CLACKAMAS COUNTY

Grants Management Manual

1/1/2016

2051 Kaen Rd, Oregon City, OR 97045

TABLE OF CONTENTS

I. Introduction I-4

II. About the Office II-4

- Description of Department of Finance, Financial Management, Grants Office II-4
- Our Mission, Values and Goals II-5
- Key Leadership II-5

III. Definitions and Acronyms III-6

A. Glossary of Terms III-6

B. Frequently Used County Acronyms III-19

IV. Federal Grant Administration Rules IV-22

- Federal Administrative Requirements IV-22
- Lobbying Restrictions IV-23
- Debarment and Suspension IV-23
- Drug-Free Workplace IV-24
- Additional Rules IV-25

V. Grant Lifecycle V-26

A. Procedures for Grants Issued to County – *County as Recipient* V-26
- Types and Kinds of Grants Received by County V-26
- Grant Application Process V-26
- New Award Chartfield Set-Up V-27
- County Budget Setup V-27
- Grant Agreement and Contract Set-Up V-28
- Federal Oversight in Grant Administration V-28

B. Procedures for Grants Issued by County – *County as Grantor* V-29
- Issuing Grant Agreements V-29
- Inter-Agency Agreements V-30
- Fixed Amount Awards V-30
- Issuing Federal Subrecipient Agreements V-31

C. Fiscal Controls Over Grant Funds V-36
- Requesting Grant Funds – Drawdowns and Requests for Payment V-36
- Receiving Grant Funds - Revenue V-37
- Spending Grant Funds V-39

D. Managing Grants V-45
- Budgets V-47
- Budget Adjustments V-48
- Adjusting Journal Entries V-48
- How to use *Special Payments* Account Coding V-48
- Program Income V-49
- Property V-50

- Subrecipient Agreements and Monitoring V-52
- Protected Personally Identifiable Information (Protected PII) V-57
- Cost sharing V-57
- Situations Requiring Prior Approval from the Federal Awarding Agency V-57
- Reporting V-58

E. Closeout V-59
- Final Phase V-59
- Record Retention V-59

VI. Appendices VI-61

- Appendix A: Audit Certification Request Form VI-61
- Appendix B: Sample SAM Check VI-62
- Appendix C: Grant Application Lifecycle Form (first page only) VI-63
- Appendix D: Grant Survey Form VI-64
- Appendix E: Chartfield Request Form VI-65
- Appendix F: Interfund Billing Form VI-66
- Appendix G: Departmental Check & Cash Log VI-67
- Appendix H: Certificate of Time Attendance VI-68
- Appendix I: Subrecipient vs. Contractor Determination Checklist VI-69
- Appendix J: Property Records Checklist VI-70
- Appendix K: Subrecipient Questionnaire VI-71
- Appendix L: Training/Travel Request Authorization Form VI-73
- Appendix M: Selected Items of Cost VI-74

I. INTRODUCTION

Clackamas County intends to use this Grants Management Manual to support the administration of its externally-funded grants and the issuance and oversight of grants made by the County to outside entities. This Grants Management Manual details policies and procedures for application, receipt, management, and closeout of grant awards. The County Administrator designates this Grants Management Manual as the primary resource for County staff in the administration and management of their respective grant programs. This Grants Management Manual outlines procedures for grants application and award approval, fiscal management, lists and explains relevant federal laws and policies regarding grant administration, and contains sample forms commonly used throughout the grant life cycle. While this manual is intended as a primary resource, it is not intended to replace or supersede any federal or state laws related to grant administration.

The Grants Management Manual organizes information in the following manner:

- ✓ Background about the Finance department
- ✓ A glossary of terms related to grants management, including an acronym list
- ✓ Specific rules concerning federal grant administration
- ✓ Information on managing a grant through the lifecycle of the grant award

Additionally, the Appendices include examples of a number of relevant forms and other documents related to grants management and intended for adoption by departments. All of the forms listed are available for download and completion on the Finance Department's Alfresco Share site. (Note: Alfresco works best with the Google Chrome or Firefox browsers. Internet Explorer is not recommended for Alfresco access.) Just as in this paragraph, there are a number of active hyperlinks throughout this manual intended to assist users with obtaining the information needed to manage County grants. Users are encouraged to explore the hyperlinks to exercise the full capabilities of this manual.

For these and other reasons, this manual is frequently updated. Therefore, users should always consult the most recent version of this manual, which also can be found on Finance's Alfresco Share site and the County intranet. Versions will be identified by an issue date on the front cover and page footers showing the most recent revision date.

II. ABOUT THE OFFICE

▪ DESCRIPTION OF DEPARTMENT OF FINANCE, FINANCIAL MANAGEMENT, GRANTS OFFICE

The Finance Grants Office does the financial reporting and accounting for numerous grants that are administered through various departments of the County. It serves as a resource for County departments in the administration of federal, state and local grants, federal laws and statutes, and as the primary contact with County auditors on the County's federal grants.

▪ Our Mission, Values and Goals

The purpose of the Financial Management line of business is to provide accounting, financial audit, budgeting, payroll, and grants financial management services to County leaders and employees so they can manage and account for public funds in a responsible and transparent manner.

▪ Key Leadership

Name	Title	Phone	Email
Marc Gonzales	Finance Director	503-742-5405	marcgon@clackamas.us
Christa Wolfe	Assistant Finance Director	503-742-5407	cwolfe@clackamas.us
Toni Hessevick	Grants Supervisor	503-742-5420	tonih@clackamas.us
Matt Westbrook	Senior Compliance Specialist (Grants)	503-742-5417	mwestbrook@clackamas.us
Sue Aronson	Grant Accountant 2	503-742-5421	suea@clackamas.us
Larry Crumbaker	Grant Accountant 2	503-742-5429	larrycru@clackamas.us
Judy Anderson-Smith	Grant Accountant 2	503-742-5422	jsmith2@clackamas.us
Mike Morasko	Grant Accountant 1	503-742-5435	mmorasko@clackamas.us

▪ County Policies Cited in this Manual

This manual makes reference to the following official County policies and procedures:

- Travel, Training and Meeting Expense Policy
- Procurement Manual
- Business Meeting Agenda Submittal Process
- County Code (Conflict of Interest Policy)
- Delegated Signature Authority Policy

III. DEFINITIONS AND ACRONYMS

A. GLOSSARY OF TERMS

Terms in **bold** are defined in this glossary.

Term	Definition
Accounting Basis	The **Uniform Guidance** allows grantees to report program expenditures and income on either a cash or accrual basis—called the accounting basis—as prescribed by the awarding agency.
Accounting Records	Records which adequately identify the source and application of funds provided for financially-assisted activities.
Accrual Accounting	A method of accounting where an entity's financial position and operating results are measured by the flow of economic resources. Transactions are recorded in the accounting period in in which they occur regardless of when the related cash receipts and disbursements take place (in accordance with generally accepted accounting principles).
Accrued Expenditures	The charges incurred by the grantee during a given period requiring the provision of funds for goods and other tangible property received, services performed by employees, **contractors**, **subrecipients**, **subcontractors**, and other payees; and other amounts becoming owed (by the grantee) under programs for which no current services or performance is required, such as annuities, insurance claims, and other benefits.
Accrued Income	The sum of earnings during a given period from services performed by the **grantee** and goods & other tangible property delivered to purchases and amounts becoming owed to the grantee for which no current services or performance is required by the grantee.
Administrative Requirements	Matters common to **grants** in general, such as financial management, kinds and frequency of reports, and retention of records.
Agreement	A legally-binding document issued as part of a **grant** relationship between entities. The term is applied to the legally-binding document on all grant **awards** issued to or issued by the County.

Term	Definition
Alfresco Share	A cloud-based software used by the County to share common documents. Finance uses their Alfresco site to disseminate up-to-date, important, financial-related documentation to County departments and to manage County **subrecipients**.
Allocable Costs	A cost whether direct or indirect is chargeable to a specific **grant** in accordance with the relative benefits received by the funded program. Some key elements to allocability are: consistent treatment, benefit to the grant, necessary to the project, and fair share of common costs. See Section D: *Managing Grants* – Allocable.
Allowable Costs	Applicable cost principles from the **Uniform Guidance**, agency program regulations, and the terms of the **grant** and **subrecipient agreements** must be followed in determining whether a specific item of cost is allowable. See Section D: *Managing Grants* – Allowable and Unallowable Costs. Selected items of cost and their general allowability under federal awards can be found in Appendix M.
Award	Financial assistance that provides support or stimulation to accomplish a public purpose. Awards include **grants** and other agreements in the form of money or property in lieu of money, by an entity to an eligible **recipient**. The term *does not include*: technical assistance, which provides services instead of money; other assistance in the form of loans, loan guarantees, interest subsidies, or insurance; direct payments of any kind to individuals; or, **contracts** which are required to be entered into and administered under procurement laws and regulations.
Closeout	The process by which an awarding entity determines that all applicable administrative actions and all required work of the **award** have been completed by the **recipient** and awarding entity. Closeout includes many actions including final reporting for the award, disposition of property and record retention requirements.
Commingling	The mixing or blending of funds within a financial accounting system so that expenditures cannot be identified relative to a particular **award, subaward**, project, or indirect activity. Commingling involving federal funds is prohibited by federal regulation.

Term	Definition
Contract	In relation to grant management, a legal instrument by which an entity purchases property or services needed to carry out a project or program under an **award**; i.e. a procurement relationship under a **grant** or **subgrant**. Required elements of a contract include a) agreement or consent which consists of an offer and acceptance; b) intention to create a legal relationship or an agreement to be bound by the terms of the contract; c) a degree of certainty from both parties as to the terms of the contract; and, d) consideration, i.e. an exchange of services or compensation. Consult with County Counsel to determine if your document contains the required elements of a contract.
Contractor	An entity that receives a **contract** as opposed to a **subrecipient agreement**. This term replaces the previously used term *vendor* in the federal guidance.
Corrective Action	Action taken by the auditee or **recipient** of an **award** that: a) corrects identified deficiencies; b) produces recommended improvements; or c) demonstrates that audit or other findings are invalid or do not warrant auditee action.
Cost sharing	Cost sharing or "matching" means the value of third party **in-kind contributions** and the portion of the costs of a County, state or federally-assisted project or program not borne by the County, state or federal government, respectively. See also "Program Income."
Disallowed Costs	Those charges to an **award** that the awarding entity (federal, state, County, or other pass-through) determines to be unallowable, in accordance with applicable **statutes**, **regulations**, or terms and conditions of the **award agreement**.
Discretionary Grants	**Grants** given by a public agency, according to specific authorizing legislation, to exercise judgment or "discretion," in selecting the **award recipient** through a competitive grant process.
Draw Down	The action of requesting and receiving **grant** funds to cover obligated expenditures under the grant.

Term	Definition
Donation	Any item of value given to the County by a donor who expects nothing of significant of value in return, other than recognition and disposition of the gift in accordance with the donor's wishes. Donations are not accompanied by a **contract** or **agreement**, do not require deliverables, are generally irrevocable, and do not come with formal fiscal accountability requirements to the donor beyond (when applicable) periodic progress reports and/or summaries of expenditure.
Dun and Bradstreet Universal Numbering System (DUNS)	A system that assigns unique numbers to entities for purposes of identification. See **Unique Entity Identifier**.
Equipment	Tangible, nonexpendable, personal property having a useful life of more than one year and an acquisition cost of $5,000 or more per unit.
Expenditures	Charges made to the project or program. They may be reported on a cash or accrual basis. For expenditure reports prepared on a cash basis, outlays are the sum of cash disbursements for direct charges for goods and services, the amount of **indirect costs** charged, the value of third party **in-kind contributions** applied and the amount of cash advances and payments made to **subrecipients**. For expenditure reports prepared on an **accrual** basis, outlays are the sum of cash disbursements for direct charges for goods and services, the amount of indirect costs incurred, the value of in-kind contributions applied, and the net increase (or decrease) in the amounts owed by the recipient for goods and other property received, for services performed by employees, **contractors**, subrecipients and other payees and other amounts becoming owed under programs for which no current services or performance are required.
Federal Obligations	A legal commitment to make payment under the federal **grant** or program. This includes the amounts of all orders placed, all **contracts** and **subawards**, goods and services received, and similar transactions during a given period that will require payment by the **grantee** during the same or a future period.

Term	Definition
Fixed Amount Awards	A type of **grant agreement** under which the federal awarding agency or **pass-through entity** provides a specific level of support without regard to actual costs incurred under the federal **award**. This type of federal award reduces some of the administrative burden and record-keeping requirements for both the non-federal entity and federal awarding agency or pass-through entity. Accountability is based primarily on performance and results.
Funding Opportunity	Announcement of open awards. Funding opportunities typically describe the award including the deadline date, funding amounts, award description, and other pertinent information.
Grant	A legal instrument of financial assistance, including cooperative agreements, in the form of money, or property in lieu of money, by an entity to an eligible recipient. Grants do not require repayment. See: **Award**.
Grantee	A **recipient** or **subrecipient** of an **award**.
Grant Life Cycle	The entire process of **grant** administration: applying for a grant, receiving a grant, managing a grant, and **closeout** of a grant.
Grant Survey Form	A form completed by Departments when they have received a signed agreement on a new revenue contract (**grant award**) issued to the County. The form is sent to Finance along with the executed agreement. An example of the form can be found in Appendix D. The original should be obtained from Finance's Alfresco Share site.
Improper Payment	Any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under **statutory**, contractual, administrative or other legally applicable requirements; and any payment to an ineligible party, any payment for an ineligible good or service, any duplicate payment, any payment for a good or service not received (except for such payments where authorized by law), any payment that does not account for credit for applicable discounts, and any payment where insufficient or lack of documentation prevents a reviewer from discerning whether a payment was proper. Although an improper payment is generally made erroneously, the **recipient** or **subrecipient** is still held accountable.

Term	Definition
Indirect Costs	Those costs 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. To facilitate equitable distribution of indirect expenses to the cost objectives served, it may be necessary to establish a number of pools of indirect (also called Facilities and Administrative—F&A) costs. Indirect (F&A) cost pools must be distributed to benefitted cost objectives on bases that will produce an equitable result in consideration of relative benefits derived.
In-kind Contributions	The value of non-cash contributions (i.e. property or services) that a) benefit a **grant**-funded project or program and b) are contributed by third parties, without charge, to the County or a County **subrecipient** under a County grant.
Inter-Agency Agreement (IAA)	As it relates to **grants**, an agreement between County Departments issued to share in the funding and responsibilities of an externally-funded program. Because they are arrangements between departments within a single entity, IAA's do not meet the definition of a **contract**.
Inter-Governmental Agreement (IGA)	As it relates to **grants**, an **agreement** between the County and another Governmental unit issued to share in the funding and responsibilities of an externally-funded program. IGA's contain all of the elements of a **contract** and are legally-binding documents.
Internal Controls	The policies and procedures in place to provide reasonable assurance regarding the achievement of objectives in: effectiveness and efficiency of operations, reliability of reporting for internal and external use, and compliance with applicable laws and regulations.
Local Government	A County, borough, municipality, city, town, township, parish, local public authority (including public housing agencies), school district, special district, intrastate district, council of governments (whether or not incorporated as a nonprofit corporation under state law), any other agency or instrumentality of a multi-, regional, or intra-state or local government.
Management Decision	The evaluation by the federal awarding agency or **pass-through entity** of the audit findings and corrective action plan and the issuance of a written decision to the auditee as to what **corrective action** is necessary.
Match	See **Cost Sharing**.

Term	Definition
Materials and Services	Contracts which will provide specific products and services. Typical grant-related Materials and Services contracts include but are not limited to: outfitting patrol cars, provision/installation/repair of equipment or facilities (if not a **Public Improvement**/**Public Works** contract), etc.
Modified Total Direct Costs (MTDC)	All direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and up to the first $25,000 of each **subaward** (regardless of the period of performance of the subawards under the award). MTDC excludes **equipment**, capital expenditures, charges for patient care, rental costs, tuition remission, scholarships and fellowships, participant support costs and the portion of each subaward in excess of $25,000. Other items may only be excluded when necessary to avoid a serious inequity in the distribution of indirect costs, and with the approval of the cognizant agency for **indirect costs**.
Memorandum of Understanding (MOU)	A written memorialization of a non-binding agreement between two or more parties. An MOU is not a formal **contract**, is not legally enforceable, and should contain a clause to this effect.
Non-Discretionary Grants	**Grants** that a federal agency is required by **statute** to award if the recipient, usually a state, submits an acceptable state plan or application and meets the eligibility and compliance requirements of the statutory and **regulatory** provisions of the grant program.
Non-Federal Entity	A state, local government, Indian tribe, institution of higher education, or nonprofit organization that administers a federal **award** as a recipient or **subrecipient**.
Obligations	The amounts of orders placed, **contracts** and **grants** awarded, services received and similar transactions during a given period that require payment by the **recipient** during the same or a future period.
On-Call Contracts	Used to provide a pool of qualified **Personal/Professional Service** or **Services contractors** for emergent situations, small projects, peer review, etc.
Participant Support Costs	Direct costs for items such as stipends or subsistence allowances, travel allowances, and registration fees paid to or on behalf of participants or trainees (but not employees) in connection with conferences, or training projects.
Pass-through Entity	A non-federal entity that provides a **subaward** to a **subrecipient** to carry out part of a federal program.

Term	Definition
Pass-through Funding	Funds issued by a federal agency to a state agency or institution that are then transferred to other state agencies, units of local government, or other eligible groups per the **award** eligibility terms. The state agency or institution is referred to as the "prime **recipient**" of the pass-through funds. The secondary recipients are referred to as "**subrecipients**." The prime recipient issues the **awards** as competitive or noncompetitive as dictated by the prime award terms and authorizing legislation.
Period of Performance	The time during which a **grantee** may incur new **obligations** to carry out the work authorized under an **award**. Start and end dates must be included in the period of performance.
Personal Services Contract (PSC)	A contract that calls for specialized skills, knowledge and resources in the application of technical or scientific expertise, or the exercise of artistic or management discretion or judgment. Qualifications, performance history, expertise, knowledge, creativity, and the ability to exercise sound professional judgment are typically the primary considerations in selection of the contractor, with cost being secondary. PSC's are typically issued from grant awards for educational/training consultants, human services and client services providers, software consultants, etc.
Personally Identifiable Information (PII)	Information that can be used to distinguish or trace a person's identity – either alone or when used with other information linked to one person. Public PII includes information normally available in public sources, such as public websites and telephone books. Such information includes name, address, phone numbers, emails and university credentials.
Prior Approval	Documentation evidencing consent from an awarding agency prior to incurring a specific cost on a **grant**.
Professional Services Contract	Contracts for services performed as an independent contractor in a professional capacity. Common professional service contracts awarded with grant funds may include: accountants, attorneys, architectural or land use planning consultant, physician or dentist, registered professional engineers, appraiser or surveyor, software developer, etc.

Term	Definition
Program Income	Gross income earned by a **grantee** or **subgrantee** that is directly generated by a supported activity or earned as a result of the federal **award** during the **period of performance**. Program income includes but is not limited to income from fees for services performed, the use or rental or real or personal property acquired under federal awards, the sale of commodities or items fabricated under a federal award, license fees and royalties on patents and copyrights, and principal and interest on loans made with federal award funds. Program income is often included in a grant award as a "**cost sharing**" or "**match**" requirement.
Programmatic Requirements	Matters relevant on a program-by-program or **grant**-by-grant basis, such as kinds of activities that can be supported by grants under a particular program.
Protected Personally Identifiable Information (Protected PII)	A person's first name or first initial and last name combined with one or more types of information, including, but not limited to, social security number, passport number, credit card numbers, clearances, bank numbers, biometrics, date and place of birth, mother's maiden name, and criminal, medical and financial records, educational transcripts. This does not include **PII** that is required by law to be disclosed.
Public Improvement/Public Works Contract	A contract used to procure construction services. Please consult with the Procurement Division on distinguishing Public Improvement and Public Works contracts.
Questioned Costs	In an audit, questioned costs mean those costs questioned by an auditor because of an audit finding a) which resulted from a violation or possible violation of a **statute**, **regulation**, or the terms and conditions of a federal **award**, including for funds used to match (see: **cost sharing**) federal funds; b) where the costs, at the time of the audit, are not supported by adequate documentation; or c) where the costs incurred appear unreasonable and do not reflect the actions a prudent person would take in the circumstances.
Real Property	Land, including land improvements, structures and appurtenances thereto, but excludes movable machinery and **equipment**.
Reasonable Costs	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. See Section D: *Managing Grants* – Reasonable and Necessary.

Term	Definition
Recipient	Entities awarded a **grant** and held accountable for the use of the funds provided. The recipient is the entire legal entity even if only a particular component of the entity is designated in the **award** document. Synonym: grantee.
Regulations/Regulatory	Rules or relating to rules issued by agencies acting under **statutory** authority.
Risk Assessment	A tool used by the County to evaluate the risk of potential **subrecipients** and to assign monitoring levels to **subrecipients** awarded **grant** funds. Risk assessments are "living documents" in that they should be updated throughout the **award** period as performance is evaluate or new events or incidents occur. County risk assessments will evaluate potential subrecipients for financial stability, the quality of management systems and the ability to meet management standards. Risk assessments will also take into account the history of subrecipient performance, findings from subrecipient audits, and the ability of the subrecipient to implement **statutory**, **regulatory**, or other requirements necessary to the performance of the award.
SAM Check	The documentation obtained when performing a suspension, disbarment and exclusion check on a potential **grantee** using the online System for Award Management, located at www.sam.gov. This is a mandatory check when passing through federal funds to **subrecipients** and is often required by the state for the **subawarding** of state funds. A sample SAM Check, downloaded from www.sam.gov, is provided in Appendix B.
Selected Items of Cost	Itemized lists of allowable costs contained in Subpart E of the **Uniform Guidance**.
Services Contract	A contract to supply labor that is of a type that can generally be done by any competent worker, e.g. janitorial, security guard, landscape maintenance service contracts, small equipment repair (e.g. copier), etc.
Simplified Acquisition Threshold (SAT)	In federal procurement law, the dollar amount below which a non-federal entity may purchase property or services using small purchase methods. Non-federal entities adopt small purchase procedures in order to expedite the purchase of items costing less than the SAT. The SAT is set, as of the date of the issuance of this manual, at $150,000, but is periodically adjusted for inflation.
Statute/Statutory	Laws or relating to laws issued by legislatures.

Term	Definition
Subaward	An **award** provided by a **pass-through entity** to a **subrecipient** for the subrecipient to carry out part of an award received by the pass-through entity. It does not include payments to a **contractor** or **subcontractor**, or payments to an individual that is a beneficiary of a funded program. County subawards are issued as **subrecipient agreements**.
Subcontractor	An entity that receives funding issued under a **contract**. See **contractor**.
Subgrant	See **subaward**.
Subgrantee	See **subrecipient**.
Subrecipient	The legal entity to which a **subaward** is made. A subrecipient is accountable to the **pass-through entity** (or entities) and the federal agency (if applicable) for the use of the funds provided. The term does not include an individual that is a beneficiary of such a program. The term may include foreign or international organizations (such as agencies of the United Nations) at the discretion of a federal awarding agency. Synonym: **subgrantee**.
Subrecipient Agreement	The legal mechanism by which **subawards** are made to **subrecipients**. Subrecipient agreements cannot be issued by a **contractor**.
Supplanting	The act of replacing state, local or other funds designated for a specific purpose with federal funds. Prohibited by federal law on most federal funding.
Supplies	All tangible personal property other than **equipment**. Computer equipment is considered a supply item if the cost is less than the capitalization threshold ($5,000).
Suspension	(1) Temporary withdrawal of the authority to obligate **grant** funds pending corrective action by the **recipient** or **subrecipient** or a decision to terminate the grant. (2) An action taken by a suspending official in accordance with agency **regulations** implementing E.O. 12549 to immediately exclude a person from participating in grant transactions for a period, pending completion of an investigation and such legal or debarment proceedings as may ensue. (3) An action by a federal awarding agency that temporarily withdraws federal sponsorship under an **award**, pending **corrective action** by the recipient or pending a decision to terminate the award by the federal awarding agency.

