, timeliness, usefulness, adequacy, continued availability, or ownership.