Term	Definition
System for Award Management (SAM)	A federal online portal located at www.sam.gov that combines several prior federal procurement and financial assistance systems such as the Catalog of Federal Domestic Assistance (CFDA), Central Contractor Registration (CCR), Federal Agency Registration (Fed-reg), Online Representations and Certifications Application (ORCA) and Excluded Parties List System (EPLS) among others, for the purposes of registering and qualifying non-federal entities who seek federal awards. See **SAM Check**.
Termination	Permanent withdrawal of the authority to obligate previously-awarded **grant** funds before that authority would otherwise expire. It also means the voluntary relinquishment of that authority by the **recipient** or **subrecipient**. Termination does not include: (1) Withdrawal of funds awarded on the basis of the grantee's underestimate of the unobligated balance in a prior period; (2) Withdrawal of the unobligated balance as part of the expiration of the grant; (3) Refusal to extend a grant or award additional funds, to make a competing or noncompeting continuation, renewal, extension, or supplemental **award**; or (4) Voiding of a grant upon determination that the award was obtained fraudulently, or was otherwise illegal or invalid from inception.
Tribal Government	The governing body or a governmental agency of any Indian tribe, band, nation, or other organized group or community (including any native village as defined in Section 3 of the Alaska Native Claims Settlement Act, 85 Stat. 688) certified by the Secretary of the Interior as eligible for the special programs and services provided through the Bureau of Indian Affairs.
Unique Entity Identifier	A number established and assigned to all non-federal entities that uniquely identifies the entities in all federal systems and to all federal agencies, currently equivalent to the DUNS number. A non-federal entity is required to have the unique entity identifier in order to apply for, receive, and report on a federal **award**, and to register in the **System for Award Management (SAM)**. See **Dun and Bradstreet Universal Numbering System (DUNS)**.

Term	Definition
Unliquidated Obligations	For reports prepared on a cash basis, unliquidated obligations represent the amount of obligations incurred by the grantee that has not been paid. For reports prepared on an accrued expenditure basis, the represent the amount of obligations incurred by the grantee for which an outlay has not been recorded.
Unliquidated Balance	That portion of funds authorized by the awarding agency that has not been obligated by the **grantee;** determined by deducting the cumulative obligations from the cumulative funds authorized.
Vendor	See **Contractor**.

B. FREQUENTLY USED COUNTY ACRONYMS

AAAAA	American Association Against Acronym Abuse
ACP	Admin Cost Pool
BCC	Board of County Commissioners
BIP	Batterer Intervention Program
BLM	Bureau of Land Management
CAP	Cost Allocation Plan
CAP	Corrective Action Plan
CCDAG	Clackamas County Development Agency
CCR	Central Contractor Registry
CD	Community Development
CDBG	Community Development Block Grant
CDRC	Child Development and Rehabilitation Center
CFDA	Catalogue of Federal Domestic Assistance
CFR	Code of Federal Regulations
CMHP	Community Mental Health Program
COPS	Community Oriented Policing Services
CS	Community Solutions
CWS	Clackamas Women's Services
CY	Current Year
CY	Calendar Year
CYE	Calendar Year End
CYF	Children Youth and Families
DHS	Department of Homeland Security
DHS	Oregon Department of Human Services
DOE	Department Of Energy
DOEdu	Department Of Education
DOJ	Department Of Justice
DOL	Department Of Labor
DTD	Department of Transportation and Development
EFT	Electronic Funds Transfer
ELED	Enhanced Law Enforcement District
EM	Emergency Management
EXTSD	Clackamas County Extension & 4H Service District
FB	Fund Balance
FEIN	Federal Employers Identification Number
FEMA	Federal Emergency Management Agency
FFA	Federal Financial Assistance
FFATA	Federal Funding Accountability and Transparency Act
FFY	Federal Fiscal Year
FHWA	Federal Highway Administration
FIFO	First In First Out
FR	Federal Register

FFR	Federal Financial Report
FTE	Full-Time Equivalent
FY	Fiscal Year
FYE	Fiscal Year End
GAAFR	Governmental Accounting, Auditing and Financial Reporting
GAAP	Generally Accepted Accounting Principles
GAGAS	Generally Accepted Government Auditing Standards
GAO	Government Accountability Office
GAS	Grant Activity Schedule
GAS	Governmental Auditing Standards
GASB	Governmental Accounting Standards Board
GPO	Government Printing Office
GSA	General Services Administration
GSF	Grant Survey Form
HACC	Housing Authority of Clackamas County
HHS	Health and Human Services
HUD	Housing and Urban Development
ICRA	Indirect Cost Rate Agreement
IFP	Invitation For Proposal
IAA	Inter-Agency Agreement
IGA	Inter-Governmental Agreement
ITA	Individual Training Account
JAG	Juvenile Assistance Grants
JTPA	Job Training Partnership Act
LCRB	Local Contracting Review Board
LIBSD	Library District of Clackamas County
LIHEAP	Low Income Home Energy Assistance Program
LIFO	Last In First Out
LLEBG	Local Law Enforcement Block Grant
LOC	Letter of Credit
MDT	Multi-Disciplinary Team
MHBG	Mental Health Block Grant
MOU	Memorandum Of Understanding
MTDC	Modified Total Direct Costs
NCPRD	North Clackamas Parks and Recreation District
NFA	Notice of Funds Availability
NOA	Notice Of Allocation
NOO	Notice Of Obligation
OAR	Oregon Administrative Rule
OC	Office of Comptroller
OIG	Office of the Inspector General
OJP	Office of Justice Programs
OMB	Office of Management and Budget
ORS	Oregon Revised Statutes

PL or Pub.L	Public Law
PMS	Payment Management System
POC	Point Of Contact
PP	Prior Period
P/R	Payroll
PS	PeopleSoft
PSC	Personal Services Contract
PSHR	PeopleSoft Human Resources
PY	Prior Year
PY	Program Year
RFC	Request For Cash
RFF	Request For Funds
RFI	Request For Information
RFP	Request For Proposal
RFQ	Request For Qualifications
RSA	Resource Sharing Agreement
RSVP	Retired Senior Volunteer Program
SAM	System for Award Management
SAMHSA	Substance Abuse and Mental Health Services Administration
SCP	Senior Companion Program
SD5	Service District 5
SEFA	Schedule of Expenditures of Federal Awards
SHIBA	Senior Health Insurance Benefits Assistance
SHOW	state Home Oil Weatherization Program
SLA	Service Level Agreement
TAG	Technical Assistance Guide
TANF	Temporary Assistance to Needy Families
TEGL	Training and Employment Guidance Letter
TEIN	Training and Employment Information Notices
UG	Uniform Guidance
USC	United States Code
USDA	United State Department of Agriculture
VAWA	Violence Against Women Act
VOCA	Victims of Crime Act
WES	Water Environmental Services
WIA	Workforce Investment Act
WX	Weatherization

IV. FEDERAL GRANT ADMINISTRATION RULES

Federal grants come with their own specific sets of laws and rules governing grant administration, issued by the Office of Management and Budget (OMB) and by program-specific rules issued by federal awarding agencies. Many of these rules, though not all, make their way into the management of an entity's non-federal grants as well, in the form of best practices. In other instances, the rules get passed down to subrecipients of federal awards through "pass-through" agencies. This section deals with the basic rules that govern federal grants.

The federal government provides rules for how all grantees must receive, spend, track, and report on federal funds. These rules are located in 2 CFR Chapter II, Part 200 titled the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. This set of rules is also sometimes referred to as the "Super Circular," or the "omni-circular." The Uniform Guidance became law on December 26, 2014, applicable to a) federal awards made after this date, including incremental funding, if the incremental funding is considered by the federal agency to be an opportunity to change award terms and conditions and b) for audit purposes, applicable to an organization's federal expenditures within fiscal years that begin after this date.

▪ FEDERAL ADMINISTRATIVE REQUIREMENTS

Federal administrative requirements for grant management can be found in 2 CFR Part 200, accessible on the U.S. Government Publishing Office's website. This guidance applies to all non-federal entities receiving federal grant awards, including pass through awards, and without regard to entity type. The federal government groups the administrative requirements into subparts that address the pre-award and post-award administration phases. The major sections of the Uniform Guidance are as follows:

Acronyms and Definitions:	Subpart A provides a list of acronyms and a helpful glossary of common federal award terminology.
General Provisions	Subpart B discusses which federal requirements apply to which federal awards and the Uniform Guidance applicability dates.
Pre-award Requirements:	Subpart C discusses grant eligibility, applying for federal assistance, required elements in federal award agreements and subrecipient agreements, fixed awards, and debarment/suspension.
Post-award Requirements:	Subpart D discusses program management, payments, program income, budgeting, costs, cost sharing (match), and non-federal audits—in general, the monitoring responsibilities of pass-through entities. The subpart also discusses property and procurement guidelines, reporting

and records retention, termination and enforcement, and closeout.

Cost Principles: Subpart E discusses cost principles, which govern how recipients of federal grants may spend federal grant funding. The section outlines what constitutes allowable, reasonable, and allocable costs to federal grants, which costs require pre-approval, and the difference between direct and indirect costs. Many specific kinds and types of costs are discussed. Selected items of cost as discussed in this section of the Uniform Guidance are provided for reference in Appendix M.

Audit Requirements: Subpart F discusses the kinds and frequency of audits required of federal awardees; auditee, auditor and federal agency responsibilities; and how audit findings are to be resolved. Awardees expending more than $750,000 in federal money a given year must have a Single Audit.

Other rules governing grants administration can be found in various sections of the federal code.

- **LOBBYING RESTRICTIONS**

Lobbying restrictions can be found in Section 200.450 of the federal administrative requirements. This section also identifies other agency regulations that discuss lobbying restrictions. Generally, federal grantees and subrecipients are prohibited from using federal funds to influence federal employees or members of Congress and their staff. If a federal grantee or subrecipient engages in lobbying activities, they must submit a form SF-LLL, Disclosure of Lobbying Activities, with their grant application. Exhibit C of the County's subrecipient boilerplate agreement documents is a required element of subrecipient contracts and was developed in accordance with this section. The State of Oregon requires quarterly reporting on lobbying activities. The County's required lobbying reports are prepared by the Department of Public Government Affairs.

- **DEBARMENT AND SUSPENSION**

2 CFR 180, *OMB Guidelines to Agencies on Governmentwide Debarment and Suspension (Nonprocurement)*, governs debarment and suspension of federal grantees and subgrantees from receiving federal grant awards. Debarment and suspension can occur if federal grantees use federal funds wastefully or fraudulently.

In order to ensure federal funds do not flow to excluded parties, federal agencies and grantees are required to check for excluded parties *prior to opening bids or awarding work*. Names of debarred or suspended parties can be found by searching the System for Award Management (SAM) for exclusion records, active or previously excluded. All potential recipients and subrecipients are required to be registered with the SAM system prior to receiving federal awards. (Records that were previously contained in the Excluded Parties List System have been

moved to SAM.) Language to this effect will be included in subrecipient agreements. If the potential subrecipient or contractor has not previously registered with SAM, they must do so before they are eligible to receive federal grant funding. The following resources can be provided to potential subrecipients or contractors to assist them in registering with SAM:

SAM: Registering New Entities in SAM for Grants

SAM: Registering New Entities in SAM for Government Contracts

It is important to note that State of Oregon contracts funded with only state money will often include provisions on debarment and suspension exclusion, citing federal regulations; even though this is not a federal requirement, the state has adopted the SAM check as a best practice and has included the check as a requirement in many of its grants.

After completing a SAM check using the SAM system, download the check in PDF form or print using the provided buttons (see Figure 1). Keep this documentation with the entity's grant file for audit purposes.

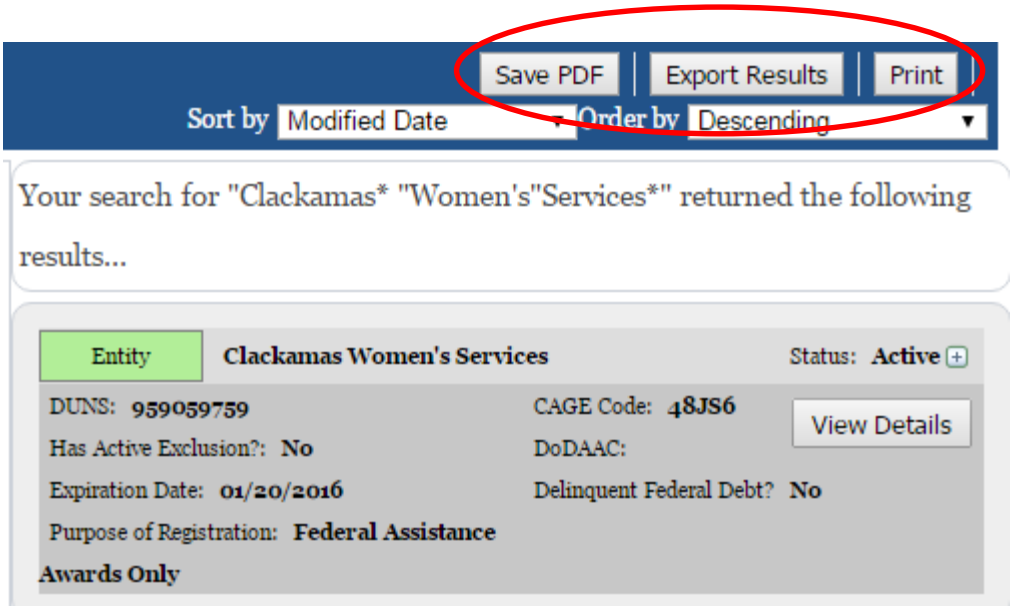


Figure 1 "Total Records" screen for entity searched, www.sam.gov.

Figure 1 is an example of the "Total Records" screen; please see Appendix B of this manual for a sample of a PDF-formatted SAM check. Note: the date at the bottom of the completed check in the appendix is important for audit purposes.

- **DRUG-FREE WORKPLACE**

2 CFR 182, *Governmentwide Requirements for Drug-Free Workplace (Financial Assistance)* requires federal grantees and subgrantees to agree to a maintain a drug-free workplace. The rule is accessible at the U.S. Government Publishing Office's (GPO) website.

- **ADDITIONAL RULES**

Agency-specific rules for grant administration can be found under the agency's CFR title. For example, administration of Head Start grants under the Department of Health and Human Services can be found under 45 CFR Part 1301. To find CFR titles for agency-specific grant administration rules, look in the grant administration manual accompanying the grant award or search the CFR online at the U.S. Government Publishing Office website.

For non-federal entities such as state, Local and federally-recognized Indian tribal governments and nonprofit organization requirements by federal agency can be found at www.whitehouse.gov/omb/grants_chart/.

Basic information on your federal grant can be found by looking up the CFDA that is associated with your federal award. Federal agencies and pass-through organizations (such as the State of Oregon) are required to provide recipients with basic elements of federal awards, including a CFDA number. By visiting www.cfda.gov, you can look up the page for your CFDA(s) and find award information on agency-specific laws and statutes, fund uses and restrictions, and the applicability or exclusion of general federal regulations.

Note: even if a program is excluded from a federal regulation as listed on the CFDA page, if your agreement with the pass-through agency requires compliance with the regulation, the agreement holds precedence.

The Grants Office is dedicated to assisting County departments with the management of County grants. We are available to consult on any grant-related issue and we encourage you to attend any or all of the frequent trainings throughout the year that our department offers related to grant management at Clackamas County.

V. GRANT LIFECYCLE

A. PROCEDURES FOR GRANTS ISSUED TO COUNTY – *COUNTY AS RECIPIENT*

▪ TYPES AND KINDS OF GRANTS RECEIVED BY COUNTY

The County may apply for and receive grant funds directly from an external funder, or, in the case of federal funds, may be a subrecipient of funds that "pass-through" another entity (such as a state, other governmental entity, or nonprofit). All grant awards received by the County involving federal funds are subject to the Uniform Guidance (2 CFR 200) in addition to agency-specific regulations and to the policies and procedures in this manual.

All grant applications and awards must be approved by County Administration or the Board of County Commissioners prior to submission and receipt, respectively. Refer to the *Business Meeting Agenda Process and Procedure* guidelines published on the BCC/Admin intranet page for details in getting your application or award approved. These published guidelines are updated frequently.

▪ GRANT APPLICATION PROCESS

In collaboration with a number of County departments, Finance has developed a grant application lifecycle process to standardize the process by which County departments seek external funding. This process is codified in the Grant Application Lifecycle Form, found in Appendix C. This form serves as a tool for departments to organize the grant application process and to obtain the required approvals from the Board of County Commissioners and/or the County Administrator. The form is designed to be used from application conception to County approval. (Exception: because of the nature of the grants, disaster recovery grants are not subject to the Grant Application Lifecycle process.) This document may be downloaded in electronic form on the Finance Department's Alfresco Share site.

Requesting Indirect Cost Recovery

Generally, applicants of federal awards have the option to claim up to 10% of modified total direct costs (see glossary for definition; 2 CFR 200.414.f) as indirect costs in their budget. This 10% rate, called the *de minimis* rate, is available to all federal applicants that do not have or have not had a negotiated indirect cost rate agreement with a federal cognizant agency. (The County does not currently have such a rate.) Some federal agencies have further regulatory and statutory limits on indirect cost recovery. Non-federal agencies (such as the state) providing federal funding to subrecipients must provide indirect cost recovery to pass-through applicants according to federal law. Other non-federal agencies may or may not allow for indirect cost recovery on a different basis. To benefit the County, departments are encouraged to exercise whatever indirect cost or administrative cost recovery is allowed within the award application.

Authorized Representative

All grant applications require the signature of an authorized representative who has power to bind the County to the terms and conditions of the grant award. After sections I-III of the Grant Application Lifecycle Form have been completed, signature approval is required from the Division Director or Assistant Director (or designee, if applicable), and the Department Director. The form is then forwarded to the County Administrator's office for approval or denial and/or routing to the Board of County Commissioners for approval. Consult the BCC/Admin intranet page for the most current guidelines on getting approval for grant applications.

Signing the Agreement

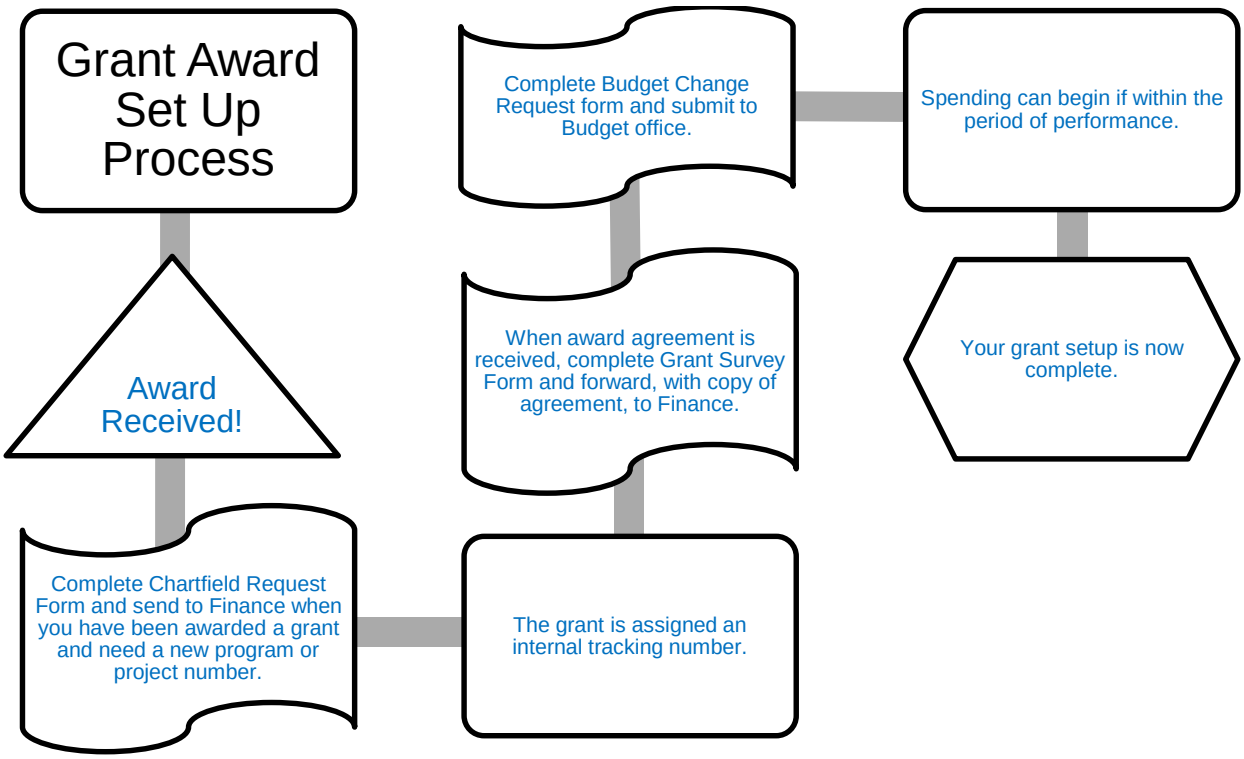
All grant awards must be approved by the Board of County Commissioners (BCC) as a consent item on their weekly agenda. Upon an award of a grant, and after approval by the BCC, either the BCC chair or designee will need to sign the award document, and then return the agreement to the awarding entity in order to receive the grant funds. [Federal awarding agencies will normally not release any grant funds without receiving the grant award document back with an authorized signature.]

- **NEW AWARD CHARTFIELD SET-UP**

To prevent the commingling of grant funds, all new revenue streams require a new program (or project) number in the County's accounting system (PeopleSoft). Use the Chartfield Request Form found in Appendix E to request the Finance Department set up an account string and appropriate descriptions for your new award in PeopleSoft. Send your completed Chartfield Request form to Toni Hessevick, Grants Supervisor, tonih@clackamas.us. This step allows departments to immediately begin tracking their grants in PeopleSoft.

- **COUNTY BUDGET SETUP**

Oregon local budget law necessitates that grant funds must be appropriated through the County budget process. The County process for accomplishing this involves the completion of a Budget Change Request Form. The completed form should be forwarded to the Budget Office in Finance. Complete the form after you have received your award, around the time you are requesting chartfield setup of your grant.



- **GRANT AGREEMENT AND CONTRACT SET-UP**

Once you have received your grant agreement or contract, please complete the Grant Survey Form, found in Appendix D, to provide complete details of your new grant to Finance. This is a critical step that allows Finance to track all externally-funded awards issued to the County for auditing, administrative, and performance purposes. The Grant Survey Form should be completed and sent, along with a copy of the grant agreement or contract, to Matt Westbrook, Senior Compliance Specialist, mwestbrook@clackamas.us.

- **FEDERAL OVERSIGHT IN GRANT ADMINISTRATION**

Federal awarding agencies use two types of site visits to monitor grant compliance by federal award recipients: monitoring and audits.

Monitoring

A monitoring site visit ensures compliance with the terms and conditions of the grant by reviewing financial, personnel, procurement, property, and program activities. Monitoring activities are discussed throughout the *Performance and Financial Monitoring and Reporting* section of 2 CFR Part 200 (Sections 200.327 thru 200.342). A grant monitor conducting a site visit typically reviews records, interviews key personnel, views grant-funded purchases, and otherwise investigates how the County is managing grant funds. At the conclusion of a monitoring site visit, the grant monitor then prepares an in-depth report documenting the visit.

If the grant monitor discovered compliance issues during the site visit, he or she will reach out to the County in an attempt to resolve them. This list of findings may also include a list of unallowed costs or costs that require further justification for inclusion in the pool of grant expenditures.

Audits

Audits differ from monitoring visits in that they provide a comprehensive review of financial records and are conducted by independent entities/individuals. Audit supervisors should be a licensed CPA and have specific training in audit issues. Like grant monitors, auditors investigate financial records to ensure compliance with the terms and conditions of the grant award. In the event they discover a compliance issue, they work with the grantee to resolve the issue. Audits are governed by 2 CFR Part 200 Subpart F in the Uniform Guidance. Clackamas County is subject to the provisions under Subpart F and, as such, annually undergoes a Single Audit. The results of the audit are published on Finance's website. As required by regulation, the Assistant Finance Director reports the County's audit to federal authorities via the Federal Audit Clearinghouse (FAC).

B. PROCEDURES FOR GRANTS ISSUED BY COUNTY – *COUNTY AS GRANTOR*

The County may issue grants from various sources to nonprofits, other government entities, or other organizations. In this capacity, the County is considered a grantor.

If federal or state funds are involved in an award issued by the County, the County is considered a *pass-through* entity in relation to those funds. A pass-through entity retains the programmatic and fiscal responsibility accompanying the original award, but "passes-through" at least a portion of the original funds to another entity to carry out some or all of the intended program functions of the grant. If federal funds are involved, the receiving entity is called a *subrecipient*, and the program, fiscal, and legal requirements of the original grant pass-through to the subrecipient with the funds. The County, as a pass-through entity, also retains oversight and responsibility for the performance of the grant by its subrecipients. Pass-through entities must monitor subrecipients for program and fiscal compliance and generally must incorporate the fiscal and program activities of their subrecipients in their own reports to the original granting agency.

- **ISSUING GRANT AGREEMENTS**

The County may issue grants by way of grant agreements to outside agencies to carry out all or portions of programs of the County. (The performance of services, as opposed to carrying out a program, would involve the issuance of a contract.) The County issues grant agreements or, occasionally, intergovernmental agreements, as legally-binding documents to ensure the performance of program objectives. These grant agreements—also called grant awards (or subawards or subrecipient agreements)—outline the expected program outcomes, financial responsibilities, and any regulatory or statutory requirements governing the grant, and hold the grantee legally accountable for these.

- **INTER-AGENCY AGREEMENTS**

A County department may wish to issue some or all of an award to another County department. An Inter-Agency Agreement (IAA) is the appropriate tool for such arrangements.

Issuing departments are responsible for reimbursing receiving departments for actual expenditures, just as with awards to outside entities. Receiving departments should bill issuing departments using an Interfund Billing Form on either a monthly or quarterly basis. Receiving departments should also provide supporting documentation with their Interfund Billing Forms so the issuing department can review and approve allowed costs against the original grant. Only completed and approved Interfund Billing Forms are sent to Finance for processing. A reference-only Interfund Billing Form can be found in Appendix F. (The form should be completed in triplicate.)

Inter-Agency Agreement templates approved by County Counsel for use by all departments can be obtained from Finance's Alfresco Share site.

- **FIXED AMOUNT AWARDS**

Fixed Amount Awards are new in the Uniform Guidance. They are a type of subrecipient agreement that reduces the administrative and compliance burden on both the pass-through entity and the subrecipient. Subrecipients receiving fixed amount awards are not subject to the cost principles of the Uniform Guidance and, therefore, there is no governmental or County review of the actual costs incurred by the subrecipient.

Payment on Fixed Amount Awards is based, instead, on clearly defined performance outcomes, delineated in the fixed amount agreement. If a subrecipient only partially meets performance outcomes, then the award would be reduced in proportion to the outcomes met.

Payments on fixed amount awards can be done:

- In several partial payments, with the accomplishment of milestone events triggering the payment from the County
- On a unit price basis at a defined price (i.e. # of students mentored, etc.)
- In one lump payment at the completion of the subaward. (For agreements of short duration, this would be the preferred method.)

Therefore, payments on fixed amount awards are *not* made on a reimbursement-of-cost basis. There are conditions on issuing fixed amount awards:

- The County must receive prior approval from the federal agency before awarding fixed amount awards.
- Fixed amount awards cannot be done on programs that contain mandatory cost sharing.
- The project scope must be specific so as to measure performance outcomes.
- Historical or unit pricing data must be available to establish a reasonable fixed amount award total based on a reasonable estimate of cost. One way to accomplish this is to

require a budget and accompanying narrative from the subrecipient in the application phase. The budget and narrative would only be used for ensuring agreement amounts are reasonable and based on historical data, but would become part of the record of prior due diligence for the County.

- Fixed amount awards may not be made for amounts over $150,000.
- It is not in the County's interest to award fixed amount awards to high risk subrecipients. A risk assessment will continue to be required and maintained, as with all subrecipient agreements, on fixed amount awards.

At the end of the period of the award, the subrecipient must certify in writing to the County that the project or activity was completed or the level of effort was expended.

Fixed amount awards can be especially helpful for the County and it subrecipients for projects that have been around for a while (i.e. have historical data to draw from), for smaller awards where it makes sense to reduce the monitoring and administrative burden for everyone, where the subrecipient is not considered high-risk, and for projects than can be clearly tied to performance outcomes.

- **ISSUING FEDERAL SUBRECIPIENT AGREEMENTS**

The County issues subrecipient agreements in its capacity as a recipient of federal grant funds from an external governmental agency or other entity. Federal funds may be passed-through several entities. The entity receiving the original award is called the award recipient and, if the recipient entity so chooses and has permission from the awarding agency to do so, it may "pass-through" funds to another entity that may, in turn, pass-through federal funds to another entity, and so on. Entities receiving pass-through funding are called subrecipients. There are no legal limits to the number of times federal funds originating from a single award may be passed-through to other entities.

Both pass-through entities and subrecipients are responsible for the programmatic, statutory and regulatory requirements tied to the original federal grant.

The issuance of subrecipient agreements requires foresight and planning. Departments are encouraged to begin the process early and in consultation with the Grants Office.

Subrecipient vs. Contractor

Upon receiving a federal grant, a department may determine that some or all of the grant requirements or projects should be accomplished by one or more outside entities. After these projects have been properly conceptualized and potential entities selected the department is ready to determine the relationship of the potential outside entities to the County and grant-funded project.

Completing the Subrecipient vs. Contractor Determination form is the first step in developing an arrangement of federal financial assistance with outside entities. *County departments wishing to*

issue funds originating from a federal award to outside entities must complete this form and document the determination in their records. The form is a tool designed to assist the department in making the determination as to whether a portion of a federal award will be issued via a subrecipient agreement or contract. (Determinations should not be made ahead of time; the form is designed to serve as the process for making such determinations.) The form can be downloaded from Finance's Alfresco Share site.

If it is determined that the project can be completed by the County with assistance obtained by procuring the services of an outside entity, a procurement relationship exists with the outside entity, and the entity is considered a **contractor**. Contractors are not responsible for program compliance nor are generally subject to federal regulations. Dollars paid by the County to contractors, even if from grant funds, lose their status as *federal* dollars when issued in the form of a contract or subcontract; contracts are not grant awards. The procurement process would be used to develop a contract with potential entities. Please contact the Procurement Division in the Finance Department. Federal procurement standards can be found in sections 200.317-326 of the Uniform Guidance.

If it is determined that the project can be completed by passing-through federal dollars to an outside entity that would perform part or all of the program objectives, a **subrecipient** relationship exists. Subrecipients are subject to both program compliance and federal regulations. Dollars paid by the County to subrecipients from federal awards retain their status as federal dollars and are subject to audit regulations at the subrecipient level; subrecipient agreements are grant awards. The subrecipient agreement development process would be used to form an agreement with a potential subrecipient. The instructions for this process and all documents mentioned in this section can be found on Finance's Alfresco Share site.

Some federal awarding agencies may have more restrictive procurement guidelines, including as applicable to subrecipient agreements, than those outlined here. In those cases, agency rules supersede the guidance listed here.

Subrecipient vs. Contractor Determination forms are regularly reviewed as part of the County's required Single Audit. Therefore, this form serves an important function in County audits in that it documents the County's process for making determinations about the County's relationship to potential outside entities receiving money from the County's federal awards.

Subrecipient Agreement Documents

Finance has constructed a generalized boilerplate subrecipient agreement document, complete with required exhibits, that contains required statutory and regulatory guidance governing all federal awards. Departments are expected to use the boilerplate language in the construction of their subrecipient agreements, while supplementing the language contained therein with agency-specific requirements, regulations and other award information. (Necessary exceptions can be pre-arranged with consultation from the Finance department.) Boilerplates necessary for the development of subrecipient agreements can be downloaded, with instructions, from Finance's Alfresco Share site.

The Uniform Guidance (2 CFR 200.415[a]) requires that the following specific certification language be included on certain subrecipient financial reporting forms:

> *"By signing this report, I certify to the best of my knowledge and belief that the report is true, complete, and accurate, and the expenditures, disbursements and cash receipts are for the purposes and objectives set forth in the terms and conditions of the Federal award. I am aware that any false, fictitious, or fraudulent information, or the omission of any material fact, may subject me to criminal, civil or administrative penalties for fraud, false statements, false claims or otherwise. (U.S. Code Title 18, Section 1001 and Title 31, Sections 3729-3730 and 3801-3812)."*

Clackamas County has chosen to require all payment vouchers (usually "requests for reimbursements") submitted by subrecipients to contain the above language. Per federal regulations, the reports must be signed by an official who is authorized to legally bind the subrecipient organization.

Risk Assessments

Departments must perform a risk assessment on potential County subrecipients *prior to* the issuance of a subrecipient agreement. Risk assessments on non-federal awards are not mandatory, but encouraged. Finance has developed a boilerplate risk assessment for use by departments designed to be used with federal awards, also located on Finance's Alfresco Share site. The purpose of the risk assessment is threefold:

- To assist in determining whether a subrecipient should receive an award from the County by assigning a risk score to the entity.
- Once a subrecipient award has been issued the risk assessment is used to assign a level of fiscal and programmatic monitoring to subrecipients.
- To serve, for audit purposes, as part of the required documentary evidence of monitoring throughout the lifecycle of a subrecipient agreement.

Risk assessments should be considered "living" documents in that Finance and issuing Departments should continually update the risk assessments on subrecipients to take into account new developments: negative publicity, compliance issues, changes in key personnel, poor audit findings, etc. More on risk assessments and subrecipient monitoring can be found in Section D: *Managing Grants: Subrecipient Monitoring* section of this manual, below.

Subrecipient Audits

Audits are an important part of the subrecipient issuance and monitoring process. Subrecipient audits assist in developing a comprehensive risk assessment for subrecipients. Depending on the size of the subrecipient organization, various types of audits may be available/required. If a subrecipient has expended more than $750,000 in federal expenditures in a fiscal year, the subrecipient is required to obtain a Single Audit, per 2 CFR 200 Subpart F. A Single Audit tasks an auditor with selecting, according to a technical definition, the "major [federal] programs" of an entity for compliance testing, as well as to perform testing on basic financial statements and on internal control systems. Organizations falling below this threshold may still have a general audit

of basic financial statements and internal controls. Smaller organizations may simply have their financial statements prepared by an independent auditor. There are even some circumstances where organizations are too small for even a general audit. In the last two instances, the County will seek to have potential subrecipients complete a questionnaire detailing their financial processes so that the County can assess the financial capacity of such organizations to handle grant awards. Whether a Single Audit, basic financial audit, prepared financial statements and completed questionnaire, or simply the questionnaire, each form of review is valuable to the County in the risk assessment process. *This information should be gathered from potential subrecipients and assessed prior to issuing a subrecipient agreement.* An Audit Certification Form (Appendix A) should be sent to the subrecipient for completion, and the subrecipient should return the completed form along with their most recent audit, if applicable. If the subrecipient has not received a Single Audit during the prior fiscal year, the subrecipient should complete the Subrecipient Questionnaire (Appendix K). Electronic versions of these forms can be obtained from the Finance Department's Alfresco Share site.

Subrecipient Indirect Costs

According to 2 CFR 200.331.a.4, pass-through agencies must provide recipients of federal pass-through funding with the opportunity for indirect cost recovery. If the applicant has a negotiated indirect cost rate with a federal agency, the County must honor that rate in the application on any federally-funded award that does not otherwise have regulatory or statutory limitations on indirect cost recovery. The applicant should provide the department with a copy of the negotiated indirect cost rate during the budget development phase.

If the applicant does not and has not had a negotiated indirect cost rate agreement with a federal agency, the applicant is eligible to receive from the County's pass-through award a 10% *de minimis* rate applicable to total modified direct costs (see glossary for definition; 2 CFR 200.414.f). The rate would apply only to the federal portion of a County subrecipient agreement, and not to state or local funding, in the case of mixed-funding awards.

Subrecipients are not required to claim indirect cost recovery, but neither can they be coerced by funding agencies into declining such cost recovery methods.

When claimed, subrecipient budgets should contain a line explicitly showing indirect cost recovery, including the rate, a short description of the base to which the rate is applied, and amount, as shown in the example in Figure 2, below:

Total Program Costs	$ 9,112.00		$ 9,112.00
Indirect Costs (14.1% of Salaries/Wages)	$ 5,685.00		$ 5,685.00
Total Grant Costs	$ 62.348.00		$ 62.348.00

Figure 2. Indirect cost recovery in a subrecipient budget where subrecipient has a negotiated indirect cost rate agreement with the federal government.

County departments are not obligated to include indirect cost recovery opportunities in non-federally funded projects unless explicitly required by the funding agency.

County Counsel Review

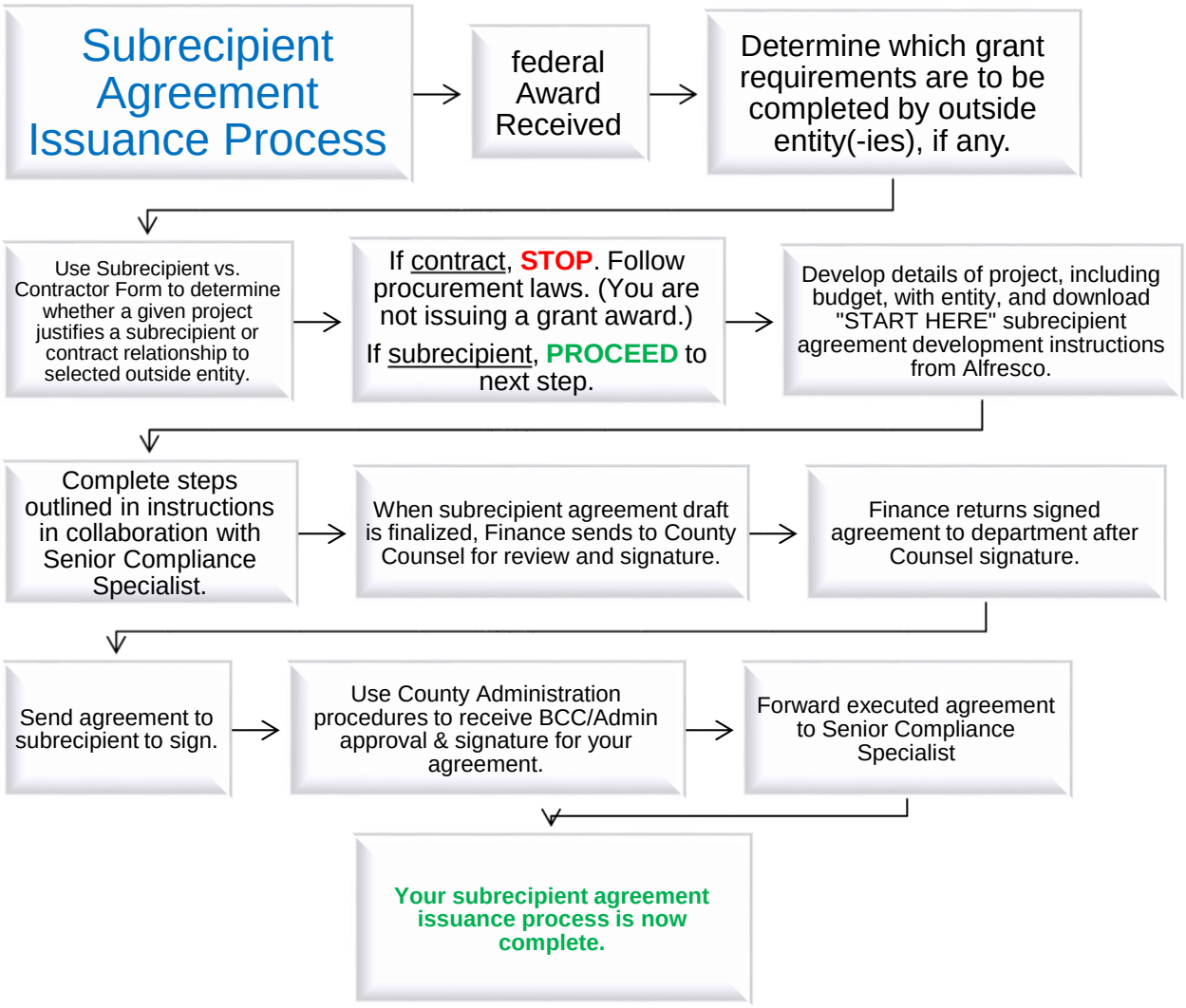
All subrecipient agreements are required to be reviewed and approved-to-form by County Counsel prior to execution. The Finance department can facilitate this process, if desired.

Executed Federal Subrecipient Agreements and Amendments

Executed federal subrecipient agreements and amendments on federal subrecipient agreements should be forwarded to the Senior Compliance Specialist when fully executed.

Flow Chart: Subrecipient Agreement Issuance

The subrecipient agreement issuance process can be visualized as follows:



Federal Funding Accountability and Transparency Act (FFATA) Reporting

When the County receives a direct federal award and then issues subrecipient agreements on that award for greater than $25,000, FFATA reporting requirements are in effect. The County's Senior Compliance Specialist will report qualifying subrecipient awards through the www.USASpending.gov website within the month following the month of the award. If the initial award is less than $25,000 but subsequent amendments result in a total award equal to or over $25,000, the award will be subject to reporting requirements.

C. FISCAL CONTROLS OVER GRANT FUNDS

This section outlines fiscal policies related to the receipt and expenditure of grant funds. The internal control systems represented in this section are designed with the Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations in mind.

The County Treasurer reserves the right to review the internal control procedures related to cash handling of all County departments through both formal and informal internal control evaluations. The County Treasurer's recommended best practices over cash management can be requested from the Treasurer's office. Departments should notify the Treasurer's office in the event of a loss, robbery or theft of County funds. In the case of loss, robbery or theft of grant funds, Finance will be responsible for notifying the County Internal Auditor and the funding agency, as required per grant agreements and state or federal regulations or statutes.

▪ REQUESTING GRANT FUNDS – DRAWDOWNS AND REQUESTS FOR PAYMENT

Processes for drawing down grant funds or requesting payment on grant awards vary widely by funding agency. Some agencies have their own online request systems that must be used to retrieve grant funds once corresponding amounts of expenditures have been accumulated, or require invoicing with general ledger backup for grant checks to be released. Some agencies disburse funds in regular intervals and regular (or irregular) amounts irrespective of expenses incurred, with "true-ups" to actual expenditures coming at later intervals. Some agencies allow grantees to draw funds to cover immediate cash needs prior to having incurred expenditures. Still other agencies do not disburse funds on actual expenditures incurred; rather, funds are tied to "units of service" and paid at set amounts based, for example, on the number of homeless shelter clients housed, number of meals to senior citizens served, etc. However an award is set up, drawdown policy for Clackamas County includes the following elements:

1. *Adherence to grant rules.* Follow closely the drawdown rules and procedures listed in your funding award or in federal or state statutes and regulations. If the funding agency has not provided a pre-set method for requesting funds, please use the Finance A/R G/R Billing Invoice form.
2. *Draw frequency*. Draws are to be performed monthly unless the granting agency specifies other terms or specifically prohibits monthly draws.
3. *Authorized persons.* Draws are to be performed by the Grants Office, unless specifically authorized by the Department of Finance. Additionally, if the award requires an active

request for funds to be received through an online system, please include the department's assigned grant accountant in the "authorized persons" setup in the online drawdown system. For departments authorized to perform their own draws, designating a Finance grant accountant as an authorized user will allow our office to serve an important backup function for drawing funds in the case of emergencies, prolonged absences or vacancies in your department.

4. *General Ledger-based.* Drawdowns on cost-reimbursement awards should always be made using data derived from PeopleSoft. A PeopleSoft line-item query of grant-inception-to-date expenditures, which may be subtotaled by account or budget category, is the preferred form of backup. Backup must include revenue and expenditures (including match, program income, etc.). *Under no circumstances should drawdowns be made based on budgeted figures (e.g. taking an approved budget and drawing 1/12th of the funds monthly).*
5. *Required approval*. Draws require approval prior to execution. A signature and date from the Director of Finance, Assistant Director of Finance, or designee is required.
6. *Notification.* When a draw has been made at the department level, or when a schedule of regular-interval disbursements has been received from the funding agency, staff must notify Treasury by email so that funds can be properly accounted for once deposited into the County bank account. Finance should also be provided a copy of the request for funds along with corresponding backup, if the request is for a cost-reimbursement award.

Drawing Down Funds

In order to minimize the time between receiving cash advances from the U.S. Treasury and the actual expenditure of funds, the policy of Clackamas County is to request federal funds based only on cost-reimbursement or immediate cash needs. Departments are instructed to follow the rules on minimization of time between cash receipt and expense that are provided with the awarding agency rules and regulations.

- **RECEIVING GRANT FUNDS - REVENUE**

Grant funds are typically received either by check or Automated Clearinghouse (ACH) through the draw-down of funds. Occasionally grant funds (usually as program income) may be received in the form of cash. Receipts are issued by the department for every *in-person* transaction, per County Treasury's list of best-practices, using pre-numbered receipts, with the numbers logged and accounted for.

Grant Revenue: Cash Handling

Cash is occasionally received in County departments. *It is the policy of Clackamas County that all cash/program income related to federal grants (not including Medicaid funds) is required to be submitted to Finance for processing.* Cash relating to federal grants is counted by the receiving party in the presence of another employee immediately upon receipt. A Departmental Check and Cash Log (see Appendix G) is prepared by the person receiving the cash that describes the auspices under which the cash was received (e.g. from whom, from which event, for which

funded project, etc.), is coded for posting using the appropriate PeopleSoft chartfield string, and is signed and dated by both employees. The log and cash are immediately hand-delivered (no courier allowed for cash) to Finance for safekeeping and processing in the daily deposit. A copy of the log should be kept by the department.

Grant Revenue: Check Handling

Checks received directly by Departments

Occasionally grant revenue is received directly by departments in the form of checks. *It is the policy of Clackamas County that all checks related to federal grants are required to be submitted to Finance for processing.* Employees designated to open departmental mail log grant checks received into a Departmental Check and Cash Log (see Appendix G). Checks are locked securely by the person opening departmental mail or the departmental accountant; a copy of the log and the checks should be kept by the department. Checks and original logs are then transmitted daily to Finance for processing in the daily deposit.

Checks received directly by Finance

Occasionally grant revenue is received directly by Finance in the form of checks. The Front Desk Office Specialist (or backup, if absent) opens incoming mail and logs checks into the check log(s) (see Appendix G). The Office Specialist digitally signs the log and forwards the checks and the signed log to Accounts Receivable where an Accounting Specialist prepares the daily deposit.

The Accounting Specialist makes copies of all cash and checks attached to the deposit log and runs a calculator tape on all checks and cash to verify against check log and to prepare for deposit. The Accounting Specialist digitally signs the log and saves it to a County shared drive. Two copies of the tape are created: one for the deposit bag delivered to Treasury, one for Finance's records. Deposit bags are provided by Treasury to Finance and are pre-numbered. A deposit bag is checked out by the Accounting Specialist from the Administrative Analyst I, who keeps a log of all deposit bags.

The Accounting Specialist creates a deposit receipt (in triplicate), containing pertinent data such as check number and amount, invoice number (if applicable), date of charges on invoice, and the nature of the revenue (grant, payment from invoice, etc.). The Accounting Specialist works with the Grants staff to obtain proper coding for grant receipts.

The white deposit receipt is attached to a copy of the check. The yellow copy is used to create a deposit summary which is sent electronically to the Treasurer, and is attached to a printout of the deposit summary along with the bank deposit bag tab and then filed until permanent record of deposit is received from the Treasurer. At that time, the yellow copy, deposit summary and bank tab are destroyed and the Treasurer's copy is held as permanent record. The pink copy is used to enter the journal entry for the grant deposit into PeopleSoft. Entry is made as a cash receipt against the correlating grant chartfield string. The pink copy is filed as the permanent record with the deposit summaries from the Treasurer.

The deposit bag containing the deposit is hand-carried daily to the Treasurer's office where it is logged by Treasury for daily deposit with the armored vehicle service.

Finance's copy of the deposit slip, a copy of the calculator tape, and a reconciliation to PeopleSoft are kept in the deposit slip book until the book is filled, then filed along with copy of the daily deposits in permanent record boxes subject to County records retention policies.

Grant Revenue: ACH funds

The Accounts Receivable Accountant 1 logs into Application Xtender daily to print out deposit summaries. The Accountant 1 separates summaries with ACH grant deposits from other deposits, and date stamps the summaries for that day as "received." Deposit summaries are routed to Grant staff for review and proper coding. The Accountant 1 enters the deposit into PeopleSoft, then date stamps the summaries with "date entered" and re-routes to Grant staff. Grant staff file the deposit summaries in their corresponding grant folders for award reconciliation purposes.

Treasury Deposit

Treasury staff logs deposits on the armored car log and puts the deposit into the Treasury safe. All five Treasury staff have access to the safe. The safe is opened and deposits handed to the armored vehicle service when the driver arrives once per day. The deposit is taken to the bank by the driver.

The Treasury Accountant downloads a daily bank deposit report from the County bank. A daily deposit summary is created by the Accountant and reconciled with the logs and the bank deposit report. Many grant-related deposits are received by ACH transfer. The Accountant researches each deposit to determine its origin (tying to a County department) and records on the deposit summary. The Treasurer's Accountant Specialist (TAS) posts the deposit into PeopleSoft to "Cash" at the fund level, and posted to the Treasurer's general ledger. The TAS posts the daily deposit summary to the County's Application Xtender software for use by Finance.

- **SPENDING GRANT FUNDS**

General Procurement Standards

The County has documented procurement procedures which conform to applicable federal law and procurement standards covered in 2 CFR Part 200, Sections 200.317-200.326 and Appendix II and which comply with state (ORS 279 A, B & C) and local laws and regulations. These procedures are located in Clackamas County's Procurement Manual, which is the governing document for grants procurement. Other forms of grant expenditures, the internal control processes that govern them, and the procedures by which these expenditures are incurred are outlined in the following sections.

Grant expenditures should generally be in line with budgets approved by the granting agency, as applicable. Grant budgets are maintained in County departments by County grant, administrative and program staff (where applicable). Departments are responsible for ensuring that costs are in

line with awarding-agency approved budgets and budget line items. Where no budget exists, expenditures should conform to the intent and purpose of the grant award. Expenditures charged to grants must be allowable per governing statutes and regulations, allocable to the grant relative benefits received by the funded program, and reasonable (i.e. a prudent purchase given the circumstance prevailing at the time of purchase).

Conflict of Interest Policy

County Code 2.05.170 *Ethical Standards Governing Employee Conduct* sets forth the County's policy on conflicts and potential conflicts of interest. The policy states, as follows:

> All employees and public officials shall strive to uphold the County's Code of Ethics, as adopted by the Board of County Commissioners. The Code of Ethics states that employees of Clackamas County shall strive to:
>
> A. Demonstrate the highest standards of personal integrity, truthfulness, honesty, and fortitude in all public activities, in order to inspire public confidence and trust in Clackamas County;
> B. Serve in such a way that does not realize undue personal or financial gain from the performance of official duties;
> C. Avoid any activity which is in conflict with the conduct of official duties;
> D. Approach the Clackamas County organization and the duties of their position with a positive attitude and constructively support open communication, teamwork, creativity, dedication, and compassion;
> E. Maintain professional excellence, accept the responsibility to keep up-to-date on emerging issues and conduct the public's business with competence, fairness, efficiency, and effectiveness;
> F. Support the values of the County organization and help make these values the norms of the organization. Support and strive to achieve the goals and visions for Clackamas County;
> G. Be knowledgeable and support the code of conduct, quality, ethical, and performance standards of their respective professions;
> H. Refrain from engaging in political activities during working hours if the employee is a non-elected County employee. Elected and non-elected County employees must not solicit participation of non-elected County employees in political activities during working hours;
> I. Be objective in the selection of employees, contractors, goods and services, basing decisions on merit and value to the County;
> J. Eliminate all forms of illegal discrimination, fraud, and mismanagement of public funds; support co-workers if they are in difficulty because of responsible efforts to correct such discrimination, fraud, mismanagement or abuse;
> K. Serve the public with respect, courtesy, concern, and responsiveness, recognizing that service to the public is beyond service to oneself or any special interest group; and

L. Respect, support, study and when necessary, work to improve regulations, ordinances, laws, and policies which govern work at Clackamas County.

Section 2.05.180.2(V-X & Z) of the County Code further states:

V. Employees shall not engage in employment-related transactions with any business entity in which the employee has a financial interest;

W. Employees shall inform their department head (or designee) of any outside employment or outside affiliation that could potentially affect their independence of judgment in the performance of work duties, or create a conflict of interest in the performance of work duties;

X. Employees shall not engage in any outside affiliation or outside employment that would affect the employee's independence of judgment in the performance of work duties, or otherwise create a conflict of interest in the performance of work duties;

Z. Employees shall not solicit, receive or exchange personal favors, compensation, or gifts from clients of their department, where such action could financially impact the employee (or the employee's relative) or where the appearance of such action would decrease the public's confidence in the employee or department. (Any questions or uncertainty regarding employee ethics or conflicts of interest should be directed to the Department of Employee Services.)

Procurement Methods

Purchases charged to grants may be made through several procurement processes:

- Purchase Orders
- Payment Vouchers
- Contracts
- Pcard (County-issued credit cards)

The rules governing each procurement process, above, are outlined in the County's Procurement Manual.

General Buying Rules

The County's most current buying rules, following federal regulations 2 CFR Part 200 Section 200.320, ORS 279, LCRB rules and County Code, are outlined in the County Procurement Manual. The rules apply to all procurement methods. While contracts are legal documents that may appear to include County-issued grant awards and subawards, grants do not fall under ORS 279C and, therefore, generally do not require competition unless required by the original funding agency/agreement.

Delegation of Signature Authority Process

The County has established a Delegation of Signature Authority Process as an essential internal control process to set the authorization levels for County purchases, including purchases on

grants. The Delegation of Signature Authority Process is completed annually (by fiscal year) to allow auditors to validate the County payment process for the fiscal year in question. The process is in place as an internal control to document both the authorized purchaser and the Procurement thresholds for authorized purchasers. The designations and Procurement limits are determined by each department to meet their business needs. In most cases, the delegated authority will not exceed $150,000. Accounts Payable uses these delegations to confirm authorized purchases and limits for County purchases prior to payment. Finance is responsible for maintaining this system. Contracts may only be signed by individuals occupying the positions listed in the LCRB Rules C-050 (County Code Appendix C) and is set by the County Board of Commissioners. Contract signature authority cannot be delegated to other department staff. (See County's policy on Finance's intranet page.)

Unnecessary Purchases Prohibited

It is the policy of Clackamas County that departments shall avoid Procurement unnecessary or duplicative items. Every grant-funded purchase must meet the definition of an "allowable cost" per the federal administrative requirements (see glossary). For a discussion of allowable costs, departments may reference the *Costs - Overview* section under Section D: *Managing Grants*.

Contractor Management

County departments are responsible for contractor oversight to ensure that contractors perform their responsibilities consistent with the terms and conditions of their purchase orders and contracts. The Procurement Division has issued a Procurement Manual that governs the management of County-issued contracts and should be consulted by departments in the course of managing their County-issued contracts.

Affirmative Steps

Clackamas County takes all necessary affirmative steps to ensure that minority businesses, women's business enterprises, and labor surplus area firms are used when possible.

Federally-Mandated Procurement Contract Provisions

All contracts awarded by Clackamas County to subcontractors and involving federally-funded purchase of goods or services, including small purchases, must include certain federally-mandated procurement contract provisions, including:

Provision	Citation
Recipient Termination	2 CFR Part 200 Appendix II
Equal Employment Opportunity	E.O. 11246, "Equal Employment Opportunity," as amended by E.O. 11375, "Amending Executive Order 11246 Relating to Equal Employment Opportunity," and as supplemented by regulations at 41 CFR part 60, "Office of Federal Contract Compliance Programs, Equal Employment Opportunity, Department of Labor."
Clean Air Act	42 U.S.C. 7401
Federal Water Pollution Control Act	33 U.S.C. 1251

Energy Efficiency	2 CFR Part 200 Appendix II
Copeland "Anti-Kickback" Act	18 U.S.C. 874 and 40 U.S.C. 276C
Byrd Anti-Lobbying Amendment	31 U.S.C. 1352
Debarment and Suspension	Executive Orders 12549 and 12689
Recycling	2 CFR Part 200 Appendix II
Davis-Bacon Act	40 U.S.C. 276a to a-7
Contract Work Hours and Safety Standards Act	40 U.S.C. 327-333
Rights to Inventions Made Under a Contract or Agreement	37 CFR part 401
Contractor Breach Clause	2 CFR Part 200 Appendix II

All contracts awarded by Clackamas County to subcontractors and involving a federally-funded purchase of goods or services, including small purchases, must also contain the following contract clauses:

- Provisions that allow for administrative, contractual, or legal remedies where contractor violates or breaches contract terms as well as remedial actions
- Provisions addressing termination by Clackamas County, including manner of termination and basis for settlement
- Provisions addressing termination of contract for default as well as circumstances beyond control of subrecipient
- Provisions for bid guarantees, performance bonds and payment bonds
- Provisions allowing access to subrecipient records by Clackamas County, federal awarding agency, Comptroller General of the United States, and any other duly authorized representative

Boilerplate contracts used by departments must contain the required elements listed here. For in depth discussion of these contract provisions, reference 2 CFR Part 200 Appendix II. Consult the Procurement Division with questions concerning any of the required elements listed here.

Labor Reporting

Clackamas County has the following approved processes by which labor (including volunteer hours) may be charged to grants:

a. Employees will record their time worked on grants and non-grant funded activities by using either an electronic time tracking system or manual paper timesheets. Both systems require the signature and date of employee and supervisor. Electronic signatures are acceptable within the mechanisms provided by the time tracking system.
b. Semi-annual certification of employees charged 100% to grant-funded projects signed by employee and supervisor.
c. Any other system approved by the awarding agency.

Method "a" requires that departmental grant staff or Finance grant accountants perform an after-the-fact, manual distribution of time via journal entry into the PeopleSoft accounting

software using the Grants Office-approved methodology to ensure that awards receive an equitable share of the distribution of labor.

Method "b" is used when an employee is 100% charged to a federal grant award. Certifications must be completed semi-annually or at closeout, whichever is sooner. A general description of the duties of the employee during the certification period are listed on the certification. A sample of the County-approved certification document can be found in Appendix H.

The County adheres to the following principles related to documentation of labor costs charged to local, state and federal grants:

A. Clackamas County must comply with labor reporting requirements when labor is charged to a federal award for salaries and wages-whether as part of direct costs or as part of an indirect cost pool.
B. Payrolls and corresponding distributions to grant awards must be documented and approved by employee supervisors.
C. Reports must be maintained for all staff members reflecting the distribution of labor activity of each employee. This requirement includes professionals and nonprofessionals whose compensation is charged, in whole or in part, directly to awards. It also includes other employees whose work involves two or more functions or activities if a distribution of their compensation between such functions or activities is needed in the determination of the County's indirect cost rate.
D. Labor Reports shall reflect an after-the-fact determination of the actual activity of each employee and account for the total activity for which employees are compensated and which is required in fulfillment of employee obligations to the County. This means both time worked on federal awards and non-award hours must be tracked.

Departments may reference Appendix M: *Selected Items of Cost Compensation for personal services-support of salaries and wages* for further information on the labor reporting requirements on federal awards.

Travel

Authorization is required for advance issue of expense money, lodging costs, and transportation involving travel. Authorization is also required for after-the-fact reimbursement of travel expenses. Authorization follows the County's Delegated Signature Authority policy (intranet only). Reimbursement of travel expenses requires original receipts (with some exceptions—see Travel, Training and Meeting Expense Policy) and must be documented on the Training/Travel Request Authorization Form (Appendix L). Grant-related travel expenses must be reasonable and necessary to the performance of the grant.

All travel charged to grant-funded programs must be authorized within the approved awarding agency budget or otherwise authorized by written permission from the awarding agency. Some agencies require additional travel authorizations beyond budget approval. See the grant award documents and regulations for details.

All grant related travel must conform to the County's approved Travel, Training & Meeting Expense Reimbursement Policy (intranet only). Where awarding agency travel policies are more restrictive than County policy in terms of travel cost reimbursement, departments are expected to reimburse the difference to the employee with other funds.

D. MANAGING GRANTS

▪ COSTS - OVERVIEW

Grant funds must be spent in accordance with the terms and conditions of the grant award. Therefore, prior to making expenditure, program personnel must be aware of what costs are allowable and disallowable under the grant as well as what costs are considered direct and indirect. A general discussion of costs follows.

Allowable and Unallowable Costs

Allowable costs are those costs that fit the definition for authorized expenditures as stated in the applicable cost principles. Authorized expenditures comprise those expenditures that are:

- ✓ Allocable
- ✓ Reasonable and necessary
- ✓ Treated consistently as a direct or indirect cost
- ✓ Determined in accordance with Generally Accepted Accounting Principles (GAAP)
- ✓ Net of all applicable credits
- ✓ Not included as a cost or used to meet the matching requirement for another federal grant
- ✓ Authorized under local laws
- ✓ Well-documented
- ✓ Conforms to limits or exclusions on types or amounts of costs as stated in cost principles, federal laws, and terms and conditions of grant award
- ✓ Consistent with grantee policies, regulations, and procedures regarding federal awards

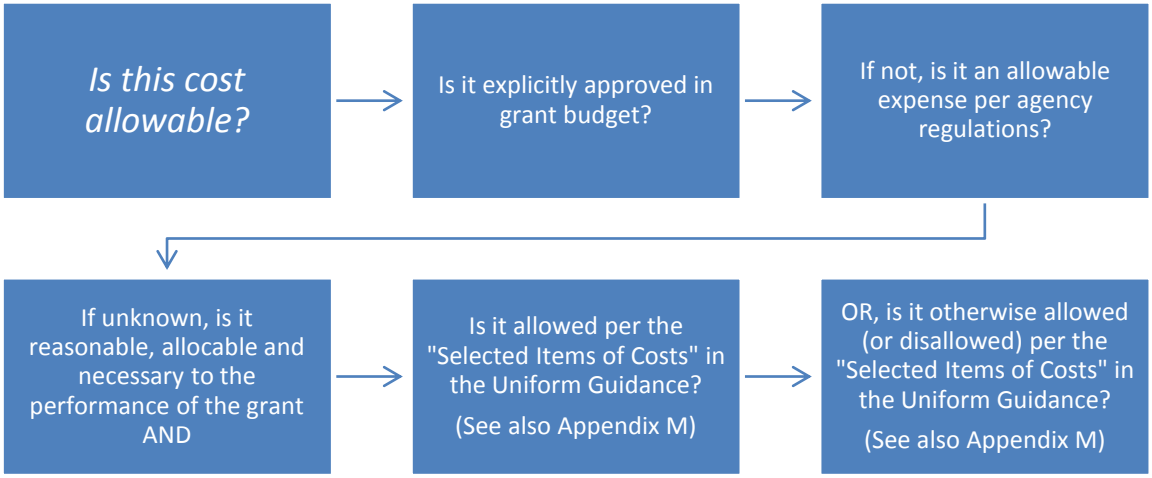


Figure 3 Determining Allowable Costs

All charges to Clackamas County grants, and to the subawards granted by the County, must adhere to the cost principles outlined in this manual. Explanations for several key concepts are as follows:

Allocable

A cost is "allocable" to a grant award if it is treated consistently with other costs incurred for the same purpose and in like circumstances. A cost is allocable to a grant if the goods and services purchased are related equitably to the benefits received by the funded program.

Reasonable and Necessary

The cost must also be incurred specifically for the award, benefit the award, and be necessary to the overall operation of the organization. A cost can be considered "reasonable" if, in both 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. Whether a cost is necessary for the performance of an award is important in establishing whether the cost is reasonable. The prevailing market price in our geographical area (where applicable), and whether the incurring of the cost required the County to deviate significantly from its established practices and policies are also important factors in determining reasonableness.

Consistent Cost Treatment

Costs incurred for the same purpose and in like circumstances must all be treated the same. For example, an equipment cost cannot be treated as a direct cost in one instance and an indirect

cost in another instance if it was incurred for the same reason and circumstances in both instances.

Net of Applicable Credits

A cost is "net of all applicable credits" if it takes into account any credits received toward the cost. For example, if program income was used toward a cost, the amount charged to the grant must be reduced by the amount of the program income in order to be allowable.

Well-documented

In most cases of disallowed costs, the cause is a lack of proper documentation. All costs require an invoice, original receipt, purchase order, contract or other form of documentation. All cost documentation requires authorized signatures and evidence of receipt of the goods or services purchased. The County's Delegated Signature Authority policy (intranet only) governs the signature requirements on purchases. Staff that do not have designated signature authority are not authorized to approve or execute any transactions that require such authority.

Selected Items of Cost

To view an itemized list of allowable costs, reference the Appendix M: *Selected Items of Cost*.

Any cost that is not allowable is unallowable. If a County department uses grant funding for unallowable costs, the department will need to repay those funds to the funding agency.

Direct and Indirect Costs

A direct cost is one that is specifically identified to the grant award. For example, the purchase of police equipment for a federal grant used to benefit local law enforcement is an example of a direct cost. Direct costs can be paid by the grant so long as they are allowable, reasonable, and can be justified from the approved grant budget.

An indirect cost is one that is shared with another objective or program and that cannot be readily identified to the grant award. For example, the salary of an administrative assistant who does work for two separate programs covered under two separate grants would be considered an indirect cost. Or, electric service for the building housing operations for several programs would also be an indirect cost.

- **BUDGETS**

County departments are required to track and reconcile grant expenditures against approved grant budgets, where applicable. The federal government generally categorizes costs into 8 types: personnel, fringe benefits, travel, equipment, supplies, contractual, construction, and other. County grant budgets should generally align with these 8 categories for ease in tracking and reconciliation, except in cases where the funding agency requires otherwise. Even though the federal government has noted these 8 categories as comprising a grant award budget, the

County must still ensure that costs falling under these categories are allowable expenses per the applicable cost principles and awarding entity grant regulations. For example, travel costs are an allowable expense on many federal grants; however, costs for a first-class ticket when coach tickets were available may be disallowed as unreasonable.

- **BUDGET ADJUSTMENTS**

Entities receiving federal funding must generally abide by the limits on changes to approved budgets as outlined in 2 CFR 200.308. Funding agency-specific guidance should also be consulted regarding changes to approved budgets for both federal and non-federal awards.

- **ADJUSTING JOURNAL ENTRIES**

Appropriate journal entries made to grant-funded projects include those that:

- ✓ Change or correct coding of transactions
- ✓ Re-distributed costs billed to a central cost pool

To initiate a journal entry on a grant-funded project, staff—at the department level or in Finance—must prepare a journal entry for submission and processing within the Finance department. All journal entries must be in the same amount as the original charge unless the transfer is being divided among different departments or departmental units. If divided, an explanation of the division must accompany the journal entry. Journal entry support must be sourced from PeopleSoft accounting data. The department requesting the cost transfer must have incurred the item of cost, as documented within PeopleSoft, and must identify the goods and services and their quantities in the journal entry request. Journal entries should be submitted as soon as possible once the needed distribution or correction is identified.

Journal entries prepared by the department requirement department manager approval. All journal entries require Finance management approval prior to posting in PeopleSoft.

- **HOW TO USE *SPECIAL PAYMENTS* ACCOUNT CODING**

The chart-logic below flows downward. Use it to determine where to post your special payments in PeopleSoft. All conditions in each column should apply for the account selected to be valid.

Is your payment…↓	*If all conditions in the prior column do not apply, then is your payment…↓*		
To a nonprofit? ↓	To a nonprofit, city or local government? ↓	To a nonprofit, city or local government? ↓	To a nonprofit, school district, state or local government? ↓
Made from a legally binding agreement? ↓	Made from a legally binding agreement? ↓	Made from a legally binding agreement? ↓	Made from a legally binding agreement or paid by ORS statute? ↓
Not to a federal, state or local subrecipient? ↓	To a federal subrecipient? ↓	To a state or local funds subrecipient? ↓	Not for contracted services and does not otherwise fit into 431900 per local budget law? ↓
For vendor contracted services? ↓			
Then use **431900 – *Materials and Services***	Then use **465001 – *Pymts to Subrecipients FEDERAL***	Then use **465003 – *Pymts to Subrecipients NON-FED***	Then use **465002 – *Pmts Local Govt & other Agencies***

- **PROGRAM INCOME**

County departments must account for program income generated by grant activities according to the terms and conditions of the grant. Program income is gross income earned from grant activities that generates direct costs allocable to the grant award and is often included in grant award budgets as part of a cost sharing or matching requirement. For example, any fees earned from the sale of products or services under the grant would be considered program income since the creation of those products or services generate direct costs allocable to the grant. Any drawdown of federal grant funds must take into account program income.

Not all program income requires reporting. Check the Grants Management Manual or other guidance accompanying your federal, state or local grant award to determine the types of program income that must be reported against drawdowns of grant funds.

- **PROPERTY**

The Property Standards section of 2 CFR Part 200 Subpart D governs the treatment of property acquired with federal grant funding. The three types of property discussed in the administrative requirements include real property, personal property, and intellectual property. Detailed instructions regarding acquisition, titling, and disposition of property appear in the applicable administrative requirements. General guidelines governing the treatment of federally-funded property appear below. Consult your state agreement for policies governing property, equipment, and supplies purchased with state funds.

Real Property

Clackamas County may receive title to property purchased with federal grant funding subject to the condition that the real property is used in accordance with the purpose of the grant and not encumbered without prior approval from the federal awarding agency.

When real property is no longer needed for its original purpose, departments will request disposition instructions from the federal awarding agency. The County may retain title to real property purchased with federal funds after compensating the federal awarding agency that percentage of the fair market value of the property attributable to federal participation in the project funded by the grant award. Departments will follow federal agency directives regarding the sale of real property acquired with federal grant funds.

Equipment and Supplies

As with real property, the County may receive title to equipment purchased with federal grant funding so long as the equipment is used in accordance with the purpose of the grant and not encumbered without prior approval from the federal awarding agency.

Equipment is further divided into "Special Purpose" equipment" and "General Purpose" equipment. "Special Purpose" equipment includes equipment which is used for research, medical, scientific and other similar technical activities. "General Purpose" equipment is defined as equipment whose use is not limited to "Special Purposes".

"Special Purpose" equipment is generally allowable as a Direct Cost to the federal award. The departments will obtain prior approval of the Awarding Agency to purchase equipment costing over $5,000 when required by regulation or statute. "General Purpose" equipment will not be charged as a Direct Cost to the federal award without prior approval of the Awarding Agency.

County departments may trade-in or sell equipment in need of replacement and use the proceeds to offset the cost of the replacement equipment with prior approval from the federal awarding agency. Per federal regulations, for equipment valued at less than $5,000, departments may keep the equipment when it is no longer needed for its original purpose. For equipment valued at more than $5,000, County must pay the federal awarding agency a portion of the

market value or sale proceeds based on the percentage of the equipment funded by the federal awarding agency, unless otherwise arranged.

Departments must inventory and account for supplies purchased with federal funds if the supplies are valued at over $5,000 in the aggregate.

Equipment Records

Departments must maintain equipment records for all grant-funded equipment. Equipment records must indicate:

- A description of the equipment
- Manufacturer's serial number, model number, or other identification number.
- Source of the equipment, including the federal grant award number. (This number is a required element of federal pass-through contracts with the state. If it is not provided in your state agreement, contact your state program officer.)
- Owner of the property (federal government or County)
- Acquisition date or date received
- Cost of equipment
- Details indicating the percentage of federal participation in the cost of the equipment
- Location of equipment and date reported
- Condition of equipment and date reported
- Unit acquisition cost
- Date of disposal (if applicable)
- Disposal price (if applicable)
- Method used to determine fair market value for disposal price (if applicable)

See Appendix J for a sample Property Records checklist that can be adapted for use with equipment purchased on different grants.

Equipment Maintenance

Grant-funded equipment must be maintained by the County department initiating the purchase. "Maintained" means that the equipment is properly accounted for (i.e. inventoried), secured against theft or other loss, and kept in usable condition according to the manufacturer's recommendations until the expiration of useful life or other disposition.

Property Controls

Property purchased with federal funds must retained for the benefit of the federal program or project. Departments must implement effective control measures to ensure protection of grant-funded equipment from loss, damage, and theft. Any loss, damage, or theft discovered during a site visit to a subrecipient or contractor that has purchased property under a federal award will be investigated and documented.

If equipment titled to the federal government suffers loss, damage, or theft, departments must notify the federal awarding agency immediately.

Inventory Reporting

County departments must inventory grant-funded equipment and reconcile inventory records with equipment records at least once every two years. If the reconciliation reveals differences in quantities of equipment, departments shall investigate the inventory and equipment records to discern the cause of the difference. Supplies purchased with grant funds and valued at over $5,000 in the aggregate must also be inventoried and accounted for.

Intellectual Property

Clackamas County may copyright any work under a grant award. The County recognizes that federal agencies retain a royalty-free, nonexclusive, and irrevocable right to reproduce, publish or otherwise use the work for federal purposes and to authorize others to do so, for copyrighted work developed under a federal award.

- **SUBRECIPIENT AGREEMENTS AND MONITORING**

Subrecipient Monitoring Policy

The County will monitor all federal subrecipients of federal funds in accordance with 2 CFR 200 of the Uniform Guidance to ensure authorized use in accordance with laws, regulations, and the provisions of federal financial assistance agreements, and to ensure that the performance goals of subrecipient agreements are achieved. State subrecipient agreements will be monitored to ensure compliance with all applicable state laws. Subrecipient agreements funded with other sources of funding will be monitored for compliance with funding-agency restrictions and compliance with grant provisions. Subrecipient monitoring is the review process used to determine a subrecipient's programmatic and fiscal compliance with the requirements of a grant-funded program. Subrecipient monitoring aids in preventing fraud, waste, and abuse of federal dollars, identifies and prevents instances of non-compliance, and is required for federally-funded subrecipient awards.

Scope

This policy applies to all County departments or agencies that issue subrecipient grant agreements containing federal dollars. Many of the processes outlined here can be adopted for non-federally funded subrecipient agreements as best practices.

County departments will be individually responsible for performing programmatic monitoring for any grants falling under federal subrecipient monitoring requirements. Programmatic monitoring refers to the review process used to determine compliance with applicable laws and regulations and meeting stated performance goals and outcomes.

The Finance Department will be responsible for performing fiscal subrecipient monitoring on federal awards as a centralized function of grants management. Fiscal monitoring includes the review of subrecipient's internal controls to determine whether the financial management and the accounting system are adequate to account for program funds in accordance with federal requirements. It also includes the testing of the subrecipient's fiscal compliance with the statutory requirements of the federal agency issuing the award, the terms and conditions of the award, and the review of subrecipient audits.

Authority

For federally-funded awards,

The Single Audit Act of 1987 - OMB Circular A-133 _.400(d) effective for fiscal years ending before 12/26/2014.

The Uniform Guidance, 2 CFR 200.330-332 and Subpart F, effective for fiscal years beginning on or after 12/26/2014.

Subrecipient Audits

Federal subrecipient agreements issued by the County (using the County-approved subrecipient boilerplate) require subrecipients to annually provide the County with their Single Audits, if applicable.

For new or existing subrecipients, audit information can be obtained by sending the subrecipient an Audit Certification form, found on Finance's Alfresco Share site. The subrecipient will return the form by default to the Senior Compliance Specialist. The return address may be changed to a departmental contact, if desired. Once completed, the form will provide basic financial information related to subrecipient audits (or lack thereof). The form also requests a copy of the subrecipient's Single Audit be sent to the County, where applicable. If the subrecipient has not had a Single Audit, the form requests that the subrecipient provide basic information on the federal expenditures of the organization for the prior fiscal year. Additionally, if the organization has not had a Single Audit, departments should request of a copy of the last financial audit conducted on the organization. For federal awards, departments will also send a questionnaire developed especially for organizations that do not receive a Single Audit that requires potential subrecipients to provide basic details on their financial systems and capacity to handle federal grants.

Departments may choose to have the Senior Compliance Specialist in the Finance department collect this information from potential subrecipients. In either case, the Senior Compliance Specialist will review audit information collected from potential subrecipients and include information from this review in the Finance department's portion of the subrecipient risk assessment.

Risk Assessment

Risk assessments are required in the process of awarding and subawarding of federal dollars; they are encouraged for all other grants. They assist awarding entities in determining a) whether a potential grantee has risk levels acceptable for receiving a grant award and b) the level of monitoring required of any given subrecipient based on the risk of the subrecipient. The maintenance of risk assessments on active subrecipient agreements is an integral part of the subrecipient monitoring process.

Risk assessments are active during the entirety of the lifecycle of an award, and are updated as necessary, making them "living" documents. Active, completed risk assessments—those risk assessments on subrecipients with open County awards—are kept on Finance's Alfresco Share site and should be updated by those tasked with both fiscal and programmatic monitoring, as circumstances require. Each subrecipient agreement requires a new or newly updated risk assessment. Subrecipients receiving funds on a multi-year agreement should have their risk assessments reviewed and updated at least annually, or as new, pertinent information is gathered, whichever is earliest.

The risk assessment template located on Finance's Alfresco Share site has been designed to assist in the assignment of monitoring levels based on a standardized scoring rubric. Higher scores may require special conditions be included in the subrecipient agreement—usually in the form of extra reporting or other monitoring. Monitoring levels are as follows:

Table 1. Subrecipient Monitoring levels derived from completed risk assessments

Risk Score and Monitoring Matrix	
Low Risk	Audit & Expenditure Review
Medium Risk	Audit Review, Expenditure Review & Desk Monitoring
High Risk	Audit Review, Expenditure Review & Onsite Monitoring
Unacceptable Risk	Do Not Award to Subrecipient

Pre-award Monitoring Process

All agreements with subrecipients funded from federal awards must contain required elements as specified in 2 CFR 200.331(a) *Requirements for Pass-through Entities*, which includes assurances that subrecipients will comply with the Single Audit Act. The requirements are built

into the agreement boilerplate materials published by the Finance Department on the Finance Alfresco Share site. Staff should consult their award letters (from the federal agency if a direct award, from the pass-through entity—such as the state—in cases of pass-through awards) to obtain the award information required to be included in the subrecipient awards issued by the County. Departments may find that elements required for their subrecipient agreements are not readily available from the funding agency. In such cases, departmental staff shall put as much descriptive information about the award in the agreement as possible (2. CFR 200.331(a)).

Subrecipients must be advised of the federal requirements and provisions of the subrecipient grant agreements, including any additional requirements imposed by the State of Oregon, Clackamas County, or the Department.

Special conditions may be imposed on subrecipients based on the level of risk assigned (2 CFR 200.205(b)).

Subrecipients that fall below the Single Audit threshold are still subject to subrecipient monitoring and also all applicable federal, state and local laws, rules, and regulations.

Extending Subrecipient Agreements

Subrecipient agreements can be extended via amendment if the following conditions apply:

- ✓ The programmatic and fiscal requirements do not change with the amendment.
- ✓ The funding agency has not issued a new agreement to the County for the funds used in the subrecipient agreement.
- ✓ Allowed by Clackamas County budget rules and administrative approval procedures.

If the above conditions do not apply, a new subrecipient agreement should be issued.

Post-award Monitoring Process

The County will monitor all subrecipients of federal financial assistance, in accordance with the regulations mentioned above, using a risk-based approach to ensure that federal funds have been spent in accordance with applicable laws and regulations. The County seeks to develop collaborative relationships with subrecipients through positive engagement, the sharing of expertise, and the provision technical assistance.

- Finance staff will develop an appropriate fiscal monitoring plan; departments are responsible for developing program monitoring plans and schedules. Fiscal monitoring may occur through inquiries, desk reviews and other means, but programmatic and financial site visits will occur not less than once every three years. When possible, site visits shall be coordinated between Finance and department staff to reduce the monitoring burden on subrecipients. If County subrecipients are also subrecipients of other local government entities, site visits may also be coordinated with those other local government entities to further reduce burden on subrecipients.

- In addition, Finance is responsible for requesting and reviewing audit reports from all subrecipients to ensure that they have met the Single Audit requirements of OMB Circular A-133 or the Uniform Code 2 CFR 200 Subpart F, whichever is in effect. All subrecipient agreements will contain a provision that subrecipients must provide audit reports directly to County in addition to submitting to the Federal Audit Clearinghouse (FAC).
- Finance shall issue a management decision on subrecipient audit findings within six months after receipt of the subrecipient's Single Audit report and ensure that corrective actions have been performed by the subrecipient and consider whether the subrecipient's Single Audit results necessitate adjustment of the County's own records.
- Subrecipients shall be required to permit the County and external auditors to have access to records and financial statements as needed.
- Previously completed risk assessments may be reassessed and revised based on subrecipient performance on the grant such as on the delivery of performance outcomes or submission of financial reporting, or on subsequent developments related to the subrecipient such as financial difficulties, changes in key staff, etc.
- County will maintain regular contact with subrecipients to ensure program goals and outcomes are on schedule and to provide technical assistance to subrecipients, where necessary.
- Department staff will review regular reporting from subrecipients per the subrecipient agreement. Department staff will monitor expenditures per approved budgets and review requests for reimbursement for adequate detail. The Grants unit in Finance may provide portions of this function depending on the negotiated Service Level Agreement (SLA) with the originating County department.
- If County staff responsible for grant oversight become aware of fraudulent activity on a County-funded award, Finance should be notified immediately. Finance will be responsible for notifying the County Internal Auditor and the funding agency, as required per grant agreements and state or federal regulations or statutes.

Award Closeout Requirements

Subrecipients shall be required to submit programmatic and financial closeout reporting, per subrecipient agreement. Subrecipients shall be required to complete equipment and residual supplies inventories, where applicable. County department staff shall seek feedback from subrecipients on completed programs, and will incorporate such feedback into future program designs.

Key Restrictions

Department staff conducting program monitoring are required to have the knowledge, skills, and abilities to conduct a quality desk review or on-site visit, as they are representatives of the County. Finance Department compliance personnel are also required to have the aforementioned skills in addition to a background in the Single Audit Act, prior audit experience, or specific training in conducting fiscal monitoring activities. Fiscal compliance monitoring is the responsibility of the Finance department.

Exceptions

Payments for goods and services to contractors using federal funds generally are not subject to audit or other monitoring activities under the Single Audit Act. The County's responsibility for contractors is to ensure that the procurement, receipt and payment for goods and services comply with laws, regulations and the provisions of contracts or grant agreements.

- **PROTECTED PERSONALLY IDENTIFIABLE INFORMATION (PROTECTED PII)**

The County is committed to protecting the personally identifiable information of its customers. It is the responsibility of County departments to take reasonable measures to safeguard Protected PII (as defined in this manual) and any other information an awarding agency may designate as sensitive, or which state law treats as sensitive. Departments should redact Protected PII from backup sent to Finance in the course of requesting financial transactions (payment vouchers, pcard receipts, etc). If a question arises as to whether or what information should be redacted, departments are encouraged to contact the Finance Grants Office for consultation.

- **COST SHARING (MATCH)**

Generally, any contributions received under a grant-funded project, including program income and in-kind contributions, will be accepted as part of the County's cost sharing or matching requirement so long as they:

- ✓ are posted to PeopleSoft,
- ✓ are necessary and reasonable,
- ✓ are allowable,
- ✓ and, for federal grants:
  - are not paid by the federal government under another award except where designated for cost sharing or matching,
  - are noted in the approved budget required by federal awarding agency,
  - do not count as contributions for other federally-assisted projects.

- **SITUATIONS REQUIRING PRIOR APPROVAL FROM THE FEDERAL AWARDING AGENCY**

Understanding those situations requiring prior approval from the federal awarding agency will save time and money. Costs incurred by the County that required, but did not receive, prior approval from the federal awarding agency may not be reimbursed if challenged during a site visit or an audit. 2 CFR Part 200 Section 200.308 covers prior approvals in detail. Generally, prior approval from the federal awarding agency is required in the following situations:

- ✓ revision of the scope or objective of the project
- ✓ changes in key personnel
- ✓ project director or principal investigator absent from project for more than 3 months or has reduced time devoted to project by 25%
- ✓ to incur certain types of costs

- ✓ transfers among direct cost categories that exceed 10% of the total approved budget in instances where the agency's share exceeds the Simplified Acquisition Threshold (current set at $150,000 at the time of this writing)
- ✓ to subcontract or subgrant some of the activities of the project central to the grant award
- ✓ changes in the amount of approved cost sharing or matching provided by the federal award recipient
- ✓ budget revisions requiring the need for additional funds need to extend period of availability of funds

- **REPORTING**

Grant awards typically require a fair amount of reporting with varying levels of detail. For federal awards, sections 200.327 and 200.328 under 2 CFR Part 200 give detailed guidance on federal reporting requirements for grant administration. Generally, grant reporting requires two types of reports: progress reports and financial reports. Refer to the guidance provided with your grant award for specifics on frequency and types of reporting requirements. All reports must be filed on time. Late reporting jeopardizes the County's status as a recipient of grant funds and puts continued funding at risk.

Progress Reports

Progress reports compare actual achievements with the goals stated for the reporting period, explain reasons why goals may not have been met, and explain cost overruns or high unit costs, where necessary. Progress reports are the responsibility of the recipient department. Program staff should prepare reports and Program Managers are responsible for reviewing and approving reports prior to filing. Any financial data must be obtained from the assigned grant accountant.

Financial Status Reports & Federal Financial Reports (FFRs)

The Grants Office will file all Federal Financial Reports (FFRs) unless other arrangements between Finance and a department have been made. The Grants Office will follow closely the guidance provided by the awarding agency when filing required FFRs. Both FFRs and non-federal financial status reports must be filed using PeopleSoft line item queries, from inception to the end of the reporting period. Queries should include grant revenues, expenditures, match, program income, etc., as applicable. Queries should be compared to the approved grant budget by grant accountants. Any transactions found to be unallowed or not approved for the grant budget should be removed by journal entry out of the grant award. The amount reported to the funding agency should be the net of all transactions less items to be removed via journal entry. Review and approval, prior to filing, should be obtained:

- For federal awards, from the Director of Finance, Assistant Director of Finance, or designee.
- For non-federal awards, at the department level from department fiscal managers or directors.

Reports should be signed and dated and filed, with the PeopleSoft backup, as backup to the financial status report or FFR in grant award records, either in the department (for non-federal awards) or in the Grants Office (for federal awards). These records must be provided to County auditors or awarding agency officials during site visits or as requested.

E. CLOSEOUT

▪ FINAL PHASE

The final stage in the grant lifecycle is grant closeout. This phase begins when either the grant award period has expired or the County draws down its entire grant award. Many awarding agencies will notify grant awardees to request final reports as the end of the grant term approaches. If County is nearing the end of its grant term but has not yet expended its entire grant award, it is often possible to seek a "no-cost" extension from the awarding agency. "No-cost" extension means that the award period is extended but no additional funding is provided.

2 CFR Part 200 Sections 200.343 thru 200.345 give detailed guidance on grant closeout activities on federal awards. Generally, the federal awarding agency will request and review the following items within 90 days after the expiration of the grant award:

- ✓ Work plan and progress reports
- ✓ Financial Status Reports
- ✓ Requests for payments
- ✓ Compliance with matching requirements
- ✓ Federally-owned property records
- ✓ Equipment and Residual Supplies inventories

As the federal awarding agency conducts its review, it can still discover and collect payments for disallowed costs and other deficits in the administration of the grant.

Other awarding agencies have varying requirements for closeout. Refer to your award documents for detailed explanations.

▪ RECORD RETENTION

Record retention requirements for federal award recipients appear in the *Record Retention and Access* section of 2 CFR Part 200 Sections 200.333 thru 200.337. The general rule for record retention is that the records must be retained for three years from the date of submission of the final expenditure report. However, various federal and non-federal funding agencies may have different requirements and departments should consult their award documents for specific requirements. Departments should work with the County Records office to maintain and dispose of their grant award records.

Exceptions

- For records related to litigation, claims or audits started before the three year period expires, department's must retain records until all actions have been resolved and final action related to the litigation, claims, or audits has been taken.

- For real property and equipment, records must be retained for three years from the date of final disposition of the property.

- For program income received after the period of performance, departments receiving federal awards must retain such records for three years after the end of the County's fiscal year during which the program income was earned. For example, if a department concludes its period of performance in 2015, but earns program income in 2017, then it must maintain those program income records for 3 years after the end of 2017.

VI. APPENDICES

▪ APPENDIX A: AUDIT CERTIFICATION REQUEST FORM

CLACKAMAS COUNTY SINGLE AUDIT CERTIFICATION REQUEST

Subrecipient Name:					
Subrecipient Address:					
Contact Name and Title:				Phone #:	
Agreement # (s):		Tax ID #:		Fiscal Period End Date:	

Non-federal entities that expend $750,000 or more in a year in federal awards shall have a single audit conducted in accordance with 2 CFR 200 Subpart F.

Non-federal entities that expend less than $750,000 in a year in federal awards are exempt from federal audit requirements for that year. Records must be available for review or audit by officials of the Federal government, State of Oregon, Clackamas County, GAO, or designee.

Please complete the appropriate section below and submit the completed form ***within 30 days of this request*** to:

Senior Compliance Specialist
Clackamas County Department of Finance
2051 Kaen Road, Oregon City, OR 97045
mwestbrook@clackamas.us

Section A: Organization subject to the requirements of 2 CFR 200 Subpart F

Please check the appropriate boxes and **provide all appropriate documents**:

☐ I hereby certify that for the fiscal year ended _____(date):

1. The auditor's report on financial data states that the audited information is fairly stated in all material respects; and
2. The administration of our federal projects has been audited in accordance with the Single Audit requirements of 2 CFR 200 Subpart F and there were no material instances of noncompliance with federal laws and regulations or reportable conditions; and
3. There were no findings of noncompliance in the audit report that are specifically related to the subrecipient award(s); and
4. Management has addressed the resolution of previous-year findings from prior audit reports if related to the subrecipient award(s).

☐ We have completed our Single Audit for the fiscal year ended _____(date), and material noncompliance issues and/or reportable conditions were noted.

Auditor's report was filed on _____(date).

☐ Enclosed is a copy of the audit report (OR)

☐ A link to the website where of a copy of the audit report is published has been provided. _____

OR

☐ We have not completed our Single Audit for the fiscal year ended _____ (date). We expect the audit to be completed by _____ (date). Within thirty (30) days of completion of the Single Audit we will provide a new Audit Certification along with the audit report and response (if applicable).

Section B: Organization NOT subject to the Single Audit requirements of 2 CFR 200 Subpart F

Our organization is not subject to the requirements of 2 CFR 200 Subpart F because we (please check one of the following):

☐ Are a for-profit organization.
☐ Are exempt for other reasons (explain): _____
☐ Did not expend $750,000 or more of federal funds during the fiscal year (**complete federal funds expenditure chart below**).

Federal Grantor	Pass-through Grantor	Program Name	CFDA Number	Expenditures
			Total Federal Expenditures for Entity's Previous Fiscal Year	

Failure to submit this or a similar statement, or failure to submit a completed single audit package as required by the required due date may result in suspension of funding and may affect eligibility for future funding.

_____ _____ _____
Authorized Signature Printed Name Title

- **APPENDIX B: SAMPLE SAM CHECK**

SAM Search Results
List of records matching your search for :

Search Term : Clackamas* "Women's"Services*
Record Status: Active

ENTITY	Clackamas Women's Services		Status:Active
DUNS: 959059759	+4:	CAGE Code: 48JS6	DoDAAC:
Expiration Date: Jan 20, 2016	Has Active Exclusion?: No	Delinquent Federal Debt?: No	
Address: 256 WARNER MILNE RD City: OREGON CITY ZIP Code: 97045-4014		State/Province: OREGON Country: UNITED STATES	

November 10, 2015 5:16 PM

Page 1 of 1

Note: the date at the bottom of the query is important for documentation purposes, as checks must be run prior to the issuance of an award. Keep this documentation in your grant files. Run a check (www.sam.gov) on a given entity each time it receives new funding. Required by law for federal awards, often required on state awards, best practice for all other awards.

- **APPENDIX C: GRANT APPLICATION LIFECYCLE FORM (FIRST PAGE ONLY)**

Grant Application Lifecycle Form

Use this form to track your potential grant from conception to submission.
Sections of this form are designed to be completed in collaboration between department program and fiscal

*** CONCEPTION ***

Section I: Funding Opportunity Information - To be completed by Requester

Lead Departmen _____ Grant Renewal? ☐ Yes ☐ No

Name of Funding Opportunity: _____

Funding Source: ☐ Federal ☐ State ☐ Local: _____

Requestor Information (Name of staff person initiating f _____

Requestor Contact Information: _____

Department Fiscal Representative: _____

Program Name or Number (please specify): _____

Brief Description of Project:

Name of Funding (Granting) Agency: _____

Agency's Web Address for Grant Guidelines and Contact Information:

OR

Application Packet Attached: ☐ Yes ☐ No

Completed By: _____ Date

*** NOW READY FOR SUBMISSION TO DEPARTMENT FISCAL REPRESENTATIVE ***

Section II: Funding Opportunity Information - To be completed by Department Fiscal Rep

☐ Competitive Grant ☐ Non-Competing Grant/Renewal ☐ Other Notification Date: _____

Announcement Date: _____ Announcement/Opportunity #: _____

Grant Category/Title: _____ Max Award Value: _____

Allows Indirect/Rate: _____ Match Requireme _____

Application Deadline: _____ Other Deadlines: _____

Grant Start Date: _____ Other Deadline Description: _____

- **APPENDIX D: GRANT SURVEY FORM**

GRANT SURVEY FORM

USE FOR ALL AWARDS

Clackamas County, Finance Department

Please return to Matt Westbrook in Finance (mwestbrook@clackamas.us)

Use this form to communicate with Finance after you have received your award agreement.

AWARD INFORMATION				COUNTY INFORMATION
Award Title:			Contact person name:	
Award Amount:			Manager:	
Award Period:		to	Phone:	
Awarding Agency:			Department / Division:	
Contract Number:			Board Resolution & Order #:	
CFDA #:		(N/A if state or local award)		
Match requirement?:		Indirect Rate: _____		
Match amount:		if applicable		

Line item where REVENUES are or will be posted:

Insert rows as needed to include all revenue information.

Account	Fund	Dept ID	Program	Project	DTD Job Cost
xxxxxx	xxx	xxxx	xxxxx	xxxxx	

Where EXPENDITURES are or will be posted:

Insert rows as needed to include all expenditure information.

Fund	Dept ID	Program	Project	DTD Job Cost
xxx	xxxx	xxxxx	xxxxx	

Please return a copy of the award agreement with this completed form. Electronic submissions preferred.

Policy effective: 10/1/15

Form Revised: 9/8/15

Original can be obtained on Finance's Alfresco Share site.

- **APPENDIX E: CHARTFIELD REQUEST FORM (DOWNLOAD ORIGINAL HERE)**

CLACKAMAS COUNTY

tonihes:
COMPLETE THE BLUE CELLS ONLY
along with the appropriate check box

COUNTY FINANCE
CHARTFIELD CHANGE REQUEST FORM

NAME OF REQUESTOR:	ORIGINATING DEPT/FUND	DATE OF REQUEST:
CHARTFIELD ACTION REQUEST: ☐ Activate ☐ Inactivate ☐ Rename	BUSINESS UNIT: CLACK	PHONE #:
IS THE REQUEST DEALING WITH GRANT FUNDS? ☐ Yes ☐ No	If Yes, please provide CFDA #:	

CHARTFIELD REQUEST:

PURPOSI

GESTED DESCRIPTION: (MAX 30 CHA

CHECK ONE:

☐ Dept ID (POD) — Start Date:

☐ Program

☐ Project — End Date:

☐ Revenue Account

☐ Expense Account

Suggested Number (optional

* Please provide any accounting strings that this new chartfield will be used with.

AUTHORIZATION		DATE
DEPARTMENT APPROVAL:		
GRANTS OFFICE APPROVAL:		
FINANCE DEPT APPROVAL (PEO		
BUDGET APPROVAL (BRASS):		

FOR FINANCE DEPARTMENT USE ONLY:

PEOPLESOFT LONG DESCRIPTION: (MAX 30 CHA	
PEOPLESOFT SHORT DESCRIPTION: (MAX 10 CH	

CHARTFIELD STRING (TO BE SET UP BY FINANCE)				
Fund	Dept	Program	Account	Project

PROCESSED BY:		Copy Distribution:
DATE:		☐ Finance ☐ Requestor
UPDATE SUBSYSTEM(S)?	☐ Yes ☐ No	☐ Budget

ENTRY PROCESS:

☐ Confirm Valid Tree ☐ Tree Incl Confirm & Input (Fund) ☐ Build Combo Data ☐ Combo Edit Rules

☐ Input to PeopleSoft ☑ Fund-Dept Combo Edit ☐ Brass ☐ Project Master

- **APPENDIX F: INTERFUND BILLING FORM (OBTAIN FORM FROM FINANCE)**

CLACKAMAS COUNTY

Please Remit To:
DEPARTMENT OF FINANCE
2051 Kaen Road
Oregon City, OR 97045
(503) 742-5400

DEPARTMENT: _____ INTERFUND NO: CC-88315

ATTENTION: _____ DATE: _____

BUDGET YEAR: _____

DESCRIPTION OF CHARGES	AMOUNT

INVOICE TOTAL: $ _____

Distribution: White & Yellow - Customer Pink & Goldenrod - A/R

REVENUE DISTRIBUTION:

FUND	DEPT	PROGRAM	ACCOUNT	PROJECT/GRANT	AMOUNT
					$
					$
					$
					$
					$
					$
				TOTAL	$

Billing Dept.: _____ DOC #: _____ DATE: _____ INIT: _____

EXPENSE DISTRIBUTION:

Authorized Party: _____ Signature **Date:** _____ **Contact Name:** _____

FUND	DEPT	PROGRAM	ACCOUNT	PROJECT/GRANT	AMOUNT
					$
					$
					$
					$
					$
					$
				TOTAL	$

If more space is needed for expense distribution, please attach an additional sheet.

"A/R USE ONLY"

DOC #: _____ DATE: _____ INIT: _____

COF-6A18 (Rev. 12/16)

- **APPENDIX G: DEPARTMENTAL CHECK & CASH LOG (DOWNLOAD ORIGINAL HERE)**

PREPARED BY:	DEPARTMENT:	DATE RECEIVED:		
		DATE DEPOSITED:		
	TO: FINANCE			
CHECK FROM:	**AMOUNT:**	**CHARTFIELD**	**A/R or G/R Billing #, if applicable**	This form required if revenue is grant-related. All grant revenue must be sent to Finance for processing.
Total:	$0.00			
CASH FROM:	**AMOUNT:**			Signature(s) [two required per Treasury policy] / Date
Total:	$0.00			
Worksheet Total	$0.00	Deposit Received by [Finance]:		

- **APPENDIX H: CERTIFICATE OF TIME ATTENDANCE (DOWNLOAD ORIGINAL HERE)**

To Be Printed on Department Letterhead

(Must be completed no less than every six months or at close-out of award, whichever is sooner)

To: The Finance Department - Grants unit

Certification of Time and Attendance

Employee Name:_____

Employee Title:_____

Department/Division:_____

Time Period:_____

I certify that 100% my time was spent performing the following duties for the grant award identified below.

Description of duties performed for the federal program:

_____

Grant Award Number:

_____

County Finance Chartfield:

_____

_____

Employee Signature Date

Supervisor Signature Date

- **APPENDIX I: SUBRECIPIENT VS. CONTRACTOR DETERMINATION CHECKLIST (DOWNLOAD ORIGINAL HERE)**

Clackamas County

Subrecipient/ Contractor Determination Checklist

Has Clackamas County been designated by the awarding entity as a contractor on this funding?

If yes, STOP --your issuance is a subcontract , not a subrecipient agreement.

Contract Name:	Contract #:
Contract Period:	Award Period:
Funding Agency:	CFDA #:

Characteristics indicative of a subrecipient:	CHOOSE ONE
1) Entity determines who is eligible to receive entity's services.	Yes or No
If the answer to question 1 is YES; STOP HERE. The entity is a subrecipient.	
2) Entity performance is measured against Federal program objectives, fulfills the mission of the Federal grant.	Yes or No
3) Entity has responsibility for programmatic decision making; designing and implementing the program within the parameters of	Yes or No
4) Entity has direct responsibility to adhere to applicable Federal program compliance requirements.	Yes or No
5) Entity uses the Federal funds to carry out a program provided by the entity as compared to providing goods or services for a program of the County.	Yes or No
Characteristics indicative of a contractor:	
1) Entity provides the goods and services within entity's normal business operations.	Yes or No
2) Entity provides similar goods or services to many different purchasers.	Yes or No
3) Entity operates in a competitive environment; similar to that of private industry.	Yes or No
4) Entity provides goods or services that support the County's operation of the Federal program.	Yes or No
5) Entity is not subject to compliance requirements of the Federal program. The County is responsible for these.	Yes or No

Determination:	Subrecipient / Contractor

Brief narrrative justifying determination: _____

Panel Members: _____

Program Manager (or responsible party) Signature: _____ Date

Department/Division Manager Signature: _____ Date

- **APPENDIX J: PROPERTY RECORDS CHECKLIST**

Asset Number	
Ownership (Feds or Grantee)	
Original Award Number	
Follow-on Award Number (If applicable)	
Description	
Source/Vendor	
Financial Transaction Number (if available)	
ID#	
Date Acquired	
Cost per Unit	
% of Federal Ownership	
Last Reported Location	
Last Reported Condition	
Last Reported Use	
Date of Last Report	
Disposed (Y/N)	
If Y, Date of Disposal	
Disposal Sales Price	

- **APPENDIX K: SUBRECIPIENT QUESTIONNAIRE**

Organization: _____

1) Does your organization have its financial statements audited or reviewed by an independent accounting firm?

_____ Yes. If you have not already done so within the past 12 months, please submit a copy of the most recent audited financial statements, opinion letter, and any written communication to management, or provide a link if they are posted on your website.

_____ No. Please explain.

2) Other than financial statements, has any aspect of your activities been audited, reviewed, or monitored within the past two years by a governmental agency or an independent public accounting firm?

_____ Yes. Please provide a copy of any reports/letters that were issued.

_____ No. Please explain.

3) Do you or your organization's financial staff have a working knowledge of the OMB Circular 2 CFR 200 and other relevant federal guidelines that are applicable to determining cost allowability for federal expenditures?

_____ Yes.

_____ No.

4) Describe your organization's procedures to ensure that only costs deemed allowable, per the federal guidelines, are billed to the County under this agreement.

5) Does your organization have a financial management system that can separately track the source and use of funds of individual subrecipient agreements?

_____ Yes.

_____ No. Please explain.

6) Does your organization have procedures that provide assurance that consistent, fair and equitable treatment is applied in the distribution of charges to all funding sources?

_____ Yes.

_____ No.

7) Does your organization have controls to prevent invoicing in excess of approved or budgeted amounts?

_____ Yes.

_____ No.

8) Does your organization have a system to document time and labor that is compliant with the time and effort reporting standards outlined in 2 CFR 200.430?

_____ Yes.

_____ No. Please explain.

9) Have you entered into any sub-award (subcontract) agreements with another entity using funds provided by the County?

_____ Yes. If so, please explain.

_____ No.

Signature: _____ Date: _____

Name and Title: _____

E-mail: _____

- **APPENDIX L: TRAINING/TRAVEL REQUEST AUTHORIZATION FORM**

CLACKAMAS COUNTY

TRAINING / TRAVEL
REQUEST AUTHORIZATION FORM
Refer to County Policy No. 92-979

ACCOUNTING CODES:	Fund	Dept.	Prog	Account	Proj/Grnt
Training & Staff Development (Registration Only)	_____	_____	_____	439200	_____
Travel & Mileage (All Other Conference Costs)	_____	_____	_____	433100	_____

Name of Traveler: _____
First Middle Initial Last Name

A. PER DIEM: **COSTS**

Return check on or before _____
Number of days _____ @ rate/day _____ Total (A) _____
Vendor # _____ Voucher # _____

B. REGISTRATION PAYABLE TO: ***(Mail/R-T-D)***

Name: _____
Address: _____
Pd. by procurement card
Yes ☐ No ☐
Total (B) _____
Vendor # _____ Voucher # _____

C. LODGING / ACCOMMODATIONS PAYABLE TO: ***(Mail/R-T-D)***

Name: _____
Address: _____
Pd. by procurement card
Yes ☐ No ☐
Conf # _____
Lodging _____ days @ _____ per day plus _____ % tax Total (C) _____
Vendor # _____ Voucher # _____

D. TRAVEL PAYABLE TO: ***(Mail/R-T-D)***

Name: _____
Address: _____
Pd. by procurement card
Yes ☐ No ☐
Inv # _____ Total (D) _____
Vendor # _____ Voucher # _____

E. AFTER TRAVEL REIMBURSABLE EXPENSES: ***(Mail/R-T-D)***
Private Car _____ mi. @ _____ per mile _____
Taxis, Shuttle, Parking, Phone, etc. _____
***Receipts attached** Total (E) _____
Vendor # _____ Voucher # _____

APPROVING SIGNATURES:

GRAND TOTAL – A-E _____

Traveler: _____ Owed to traveler* _____

Authorized By: _____ Date: _____ REIMBURSEMENT APPROVAL: _____

Finance Review: _____
Vendor # _____ Voucher # _____

Authority is requested for travel to: _____ Inclusive Dates: _____

Purpose of Travel: (Location, Event, Sponsoring Organization-attach copy of explanatory material, e.g. brochure) _____

Benefit to County:

Distribution: White, Canary, Pink-Finance Goldenrod-Traveler/Dept.

CCP-FA11 (4/10)

▪ APPENDIX M: SELECTED ITEMS OF COST

2 CFR Part 200 Sections 200.420 thru 200.475 titled General *Provisions for Selected Items of Cost* provide principles to be applied in establishing the allowability of certain items of cost. These principles apply whether a cost is treated as direct or indirect. Failure to mention a particular item of cost is not intended to imply that it is unallowable; rather, determination of allowability in each case should be based on the treatment standards provided for similar or related items of cost.

General Provisions for Selected Items of Cost

200.420 Considerations for selected items of cost.
200.421 Advertising and public relations.
200.422 Advisory councils.
200.423 Alcoholic beverages.
200.424 Alumni/ae activities.
200.425 Audit services.
200.426 Bad debts.
200.427 Bonding costs.
200.428 Collections of improper payments.
200.429 Commencement and convocation costs.
200.430 Compensation—personal services.
200.431 Compensation—fringe benefits.
200.432 Conferences.
200.433 Contingency provisions.
200.434 Contributions and donations.
200.435 Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringements.
200.436 Depreciation.
200.437 Employee health and welfare costs.
200.438 Entertainment costs.
200.439 Equipment and other capital expenditures.
200.440 Exchange rates.
200.441 Fines, penalties, damages and other settlements.
200.442 Fund raising and investment management costs.
200.443 Gains and losses on disposition of depreciable assets.
200.444 General costs of government.
200.445 Goods or services for personal use.
200.446 Idle facilities and idle capacity.
200.447 Insurance and indemnification.
200.448 Intellectual property.
200.449 Interest.
200.450 Lobbying.
200.451 Losses on other awards or contracts.
200.452 Maintenance and repair costs.
200.453 Materials and supplies costs, including costs of computing devices.
200.454 Memberships, subscriptions, and professional activity costs.
200.455 Organization costs.
200.456 Participant support costs.
200.457 Plant and security costs.
200.458 Pre-award costs.
200.459 Professional service costs.
200.460 Proposal costs.
200.461 Publication and printing costs.
200.462 Rearrangement and reconversion costs.
200.463 Recruiting costs.
200.464 Relocation costs of employees.
200.465 Rental costs of real property and equipment.
200.466 Scholarships and student aid costs.
200.467 Selling and marketing costs.
200.468 Specialized service facilities.
200.469 Student activity costs.
200.470 Taxes (including Value Added Tax).
200.471 Termination costs.
200.472 Training and education costs.
200.473 Transportation costs.
200.474 Travel costs.
200.475 Trustees.

§200.420 Considerations for selected items of cost.

This section provides principles to be applied in establishing the allowability of certain items involved in determining cost, in addition to the requirements of Subtitle II. Basic Considerations of this subpart. These principles apply whether or not a particular item of cost is properly treated as direct cost or indirect (F&A) cost. Failure to mention a particular item of cost is not intended to imply that it is either allowable or unallowable; rather, determination as to allowability in each case should be based on the treatment provided for similar or related items of cost, and based on the principles described in §§200.402 Composition of costs through 200.411 Adjustment of previously negotiated indirect (F&A) cost rates containing unallowable costs. In case of a discrepancy between the provisions of a specific federal award and the provisions below, the federal award governs. Criteria outlined in §200.403 Factors affecting allowability of *costs* must be applied in determining allowability. See also §200.102 Exceptions.

§200.421 Advertising and public relations.

(a) 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.

(b) The only allowable advertising costs are those which are solely for:

(1) The recruitment of personnel required by the non-federal entity for performance of a federal award (See also §200.463 Recruiting costs);

(2) The procurement of goods and services for the performance of a federal award;

(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; or

(4) Program outreach and other specific purposes necessary to meet the requirements of the federal award.

(c) 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.

(d) The only allowable public relations costs are:

(1) Costs specifically required by the federal award;

(2) 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); or

(3) 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.

(e) Unallowable advertising and public relations costs include the following:

(1) All advertising and public relations costs other than as specified in paragraphs (b) and (d) of this section;

(2) Costs of meetings, conventions, convocations, or other events related to other activities of the entity (see also §200.432 Conferences), 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; and

(iii) Salaries and wages of employees engaged in setting up and displaying exhibits, making demonstrations, and providing briefings;

(3) Costs of promotional items and memorabilia, including models, gifts, and souvenirs;

(4) Costs of advertising and public relations designed solely to promote the non-federal entity.

§200.422 Advisory councils.

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. See §200.444 General costs of government, applicable to states, local governments and Indian tribes.

§200.423 Alcoholic beverages.

Costs of alcoholic beverages are unallowable.

§200.424 Alumni/ae activities.

Costs incurred by IHEs for, or in support of, alumni/ae activities are unallowable.

§200.425 Audit services.

(a) 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, are allowable. However, the following audit costs are unallowable:

(1) 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; and

(2) 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.

(b) The costs of a financial statement audit of a non-federal entity that does not currently have a federal award may be included in the indirect cost pool for a cost allocation plan or indirect cost proposal.

(c) 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:

(1) Conducted in accordance with GAGAS attestation standards;

(2) Paid for and arranged by the pass-through entity; and

(3) Limited in scope to one or more of the following types of compliance requirements: activities allowed or unallowed; allowable costs/cost principles; eligibility; and reporting.

§200.426 Bad debts.

Bad debts (debts which have been determined to be uncollectable), including losses (whether actual or estimated) arising from uncollectable accounts and other claims, are unallowable. Related collection costs, and related legal costs, arising from such debts after they have been determined to be uncollectable are also unallowable. See also §200.428 Collections of improper payments.

§200.427 Bonding costs.

(a) 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) Costs of bonding required pursuant to the terms and conditions of the federal award are allowable.

(c) 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.

§200.428 Collections of improper payments.

The costs incurred by a non-federal entity to recover improper payments are allowable as either direct or indirect costs, as appropriate. Amounts collected may be used by the non-federal entity in accordance with cash management standards set forth in §200.305 *Payment.*

§200.429 Commencement and convocation costs.

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.

§200.430 Compensation—personal services.

(a) *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 which are addressed in §200.431 Compensation—fringe benefits. 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 conforms to the established written policy of the non-federal entity consistently applied to both federal and non-federal activities;

(2) Follows an appointment made in accordance with a non-federal entity's laws and/or rules or written policies and meets the requirements of federal statute, where applicable; and

(3) Is determined and supported as provided in paragraph (i) of this section, Standards for Documentation of Personnel Expenses, when applicable.

(b) *Reasonableness.* Compensation for employees engaged in work on federal awards will be considered reasonable to the extent that it is consistent with that paid for similar work in other activities of the non-federal entity. In cases where the kinds of employees required for federal awards are not found in the other activities of the non-federal entity, compensation will be considered reasonable to the extent that it is comparable to that paid for similar work in the labor market in which the non-federal entity competes for the kind of employees involved.

(c) *Professional activities outside the non-federal entity.* Unless an arrangement is specifically authorized by a federal awarding agency, a non-federal entity must follow its written non-federal entity-wide policies and practices concerning the permissible extent of professional services that can be provided outside the non-federal entity for non-organizational compensation. Where such non-federal entity-wide written policies do not exist or do not adequately define the permissible extent of consulting or other non-organizational activities undertaken for extra outside pay, the federal government may require that the effort of professional staff working on federal awards be allocated between:

(1) Non-federal entity activities, and

(2) Non-organizational professional activities. If the federal awarding agency considers the extent of non-organizational professional effort excessive or inconsistent with the conflicts-of-interest terms and conditions of the federal award, appropriate arrangements governing compensation will be negotiated on a case-by-case basis.

(d) *Unallowable costs.* (1) Costs which are unallowable under other sections of these principles must not be allowable under this section solely on the basis that they constitute personnel compensation.

(2) The allowable compensation for certain employees is subject to a ceiling in accordance with statute. For the amount of the ceiling for cost-reimbursement contracts, the covered compensation subject to the ceiling, the covered employees, and other relevant provisions, see 10 U.S.C. 2324(e)(1)(P), and 41 U.S.C. 1127 and 4304(a)(16). For other types of federal awards, other statutory ceilings may apply.

(e) *Special considerations.* Special considerations in determining allowability of compensation will be given to any change in a non-federal entity's compensation policy resulting in a substantial increase in its employees' level of compensation (particularly when the change was concurrent with an increase in the ratio of federal awards to other activities) or any change in the treatment of allowability of specific types of compensation due to changes in federal policy.

(f) *Incentive compensation.* Incentive compensation to employees based on cost reduction, or efficient performance, suggestion awards, safety awards, etc., is allowable to the extent that the overall compensation is determined to be reasonable and such costs are paid or accrued pursuant to an agreement entered into in good faith between the non-federal entity and the employees before the services were rendered, or pursuant to an established plan followed by the non-federal entity so consistently as to imply, in effect, an agreement to make such payment.

(g) *Nonprofit organizations.* For compensation to members of nonprofit organizations, trustees, directors, associates, officers, or the immediate families thereof, determination should be made that such compensation is reasonable for the actual personal services rendered rather than a distribution of earnings in excess of costs. This may include directors and executive committee member's fees, incentive awards, allowances for off-site pay, incentive pay, location allowances, hardship pay, and cost-of-living differentials.

(h) *Institutions of higher education (IHEs).* (1) Certain conditions require special consideration and possible limitations in determining allowable personnel compensation costs under federal awards. Among such conditions are the following:

(i) Allowable activities. Charges to federal awards may include reasonable amounts 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.

(ii) Incidental activities. Incidental activities for which supplemental compensation is allowable under written institutional policy (at a rate not to exceed institutional base salary) need not be included in the records described in paragraph (h)(9) of this section to directly charge payments of incidental activities, such activities must either be specifically provided for in the federal award budget or receive prior written approval by the federal awarding agency.

(2) *Salary basis.* 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 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. 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.

(3) *Intra-Institution of Higher Education (IHE) consulting.* Intra-IHE consulting by faculty is assumed to be undertaken as an IHE obligation requiring no compensation in addition to IBS. However, in unusual cases where consultation is across departmental lines or involves a separate or remote operation, and the work performed by the faculty member is in addition to his or her regular responsibilities, any charges for such work representing additional compensation above IBS are allowable provided that such consulting arrangements are specifically provided for in the federal award or approved in writing by the federal awarding agency.

(4) Extra Service Pay normally represents overload compensation, subject to institutional compensation policies for services above and beyond IBS. Where extra service pay is a result of Intra-IHE consulting, it is subject to the same requirements of paragraph (b) above. It is allowable if all of the following conditions are met:

(i) The non-federal entity establishes consistent written policies which apply uniformly to all faculty members, not just those working on federal awards.

(ii) The non-federal entity establishes a consistent written definition of work covered by IBS which is specific enough to determine conclusively when work beyond that level has occurred. This may be described in appointment letters or other documentations.

(iii) The supplementation amount paid is commensurate with the IBS rate of pay and the amount of additional work performed. See paragraph (h)(2) of this section.

(iv) The salaries, as supplemented, fall within the salary structure and pay ranges established by and documented in writing or otherwise applicable to the non-federal entity.

(v) The total salaries charged to federal awards including extra service pay are subject to the Standards of Documentation as described in paragraph (i) of this section.

(5) *Periods outside the academic year.* (i) Except as specified for teaching activity in paragraph (h)(5)(ii) of this section, charges for work performed by faculty members on federal awards during periods not included in the base salary period will be at a rate not in excess of the IBS.

(ii) Charges for teaching activities performed by faculty members on federal awards during periods not included in IBS period will be based on the normal written policy of the IHE governing compensation to faculty members for teaching assignments during such periods.

(6) *Part-time faculty.* Charges for work performed on federal awards by faculty members having only part-time appointments will be determined at a rate not in excess of that regularly paid for part-time assignments.

(7) *Sabbatical leave costs.* Rules for sabbatical leave are as follow:

(i) Costs of leaves of absence by employees for performance of graduate work or sabbatical study, travel, or research are allowable provided the IHE has a uniform written policy on sabbatical leave for persons engaged in instruction and persons engaged in research. Such costs will be allocated on an equitable basis among all related activities of the IHE.

(ii) Where sabbatical leave is included in fringe benefits for which a cost is determined for assessment as a direct charge, the aggregate amount of such assessments applicable to all work of the institution during the base period must be reasonable in relation to the IHE's actual experience under its sabbatical leave policy.

(8) *Salary rates for non-faculty members.* Non-faculty full-time professional personnel may also earn “extra service pay” in accordance with the non-federal entity's written policy and consistent with paragraph (h)(1)(i) of this section.

(i) *Standards for Documentation of Personnel Expenses* (1) Charges to federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

(i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;

(ii) Be incorporated into the official records of the non-federal entity;

(iii) Reasonably reflect the total activity for which the employee is compensated by the non-federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS);

(iv) Encompass both federally assisted and all other activities compensated by the non-federal entity on an integrated basis, but may include the use of subsidiary records as defined in the non-federal entity's written policy;

(v) Comply with the established accounting policies and practices of the non-federal entity (See paragraph (h)(1)(ii) above for treatment of incidental work for IHEs.); and

(vi) [Reserved]

(vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one federal award; a federal award and non-federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.

(viii) Budget estimates (i.e., estimates determined before the services are performed) alone do not qualify as support for charges to federal awards, but may be used for interim accounting purposes, provided that:

(A) The system for establishing the estimates produces reasonable approximations of the activity actually performed;

(B) Significant changes in the corresponding work activity (as defined by the non-federal entity's written policies) are identified and entered into the records in a timely manner. Short term (such as one or two months) fluctuation between workload categories need not be considered as long as the distribution of salaries and wages is reasonable over the longer term; and

(C) The non-federal entity's system of internal controls includes processes to review after-the-fact interim charges made to a federal awards based on budget estimates. All necessary adjustment must be made such that the final amount charged to the federal award is accurate, allowable, and properly allocated.

(ix) Because practices vary as to the activity constituting a full workload (for IHEs, IBS), records may reflect categories of activities expressed as a percentage distribution of total activities.

(x) It is recognized that teaching, research, service, and administration are often inextricably intermingled in an academic setting. When recording salaries and wages charged to federal

awards for IHEs, a precise assessment of factors that contribute to costs is therefore not always feasible, nor is it expected.

(2) For records which meet the standards required in paragraph (i)(1) of this section, the non-federal entity will not be required to provide additional support or documentation for the work performed, other than that referenced in paragraph (i)(3) of this section.

(3) In accordance with Department of Labor regulations implementing the Fair Labor Standards Act (FLSA) (29 CFR part 516), charges for the salaries and wages of nonexempt employees, in addition to the supporting documentation described in this section, must also be supported by records indicating the total number of hours worked each day.

(4) Salaries and wages of employees used in meeting cost sharing or matching requirements on federal awards must be supported in the same manner as salaries and wages claimed for reimbursement from federal awards.

(5) For states, local governments and Indian tribes, substitute processes or systems for allocating salaries and wages to federal awards may be used in place of or in addition to the records described in paragraph (1) if approved by the cognizant agency for indirect cost. Such systems may include, but are not limited to, random moment sampling, “rolling” time studies, case counts, or other quantifiable measures of work performed.

(i) Substitute systems which use sampling methods (primarily for Temporary Assistance for Needy Families (TANF), the Supplemental Nutrition Assistance Program (SNAP), Medicaid, and other public assistance programs) must meet acceptable statistical sampling standards including:

(A) The sampling universe must include all of the employees whose salaries and wages are to be allocated based on sample results except as provided in paragraph (i)(5)(iii) of this section;

(B) The entire time period involved must be covered by the sample; and

(C) The results must be statistically valid and applied to the period being sampled.

(ii) Allocating charges for the sampled employees' supervisors, clerical and support staffs, based on the results of the sampled employees, will be acceptable.

(iii) Less than full compliance with the statistical sampling standards noted in subsection (5)(i) may be accepted by the cognizant agency for indirect costs if it concludes that the amounts to be allocated to federal awards will be minimal, or if it concludes that the system proposed by the non-federal entity will result in lower costs to federal awards than a system which complies with the standards.

(6) Cognizant agencies for indirect costs are encouraged to approve alternative proposals based on outcomes and milestones for program performance where these are clearly documented. Where approved by the federal cognizant agency for indirect costs, these plans are acceptable as an alternative to the requirements of paragraph (i)(1) of this section.

(7) For federal awards of similar purpose activity or instances of approved blended funding, a non-federal entity may submit performance plans that incorporate funds from multiple federal awards and account for their combined use based on performance-oriented metrics, provided that such plans are approved in advance by all involved federal awarding agencies. In these instances, the non-federal entity must submit a request for waiver of the requirements based on documentation that describes the method of charging costs, relates the charging of costs to the specific activity that is applicable to all fund sources, and is based on quantifiable measures of the activity in relation to time charged.

(8) For a non-federal entity where the records do not meet the standards described in this section, the federal government may require personnel activity reports, including prescribed certifications, or equivalent documentation that support the records as required in this section.

§200.431 Compensation—fringe benefits.

(a) 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. Except as provided elsewhere in these principles, the costs of fringe benefits are allowable provided that the benefits are reasonable and are required by law, non-federal entity-employee agreement, or an established policy of the non-federal entity.

(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; and,

(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.

(i) When a non-federal entity uses the cash basis of accounting, the cost of leave is recognized in the period that the leave is taken and paid for. Payments for unused leave when an employee retires or terminates employment are allowable as indirect costs in the year of payment.

(ii) The accrual basis may be only used for those types of leave for which a liability as defined by GAAP exists when the leave is earned. When a non-federal entity uses the accrual basis of accounting, allowable leave costs are the lesser of the amount accrued or funded.

(c) 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 (see paragraph (i) of

this section); and other similar benefits are allowable, provided such benefits are granted under established written policies. Such benefits, must be allocated to federal awards and all other activities in a manner consistent with the pattern of benefits attributable to the individuals or group(s) of employees whose salaries and wages are chargeable to such federal awards and other activities, and charged as direct or indirect costs in accordance with the non-federal entity's accounting practices.

(d) Fringe benefits may be assigned to cost objectives by identifying specific benefits to specific individual employees or by allocating on the basis of entity-wide salaries and wages of the employees receiving the benefits. When the allocation method is used, separate allocations must be made to selective groupings of employees, unless the non-federal entity demonstrates that costs in relationship to salaries and wages do not differ significantly for different groups of employees.

(e) *Insurance.* See also §200.447 Insurance and indemnification, paragraphs (d)(1) and (2).

(1) Provisions for a reserve under a self-insurance program for unemployment compensation or workers' compensation are allowable to the extent that the provisions represent reasonable estimates of the liabilities for such compensation, and the types of coverage, extent of coverage, and rates and premiums would have been allowable had insurance been purchased to cover the risks. However, provisions for self-insured liabilities which do not become payable for more than one year after the provision is made must not exceed the present value of the liability.

(2) Costs of insurance on the lives of trustees, officers, or other employees holding positions of similar responsibility are allowable only to the extent that the insurance represents additional compensation. The costs of such insurance when the non-federal entity is named as beneficiary are unallowable.

(3) Actual claims paid to or on behalf of employees or former employees for workers' compensation, unemployment compensation, severance pay, and similar employee benefits (e.g., post-retirement health benefits), are allowable in the year of payment provided that the non-federal entity follows a consistent costing policy and they are allocated as indirect costs.

(f) *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.

(g) *Pension Plan Costs.* Pension plan costs which are incurred in accordance with the established policies of the non-federal entity are allowable, provided that:

(1) Such policies meet the test of reasonableness.

(2) The methods of cost allocation are not discriminatory.

(3) For entities using accrual based accounting, the cost assigned to each fiscal year is determined in accordance with GAAP.

(4) The costs assigned to a given fiscal year are funded for all plan participants within six months after the end of that year. However, 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).

(5) Pension plan termination insurance premiums paid pursuant to the Employee Retirement Income Security Act (ERISA) of 1974 (29 U.S.C. 1301-1461) are allowable. Late payment charges on such premiums are unallowable. Excise taxes on accumulated funding deficiencies and other penalties imposed under ERISA are unallowable.

(6) Pension plan costs may be computed using a pay-as-you-go method or an acceptable actuarial cost method in accordance with established written policies of the non-federal entity.

(i) For pension plans financed on a pay-as-you-go method, allowable costs will be limited to those representing actual payments to retirees or their beneficiaries.

(ii) Pension costs calculated using an actuarial cost-based method recognized by GAAP are allowable for a given fiscal year if they are funded for that year within six months after the end of that year. Costs funded after the six month period (or a later period agreed to by the cognizant agency for indirect costs) are allowable in the year funded. The cognizant agency for indirect costs may agree to an extension of the six month period if an appropriate adjustment is made to compensate for the timing of the charges to the federal government and related federal reimbursement and the non-federal entity's contribution to the pension fund. Adjustments may be made by cash refund or other equitable procedures to compensate the federal government for the time value of federal reimbursements in excess of contributions to the pension fund.

(iii) Amounts funded by the non-federal entity in excess of the actuarially determined amount for a fiscal year may be used as the non-federal entity's contribution in future periods.

(iv) When a non-federal entity converts to an acceptable actuarial cost method, as defined by GAAP, and funds pension costs in accordance with this method, the unfunded liability at the time of conversion is allowable if amortized over a period of years in accordance with GAAP.

(v) The federal government must receive an equitable share of any previously allowed pension costs (including earnings thereon) which revert or inure to the non-federal entity in the form of a refund, withdrawal, or other credit.

(h) *Post-Retirement Health.* Post-retirement health plans (PRHP) refers to costs of health insurance or health services not included in a pension plan covered by paragraph (g) of this section for retirees and their spouses, dependents, and survivors. PRHP costs may be computed

using a pay-as-you-go method or an acceptable actuarial cost method in accordance with established written policies of the non-federal entity.

(1) For PRHP financed on a pay-as-you-go method, allowable costs will be limited to those representing actual payments to retirees or their beneficiaries.

(2) PRHP costs calculated using an actuarial cost method recognized by GAAP are allowable if they are funded for that year within six months after the end of that year. Costs funded after the six month period (or a later period agreed to by the cognizant agency) are allowable in the year funded. The federal cognizant agency for indirect costs may agree to an extension of the six month period if an appropriate adjustment is made to compensate for the timing of the charges to the federal government and related federal reimbursements and the non-federal entity's contributions to the PRHP fund. Adjustments may be made by cash refund, reduction in current year's PRHP costs, or other equitable procedures to compensate the federal government for the time value of federal reimbursements in excess of contributions to the PRHP fund.

(3) Amounts funded in excess of the actuarially determined amount for a fiscal year may be used as the federal government's contribution in a future period.

(4) When a non-federal entity converts to an acceptable actuarial cost method and funds PRHP costs in accordance with this method, the initial unfunded liability attributable to prior years is allowable if amortized over a period of years in accordance with GAAP, or, if no such GAAP period exists, over a period negotiated with the cognizant agency for indirect costs.

(5) To be allowable in the current year, the PRHP costs must be paid either to:

(i) An insurer or other benefit provider as current year costs or premiums, or

(ii) An insurer or trustee to maintain a trust fund or reserve for the sole purpose of providing post-retirement benefits to retirees and other beneficiaries.

(6) The federal government must receive an equitable share of any amounts of previously allowed post-retirement benefit costs (including earnings thereon) which revert or inure to the entity in the form of a refund, withdrawal, or other credit.

(i) *Severance Pay.* (1) Severance pay, also commonly referred to as dismissal wages, is a payment in addition to regular salaries and wages, by non-federal entities to workers whose employment is being terminated. Costs of severance pay are allowable only to the extent that in each case, it is required by (a) law, (b) employer-employee agreement, (c) established policy that constitutes, in effect, an implied agreement on the non-federal entity's part, or (d) circumstances of the particular employment.

(2) Costs of severance payments are divided into two categories as follows:

(i) Actual normal turnover severance payments must be allocated to all activities; or, where the non-federal entity provides for a reserve for normal severances, such method will be acceptable

if the charge to current operations is reasonable in light of payments actually made for normal severances over a representative past period, and if amounts charged are allocated to all activities of the non-federal entity.

(ii) Measurement of costs of abnormal or mass severance pay by means of an accrual will not achieve equity to both parties. Thus, accruals for this purpose are not allowable. However, the federal government recognizes its obligation to participate, to the extent of its fair share, in any specific payment. Prior approval by the federal awarding agency or cognizant agency for indirect cost, as appropriate, is required.

(3) Costs incurred in certain severance pay packages which are in an amount in excess of the normal severance pay paid by the non-federal entity to an employee upon termination of employment and are paid to the employee contingent upon a change in management control over, or ownership of, the non-federal entity's assets, are unallowable.

(4) Severance payments to foreign nationals employed by the non-federal entity outside the United States, to the extent that the amount exceeds the customary or prevailing practices for the non-federal entity in the United States, are unallowable, unless they are necessary for the performance of federal programs and approved by the federal awarding agency.

(5) Severance payments to foreign nationals employed by the non-federal entity outside the United States due to the termination of the foreign national as a result of the closing of, or curtailment of activities by, the non-federal entity in that country, are unallowable, unless they are necessary for the performance of federal programs and approved by the federal awarding agency.

(j)(1) *For IHEs only.* Fringe benefits in the form of tuition or remission of tuition for individual employees are allowable, provided such benefits are granted in accordance with established non-federal entity policies, and are distributed to all non-federal entity activities on an equitable basis. Tuition benefits for family members other than the employee are unallowable.

(2) Fringe benefits in the form of tuition or remission of tuition for individual employees not employed by IHEs are limited to the tax-free amount allowed per section 127 of the Internal Revenue Code as amended.

(3) IHEs may offer employees tuition waivers or tuition reductions for undergraduate education under IRC Section 117(d) as amended, provided that the benefit does not discriminate in favor of highly compensated employees. Federal reimbursement of tuition or remission of tuition is also limited to the institution for which the employee works. See §200.466 Scholarships and student aid costs, for treatment of tuition remission provided to students.

(k) For IHEs whose costs are paid by state or local governments, fringe benefit programs (such as pension costs and FICA) and any other benefits costs specifically incurred on behalf of, and in direct benefit to, the non-federal entity, are allowable costs of such non-federal entities whether

or not these costs are recorded in the accounting records of the non-federal entities, subject to the following:

(1) The costs meet the requirements of Basic Considerations in §§200.402 Composition of costs through 200.411 Adjustment of previously negotiated indirect (F&A) cost rates containing unallowable costs of this subpart;

(2) The costs are properly supported by approved cost allocation plans in accordance with applicable federal cost accounting principles; and

(3) The costs are not otherwise borne directly or indirectly by the federal government.

§200.432 Conferences.

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. 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 hosts/sponsors must exercise discretion and judgment in ensuring that conference costs are appropriate, necessary and managed in a manner that minimizes costs to the federal award. The federal awarding agency may authorize exceptions where appropriate for programs including Indian tribes, children, and the elderly. See also §§200.438 Entertainment costs, 200.456 Participant support costs, 200.474 Travel costs, and 200.475 Trustees.

§200.433 Contingency provisions.

(a) Contingency is that part of a budget estimate of future costs (typically of large construction projects, IT systems, or other items as approved by the federal awarding agency) which is associated with possible events or conditions arising from causes the precise outcome of which is indeterminable at the time of estimate, and that experience shows will likely result, in aggregate, in additional costs for the approved activity or project. Amounts for major project scope changes, unforeseen risks, or extraordinary events may not be included.

(b) It is permissible for contingency amounts other than those excluded in paragraph (b)(1) of this section to be explicitly included in budget estimates, to the extent they are necessary to improve the precision of those estimates. Amounts must be estimated using broadly-accepted cost estimating methodologies, specified in the budget documentation of the federal award, and accepted by the federal awarding agency. As such, contingency amounts are to be included in the federal award. In order for actual costs incurred to be allowable, they must comply with the cost principles and other requirements in this part (see also §§200.300 Statutory and national policy requirements through 200.309 Period of performance of Subpart D of this part and

200.403 Factors affecting allowability of costs); be necessary and reasonable for proper and efficient accomplishment of project or program objectives, and be verifiable from the non-federal entity's records.

(c) Payments made by the federal awarding agency to the non-federal entity's “contingency reserve” or any similar payment made for events the occurrence of which cannot be foretold with certainty as to the time or intensity, or with an assurance of their happening, are unallowable, except as noted in §§200.431 Compensation—fringe benefits regarding self-insurance, pensions, severance and post-retirement health costs and 200.447 Insurance and indemnification.

§200.434 Contributions and donations.

(a) Costs of contributions and donations, including cash, property, and services, from the non-federal entity to other entities, are unallowable.

(b) The value of services and property donated to the non-federal entity may not be charged to the federal award either as a direct or indirect (F&A) cost. The value of donated services and property may be used to meet cost sharing or matching requirements (see §200.306 Cost sharing or matching). Depreciation on donated assets is permitted in accordance with §200.436 Depreciation, as long as the donated property is not counted towards cost sharing or matching requirements.

(c) Services donated or volunteered to the non-federal entity may be furnished to a non-federal entity by professional and technical personnel, consultants, and other skilled and unskilled labor. The value of these services is not allowable either as a direct or indirect cost. However, the value of donated services may be used to meet cost sharing or matching requirements in accordance with the provisions of §200.306 Cost sharing or matching.

(d) To the extent feasible, services donated to the non-federal entity will be supported by the same methods used to support the allocability of regular personnel services.

(e) The following provisions apply to nonprofit organizations. The value of services donated to the nonprofit organization utilized in the performance of a direct cost activity must be considered in the determination of the non-federal entity's indirect cost rate(s) and, accordingly, must be allocated a proportionate share of applicable indirect costs when the following circumstances exist:

(1) The aggregate value of the services is material;

(2) The services are supported by a significant amount of the indirect costs incurred by the non-federal entity;

(i) In those instances where there is no basis for determining the fair market value of the services rendered, the non-federal entity and the cognizant agency for indirect costs must negotiate an appropriate allocation of indirect cost to the services.

(ii) Where donated services directly benefit a project supported by the federal award, the indirect costs allocated to the services will be considered as a part of the total costs of the project. Such indirect costs may be reimbursed under the federal award or used to meet cost sharing or matching requirements.

(f) Fair market value of donated services must be computed as described in §200.306 Cost sharing or matching.

(g) Personal Property and Use of Space.

(1) Donated personal property and use of space may be furnished to a non-federal entity. The value of the personal property and space is not reimbursable either as a direct or indirect cost.

(2) The value of the donations may be used to meet cost sharing or matching share requirements under the conditions described in §§200.300 Statutory and national policy requirements through 200.309 Period of performance of subpart D of this part. The value of the donations must be determined in accordance with §§200.300 Statutory and national policy requirements through 200.309 Period of performance. Where donations are treated as indirect costs, indirect cost rates will separate the value of the donations so that reimbursement will not be made.

§200.435 Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringements.

(a) Definitions for the purposes of this section.

(1) *Conviction* means a judgment or conviction of a criminal offense by any court of competent jurisdiction, whether entered upon verdict or a plea, including a conviction due to a plea of nolo contendere.

(2) *Costs* include the services of in-house or private counsel, accountants, consultants, or others engaged to assist the non-federal entity before, during, and after commencement of a judicial or administrative proceeding, that bear a direct relationship to the proceeding.

(3) *Fraud* means:

(i) Acts of fraud or corruption or attempts to defraud the federal government or to corrupt its agents,

(ii) Acts that constitute a cause for debarment or suspension (as specified in agency regulations), and

(iii) Acts which violate the False Claims Act (31 U.S.C. 3729-3732) or the Anti-kickback Act (41 U.S.C. 1320a-7b(b)).

(4) *Penalty* does not include restitution, reimbursement, or compensatory damages.

(5) *Proceeding* includes an investigation.

(b) *Costs.* (1) Except as otherwise described herein, costs incurred in connection with any criminal, civil or administrative proceeding (including filing of a false certification) commenced by the federal government, a state, local government, or foreign government, or joined by the federal government (including a proceeding under the False Claims Act), against the non-federal entity, (or commenced by third parties or a current or former employee of the non-federal entity who submits a whistleblower complaint of reprisal in accordance with 10 U.S.C. 2409 or 41 U.S.C. 4712), are not allowable if the proceeding:

(i) Relates to a violation of, or failure to comply with, a federal, state, local or foreign statute, regulation or the terms and conditions of the federal award, by the non-federal entity (including its agents and employees); and

(ii) Results in any of the following dispositions:

(A) In a criminal proceeding, a conviction.

(B) In a civil or administrative proceeding involving an allegation of fraud or similar misconduct, a determination of non-federal entity liability.

(C) In the case of any civil or administrative proceeding, the disallowance of costs or the imposition of a monetary penalty, or an order issued by the federal awarding agency head or delegate to the non-federal entity to take corrective action under 10 U.S.C. 2409 or 41 U.S.C. 4712.

(D) A final decision by an appropriate federal official to debar or suspend the non-federal entity, to rescind or void a federal award, or to terminate a federal award for default by reason of a violation or failure to comply with a statute, regulation, or the terms and conditions of the federal award.

(E) A disposition by consent or compromise, if the action could have resulted in any of the dispositions described in paragraphs (b)(1)(ii)(A) through (D) of this section.

(2) If more than one proceeding involves the same alleged misconduct, the costs of all such proceedings are unallowable if any results in one of the dispositions shown in paragraph (b) of this section.

(c) If a proceeding referred to in paragraph (b) of this section is commenced by the federal government and is resolved by consent or compromise pursuant to an agreement by the non-federal entity and the federal government, then the costs incurred may be allowed to the extent specifically provided in such agreement.

(d) If a proceeding referred to in paragraph (b) of this section is commenced by a state, local or foreign government, the authorized federal official may allow the costs incurred if such authorized official determines that the costs were incurred as a result of:

(1) A specific term or condition of the federal award, or

(2) Specific written direction of an authorized official of the federal awarding agency.

(e) Costs incurred in connection with proceedings described in paragraph (b) of this section, which are not made unallowable by that subsection, may be allowed but only to the extent that:

(1) The costs are reasonable and necessary in relation to the administration of the federal award and activities required to deal with the proceeding and the underlying cause of action;

(2) Payment of the reasonable, necessary, allocable and otherwise allowable costs incurred is not prohibited by any other provision(s) of the federal award;

(3) The costs are not recovered from the Federal Government or a third party, either directly as a result of the proceeding or otherwise; and,

(4) An authorized federal official must determine the percentage of costs allowed considering the complexity of litigation, generally accepted principles governing the award of legal fees in civil actions involving the United States, and such other factors as may be appropriate. Such percentage must not exceed 80 percent. However, if an agreement reached under paragraph (c) of this section has explicitly considered this 80 percent limitation and permitted a higher percentage, then the full amount of costs resulting from that agreement are allowable.

(f) Costs incurred by the non-federal entity in connection with the defense of suits brought by its employees or ex-employees under section 2 of the Major Fraud Act of 1988 (18 U.S.C. 1031), including the cost of all relief necessary to make such employee whole, where the non-federal entity was found liable or settled, are unallowable.

(g) Costs of prosecution of claims against the federal government, including appeals of final federal agency decisions, are unallowable.

(h) Costs of legal, accounting, and consultant services, and related costs, incurred in connection with patent infringement litigation, are unallowable unless otherwise provided for in the federal award.

(i) Costs which may be unallowable under this section, including directly associated costs, must be segregated and accounted for separately. During the pendency of any proceeding covered by paragraphs (b) and (f) of this section, the federal government must generally withhold payment of such costs. However, if in its best interests, the federal government may provide for conditional payment upon provision of adequate security, or other adequate assurance, and agreement to repay all unallowable costs, plus interest, if the costs are subsequently determined to be unallowable.

§200.436 Depreciation.

(a) Depreciation is the method for allocating the cost of fixed assets to periods benefitting from asset use. The non-federal entity may be compensated for the use of its buildings, capital improvements, equipment, and software projects capitalized in accordance with GAAP, provided that they are used, needed in the non-federal entity's activities, and properly allocated to federal awards. Such compensation must be made by computing depreciation.

(b) The allocation for depreciation must be made in accordance with Appendices IV through VIII.

(c) Depreciation is computed applying the following rules. The computation of depreciation must be based on the acquisition cost of the assets involved. For an asset donated to the non-federal entity by a third party, its fair market value at the time of the donation must be considered as the acquisition cost. Such assets may be depreciated or claimed as matching but not both. For this purpose, the acquisition cost will exclude:

(1) The cost of land;

(2) Any portion of the cost of buildings and equipment borne by or donated by the federal government, irrespective of where title was originally vested or where it is presently located;

(3) Any portion of the cost of buildings and equipment contributed by or for the non-federal entity, or where law or agreement prohibits recovery; and

(4) Any asset acquired solely for the performance of a non-federal award.

(d) When computing depreciation charges, the following must be observed:

(1) The period of useful service or useful life established in each case for usable capital assets must take into consideration such factors as type of construction, nature of the equipment, technological developments in the particular area, historical data, and the renewal and replacement policies followed for the individual items or classes of assets involved.

(2) The depreciation method used to charge the cost of an asset (or group of assets) to accounting periods must reflect the pattern of consumption of the asset during its useful life. In the absence of clear evidence indicating that the expected consumption of the asset will be significantly greater in the early portions than in the later portions of its useful life, the straight-line method must be presumed to be the appropriate method. Depreciation methods once used may not be changed unless approved in advance by the cognizant agency. The depreciation methods used to calculate the depreciation amounts for indirect (F&A) rate purposes must be the same methods used by the non-federal entity for its financial statements.

(3) The entire building, including the shell and all components, may be treated as a single asset and depreciated over a single useful life. A building may also be divided into multiple components. Each component item may then be depreciated over its estimated useful life. The building components must be grouped into three general components of a building: building shell (including construction and design costs), building services systems (e.g., elevators, HVAC, plumbing system and heating and air-conditioning system) and fixed equipment (e.g., sterilizers,

casework, fume hoods, cold rooms and glassware/washers). In exceptional cases, a cognizant agency may authorize a non-federal entity to use more than these three groupings. When a non-federal entity elects to depreciate its buildings by its components, the same depreciation methods must be used for indirect (F&A) purposes and financial statements purposes, as described in paragraphs (d)(1) and (2) of this section.

(4) No depreciation may be allowed on any assets that have outlived their depreciable lives.

(5) Where the depreciation method is introduced to replace the use allowance method, depreciation must be computed as if the asset had been depreciated over its entire life (i.e., from the date the asset was acquired and ready for use to the date of disposal or withdrawal from service). The total amount of use allowance and depreciation for an asset (including imputed depreciation applicable to periods prior to the conversion from the use allowance method as well as depreciation after the conversion) may not exceed the total acquisition cost of the asset.

(e) Charges for depreciation must be supported by adequate property records, and physical inventories must be taken at least once every two years to ensure that the assets exist and are usable, used, and needed. Statistical sampling techniques may be used in taking these inventories. In addition, adequate depreciation records showing the amount of depreciation taken each period must also be maintained.

§200.437 Employee health and welfare costs.

(a) Costs incurred in accordance with the non-federal entity's documented policies for the improvement of working conditions, employer-employee relations, employee health, and employee performance are allowable.

(b) Such costs will be equitably apportioned to all activities of the non-federal entity. Income generated from any of these activities will be credited to the cost thereof unless such income has been irrevocably sent to employee welfare organizations.

(c) Losses resulting from operating food services are allowable only if the non-federal entity's objective is to operate such services on a break-even basis. Losses sustained because of operating objectives other than the above are allowable only:

(1) Where the non-federal entity can demonstrate unusual circumstances; and

(2) With the approval of the cognizant agency for indirect costs.

§200.438 Entertainment costs.

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.

§200.439 Equipment and other capital expenditures.

(a) See §§200.13 Capital expenditures, 200.33 Equipment, 200.89 Special purpose equipment, 200.48 General purpose equipment, 200.2 Acquisition cost, and 200.12 Capital assets.

(b) The following rules of allowability must apply to equipment and other capital expenditures:

(1) 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.

(2) 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.

(3) Capital expenditures for improvements to land, buildings, or equipment which materially increase their value or useful life are unallowable as a direct cost except with the prior written approval of the federal awarding agency, or pass-through entity. See §200.436 Depreciation, for rules on the allowability of depreciation on buildings, capital improvements, and equipment. See also §200.465 Rental costs of real property and equipment.

(4) When approved as a direct charge pursuant to paragraphs (b)(1) through (3) of this section, capital expenditures will be charged in the period in which the expenditure is incurred, or as otherwise determined appropriate and negotiated with the federal awarding agency.

(5) The unamortized portion of any equipment written off as a result of a change in capitalization levels may be recovered by continuing to claim the otherwise allowable depreciation on the equipment, or by amortizing the amount to be written off over a period of years negotiated with the federal cognizant agency for indirect cost.

(6) Cost of equipment disposal. If the non-federal entity is instructed by the federal awarding agency to otherwise dispose of or transfer the equipment the costs of such disposal or transfer are allowable.

§200.440 Exchange rates.

(a) Cost increases for fluctuations in exchange rates are allowable costs subject to the availability of funding, and prior approval by the federal awarding agency. The federal awarding agency must however ensure that adequate funds are available to cover currency fluctuations in order to avoid a violation of the Anti-Deficiency Act.

(b) 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.

§200.441 Fines, penalties, damages and other settlements.

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. See also §200.435 Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringements.

§200.442 Fund raising and investment management costs.

(a) 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. Fund raising costs for the purposes of meeting the federal program objectives are allowable with prior written approval from the federal awarding agency. Proposal costs are covered in §200.460 Proposal costs.

(b) Costs of investment counsel and staff and similar expenses incurred to enhance income from investments are unallowable except when associated with investments covering pension, self-insurance, or other funds which include federal participation allowed by this part.

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

(d) Both allowable and unallowable fund raising and investment activities must be allocated as an appropriate share of indirect costs under the conditions described in §200.413 Direct costs.

§200.443 Gains and losses on disposition of depreciable assets.

(a) 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.

(b) Gains and losses from the disposition of depreciable property must not be recognized as a separate credit or charge under the following conditions:

(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.

(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.

(3) A loss results from the failure to maintain permissible insurance, except as otherwise provided in §46*200.447 Insurance and indemnification.

(4) Compensation for the use of the property was provided through use allowances in lieu of depreciation.

(5) Gains and losses arising from mass or extraordinary sales, retirements, or other dispositions must be considered on a case-by-case basis.

(c) 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.

(d) When assets acquired with federal funds, in part or wholly, are disposed of, the distribution of the proceeds must be made in accordance with §§200.310 Insurance Coverage through 200.316 Property trust relationship.

§200.444 General costs of government.

(a) For states, local governments, and Indian Tribes, the general costs of government are unallowable (except as provided in §200.474 Travel costs). Unallowable costs include:

(1) Salaries and expenses of the Office of the Governor of a state or the chief executive of a local government or the chief executive of an Indian tribe;

(2) Salaries and other expenses of a state legislature, tribal council, or similar local governmental body, such as a County supervisor, city council, school board, etc., whether incurred for purposes of legislation or executive direction;

(3) Costs of the judicial branch of a government;

(4) Costs of prosecutorial activities unless treated as a direct cost to a specific program if authorized by statute or regulation (however, this does not preclude the allowability of other legal activities of the Attorney General as described in §200.435 Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringements); and

(5) Costs of other general types of government services normally provided to the general public, such as fire and police, unless provided for as a direct cost under a program statute or regulation.

(b) For Indian tribes and Councils Of Governments (COGs) (see §200.64 Local government), the portion of salaries and expenses directly attributable to managing and operating federal programs by the chief executive and his or her staff is allowable. Up to 50% of these costs can be included in the indirect cost calculation without documentation.

§200.445 Goods or services for personal use.

(a) 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) 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.

§200.446 Idle facilities and idle capacity.

(a) As used in this section the following terms have the meanings set forth in this section:

(1) Facilities means land and buildings or any portion thereof, equipment individually or collectively, or any other tangible capital asset, wherever located, and whether owned or leased by the non-federal entity.

(2) Idle facilities means completely unused facilities that are excess to the non-federal entity's current needs.

(3) Idle capacity means the unused capacity of partially used facilities. It is the difference between:

(i) That which a facility could achieve under 100 percent operating time on a one-shift basis less operating interruptions resulting from time lost for repairs, setups, unsatisfactory materials, and other normal delays and;

(ii) The extent to which the facility was actually used to meet demands during the accounting period. A multi-shift basis should be used if it can be shown that this amount of usage would normally be expected for the type of facility involved.

(4) Cost of idle facilities or idle capacity means costs such as maintenance, repair, housing, rent, and other related costs, e.g., insurance, interest, and depreciation. These costs could include the costs of idle public safety emergency facilities, telecommunications, or information technology system capacity that is built to withstand major fluctuations in load, e.g., consolidated data centers.

(b) The costs of idle facilities are unallowable except to the extent that:

(1) They are necessary to meet workload requirements which may fluctuate and are allocated appropriately to all benefiting programs; or

(2) Although not necessary to meet fluctuations in workload, they were necessary when acquired and are now idle because of changes in program requirements, efforts to achieve more economical operations, reorganization, termination, or other causes which could not have been reasonably foreseen. Under the exception stated in this subsection, costs of idle facilities are

allowable for a reasonable period of time, ordinarily not to exceed one year, depending on the initiative taken to use, lease, or dispose of such facilities.

(c) The costs of idle capacity are normal costs of doing business and are a factor in the normal fluctuations of usage or indirect cost rates from period to period. Such costs are allowable, provided that the capacity is reasonably anticipated to be necessary to carry out the purpose of the federal award or was originally reasonable and is not subject to reduction or elimination by use on other federal awards, subletting, renting, or sale, in accordance with sound business, economic, or security practices. Widespread idle capacity throughout an entire facility or among a group of assets having substantially the same function may be considered idle facilities.

§200.447 Insurance and indemnification.

(a) Costs of insurance required or approved and maintained, pursuant to the federal award, are allowable.

(b) Costs of other insurance in connection with the general conduct of activities are allowable subject to the following limitations:

(1) Types and extent and cost of coverage are in accordance with the non-federal entity's policy and sound business practice.

(2) Costs of insurance or of contributions to any reserve covering the risk of loss of, or damage to, federal government property are unallowable except to the extent that the federal awarding agency has specifically required or approved such costs.

(3) Costs allowed for business interruption or other similar insurance must exclude coverage of management fees.

(4) Costs of insurance on the lives of trustees, officers, or other employees holding positions of similar responsibilities are allowable only to the extent that the insurance represents additional compensation (see §200.431 Compensation—fringe benefits). The cost of such insurance when the non-federal entity is identified as the beneficiary is unallowable.

(5) Insurance against defects. Costs of insurance with respect to any costs incurred to correct defects in the non-federal entity's materials or workmanship are unallowable.

(6) Medical liability (malpractice) insurance. Medical liability insurance is an allowable cost of federal research programs only to the extent that the federal research programs involve human subjects or training of participants in research techniques. Medical liability insurance costs must be treated as a direct cost and must be assigned to individual projects based on the manner in which the insurer allocates the risk to the population covered by the insurance.

(c) Actual losses which could have been covered by permissible insurance (through a self-insurance program or otherwise) are unallowable, unless expressly provided for in the federal award. However, costs incurred because of losses not covered under nominal deductible

insurance coverage provided in keeping with sound management practice, and minor losses not covered by insurance, such as spoilage, breakage, and disappearance of small hand tools, which occur in the ordinary course of operations, are allowable.

(d) Contributions to a reserve for certain self-insurance programs including workers' compensation, unemployment compensation, and severance pay are allowable subject to the following provisions:

(1) The type of coverage and the extent of coverage and the rates and premiums would have been allowed had insurance (including reinsurance) been purchased to cover the risks. However, provision for known or reasonably estimated self-insured liabilities, which do not become payable for more than one year after the provision is made, must not exceed the discounted present value of the liability. The rate used for discounting the liability must be determined by giving consideration to such factors as the non-federal entity's settlement rate for those liabilities and its investment rate of return.

(2) Earnings or investment income on reserves must be credited to those reserves.

(3)(i) Contributions to reserves must be based on sound actuarial principles using historical experience and reasonable assumptions. Reserve levels must be analyzed and updated at least biennially for each major risk being insured and take into account any reinsurance, coinsurance, etc. Reserve levels related to employee-related coverages will normally be limited to the value of claims:

(A) Submitted and adjudicated but not paid;

(B) Submitted but not adjudicated; and

(C) Incurred but not submitted.

(ii) Reserve levels in excess of the amounts based on the above must be identified and justified in the cost allocation plan or indirect cost rate proposal.

(4) Accounting records, actuarial studies, and cost allocations (or billings) must recognize any significant differences due to types of insured risk and losses generated by the various insured activities or agencies of the non-federal entity. If individual departments or agencies of the non-federal entity experience significantly different levels of claims for a particular risk, those differences are to be recognized by the use of separate allocations or other techniques resulting in an equitable allocation.

(5) Whenever funds are transferred from a self-insurance reserve to other accounts (e.g., general fund or unrestricted account), refunds must be made to the federal government for its share of funds transferred, including earned or imputed interest from the date of transfer and debt interest, if applicable, chargeable in accordance with applicable federal cognizant agency for indirect cost, claims collection regulations.

(e) Insurance refunds must be credited against insurance costs in the year the refund is received.

(f) Indemnification includes securing the non-federal entity against liabilities to third persons and other losses not compensated by insurance or otherwise. The federal government is obligated to indemnify the non-federal entity only to the extent expressly provided for in the federal award, except as provided in paragraph (c) of this section.

§200.448 Intellectual property.

(a) *Patent costs.* (1) The following costs related to securing patents and copyrights are allowable:

(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;

(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

(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).

(2) The following costs related to securing patents and copyrights are unallowable:

(i) Costs of preparing disclosures, reports, and other documents, and of searching the art to make disclosures not required by the federal award;

(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.

(b) *Royalties and other costs for use of patents and copyrights.* (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:

(i) The federal government already has a license or the right to free use of the patent or copyright.

(ii) The patent or copyright has been adjudicated to be invalid, or has been administratively determined to be invalid.

(iii) The patent or copyright is considered to be unenforceable.

(iv) The patent or copyright is expired.

(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:

(i) Royalties paid to persons, including corporations, affiliated with the non-federal entity.

(ii) Royalties paid to unaffiliated parties, including corporations, under an agreement entered into in contemplation that a federal award would be made.

(iii) Royalties paid under an agreement entered into after a federal award is made to a non-federal entity.

(3) In any case involving a patent or copyright formerly owned by the non-federal entity, the amount of royalty allowed should not exceed the cost which would have been allowed had the non-federal entity retained title thereto.

§200.449 Interest.

(a) *General.* 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. Financing costs (including interest) to acquire, construct, or replace capital assets are allowable, subject to the conditions in this section.

(b)(1) Capital assets is defined as noted in §200.12 Capital assets. An asset cost includes (as applicable) acquisition costs, construction costs, and other costs capitalized in accordance with GAAP.

(2) For non-federal entity fiscal years beginning on or after January 1, 2016, intangible assets include patents and computer software. For software development projects, only interest attributable to the portion of the project costs capitalized in accordance with GAAP is allowable.

(c) *Conditions for all non-federal entities.* (1) The non-federal entity uses the capital assets in support of federal awards;

(2) The allowable asset costs to acquire facilities and equipment are limited to a fair market value available to the non-federal entity from an unrelated (arm's length) third party.

(3) The non-federal entity obtains the financing via an arm's-length transaction (that is, a transaction with an unrelated third party); or claims reimbursement of actual interest cost at a rate available via such a transaction.

(4) The non-federal entity limits claims for federal reimbursement of interest costs to the least expensive alternative. For example, a capital lease may be determined less costly than Procurement through debt financing, in which case reimbursement must be limited to the amount of interest determined if leasing had been used.

(5) The non-federal entity expenses or capitalizes allowable interest cost in accordance with GAAP.

(6) Earnings generated by the investment of borrowed funds pending their disbursement for the asset costs are used to offset the current period's allowable interest cost, whether that cost is expensed or capitalized. Earnings subject to being reported to the federal Internal Revenue Service under arbitrage requirements are excludable.

(7) The following conditions must apply to debt arrangements over $1 million to purchase or construct facilities, unless the non-federal entity makes an initial equity contribution to the purchase of 25 percent or more. For this purpose, “initial equity contribution” means the amount or value of contributions made by the non-federal entity for the acquisition of facilities prior to occupancy.

(i) The non-federal entity must reduce claims for reimbursement of interest cost by an amount equal to imputed interest earnings on excess cash flow attributable to the portion of the facility used for federal awards.

(ii) The non-federal entity must impute interest on excess cash flow as follows:

(A) Annually, the non-federal entity must prepare a cumulative (from the inception of the project) report of monthly cash inflows and outflows, regardless of the funding source. For this purpose, inflows consist of federal reimbursement for depreciation, amortization of capitalized construction interest, and annual interest cost. Outflows consist of initial equity contributions, debt principal payments (less the pro-rata share attributable to the cost of land), and interest payments.

(B) To compute monthly cash inflows and outflows, the non-federal entity must divide the annual amounts determined in step (i) by the number of months in the year (usually 12) that the building is in service.

(C) For any month in which cumulative cash inflows exceed cumulative outflows, interest must be calculated on the excess inflows for that month and be treated as a reduction to allowable interest cost. The rate of interest to be used must be the three-month Treasury bill closing rate as of the last business day of that month.

(8) Interest attributable to a fully depreciated asset is unallowable.

(d) Additional conditions for states, local governments and Indian tribes. For costs to be allowable, the non-federal entity must have incurred the interest costs for buildings after October 1, 1980, or for land and equipment after September 1, 1995.

(1) The requirement to offset interest earned on borrowed funds against current allowable interest cost (paragraph (c)(5), above) also applies to earnings on debt service reserve funds.

(2) The non-federal entity will negotiate the amount of allowable interest cost related to the acquisition of facilities with asset costs of $1 million or more, as outlined in paragraph (c)(7) of this section. For this purpose, a non-federal entity must consider only cash inflows and outflows attributable to that portion of the real property used for federal awards.

(e) Additional conditions for IHEs. For costs to be allowable, the IHE must have incurred the interest costs after September 23, 1982, in connection with acquisitions of capital assets that occurred after that date.

(f) Additional condition for nonprofit organizations. For costs to be allowable, the nonprofit organization incurred the interest costs after September 29, 1995, in connection with acquisitions of capital assets that occurred after that date.

(g) The interest allowability provisions of this section do not apply to a nonprofit organization subject to "full coverage" under the Cost Accounting Standards (CAS), as defined at 48 CFR 9903.201-2(a). The non-federal entity's federal awards are instead subject to CAS 414 (48 CFR 9904.414), "Cost of Money as an Element of the Cost of Facilities Capital", and CAS 417 (48 CFR 9904.417), "Cost of Money as an Element of the Cost of Capital Assets Under Construction".

§200.450 Lobbying.

(a) The cost of certain influencing activities associated with obtaining grants, contracts, cooperative agreements, or loans is an unallowable cost. 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 "Governmentwide 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) 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 federal award or regulatory matter on any basis other than the merits of the matter.

(c) In addition to the above, the following restrictions are applicable to nonprofit organizations and IHEs:

(1) Costs associated with the following activities are unallowable:

(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;

(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;

(iii) Any attempt to influence:

(A)The introduction of federal or state legislation;

(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);

(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

(D) Any government official or employee in connection with a decision to sign or veto enrolled legislation;

(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.

(2) The following activities are excepted from the coverage of paragraph (c)(1) of this section:

(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;

(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 authorized by statute to be undertaken with funds from the federal award.

(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:

(A) Nonpartisan analysis, study, or research reports;

(B) Examinations and discussions of broad social, economic, and similar problems; and

(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(c)(1)-(c)(3).

(v) When a non-federal entity seeks reimbursement for indirect (F&A) costs, total lobbying costs must be separately identified in the indirect (F&A) cost rate proposal, and thereafter treated as other unallowable activity costs in accordance with the procedures of §200.413 Direct costs.

(vi) The non-federal entity must submit as part of its annual indirect (F&A) cost rate proposal a certification that the requirements and standards of this section have been complied with. (See also §200.415 Required certifications.)

(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:

(*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

(*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.

(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.

(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.

§200.451 Losses on other awards or contracts.

Any excess of costs over income under any other award or contract of any nature is unallowable. This includes, but is not limited to, the non-federal entity's contributed portion by reason of cost-sharing agreements or any under-recoveries through negotiation of flat amounts for indirect (F&A) costs. Also, any excess of costs over authorized funding levels transferred from any award or contract to another award or contract is unallowable. All losses are not allowable indirect

(F&A) costs and are required to be included in the appropriate indirect cost rate base for allocation of indirect costs.

§200.452 Maintenance and repair costs.

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.

§200.453 Materials and supplies costs, including costs of computing devices.

(a) Costs incurred for materials, supplies, and fabricated parts necessary to carry out a federal award are allowable.

(b) Purchased materials and supplies must be charged at their actual prices, net of applicable credits. Withdrawals from general stores or stockrooms should be charged at their actual net cost under any recognized method of pricing inventory withdrawals, consistently applied. Incoming transportation charges are a proper part of materials and supplies costs.

(c) 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.

(d) Where federally-donated or furnished materials are used in performing the federal award, such materials will be used without charge.

§200.454 Memberships, subscriptions, and professional activity costs.

(a) Costs of the non-federal entity's membership in business, technical, and professional organizations are allowable.

(b) Costs of the non-federal entity's subscriptions to business, professional, and technical periodicals are allowable.

(c) Costs of membership in any civic or community organization are allowable with prior approval by the federal awarding agency or pass-through entity.

(d) Costs of membership in any country club or social or dining club or organization are unallowable.

(e) Costs of membership in organizations whose primary purpose is lobbying are unallowable. See also §200.450 Lobbying.

§200.455 Organization costs.

Costs such as incorporation fees, brokers' fees, fees to promoters, organizers or management consultants, attorneys, accountants, or investment counselor, whether or not employees of the non-federal entity in connection with establishment or reorganization of an organization, are unallowable except with prior approval of the federal awarding agency.

§200.456 Participant support costs.

Participant support costs as defined in §200.75 Participant support costs are allowable with the prior approval of the federal awarding agency.

§200.457 Plant and security costs.

Necessary and reasonable expenses incurred for routine and security to protect 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.

§200.458 Pre-award costs.

Pre-award costs are those incurred prior to the effective date of the federal award directly pursuant to the negotiation and in anticipation of the federal award where such costs are necessary for efficient and timely performance of the scope of work. Such costs are allowable only to the extent that they would have been allowable if incurred after the date of the federal award and only with the written approval of the federal awarding agency.

§200.459 Professional service costs.

(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.

(3) The past pattern of such costs, particularly in the years prior to federal awards.

(4) The impact of federal awards on the non-federal entity's business (i.e., what new problems have arisen).

(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.

(6) Whether the service can be performed more economically by direct employment rather than contracting.

(7) The qualifications of the individual or concern rendering the service and the customary fees charged, especially on non-federally funded activities.

(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).

(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.

§200.460 Proposal costs.

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. 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 will be allocable to the current period.

§200.461 Publication and printing costs.

(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.

(b) Page charges for professional journal publications are allowable where:

(1) The publications report work supported by the federal government; and

(2) The charges are levied impartially on all items published by the journal, whether or not under a federal award.

(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.

§200.462 Rearrangement and reconversion costs.

(a) 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.

(b) 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.

§200.463 Recruiting costs.

(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 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.

(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.

(c) Where relocation costs incurred incident to recruitment of a new employee have been funded in whole or in part as a direct cost 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.

(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:

(1) Be critical and necessary for the conduct of the project;

(2) Be allowable under the applicable cost principles;

(3) Be consistent with the non-federal entity's cost accounting practices and non-federal entity policy; and

(4) Meet the definition of “direct cost” as described in the applicable cost principles.

§200.464 Relocation costs of employees.

(a) 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. Relocation costs are allowable, subject to the limitations described in paragraphs (b), (c), and (d) of this section, provided that:

(1) The move is for the benefit of the employer.

(2) Reimbursement to the employee is in accordance with an established written policy consistently followed by the employer.

(3) The reimbursement does not exceed the employee's actual (or reasonably estimated) expenses.

(b) Allowable relocation costs for current employees are limited to the following:

(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.

(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.

(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.

(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.

(5) Other necessary and reasonable expenses normally incident to relocation, such as the costs of canceling an unexpired lease, transportation of personal property, and Procurement insurance against loss of or damages to personal property. The cost of canceling an unexpired lease is limited to three times the monthly rental.

(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 allowed either as a direct or indirect cost 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.

(d) The following costs related to relocation are unallowable:

(1) Fees and other costs associated with acquiring a new home.

(2) A loss on the sale of a former home.

(3) Continuing mortgage principal and interest payments on a home being sold.

(4) Income taxes paid by an employee related to reimbursed relocation costs.

§200.465 Rental costs of real property and equipment.

(a) Subject to the limitations described in paragraphs (b) through (d) of this section, rental costs are allowable to the extent that the rates are reasonable in light of such factors as: rental costs of comparable property, if any; market conditions in the area; alternatives available; and the type, life expectancy, condition, and value of the property leased. Rental arrangements should be reviewed periodically to determine if circumstances have changed and other options are available.

(b) Rental costs under “sale and lease back” arrangements are allowable only up to the amount that would be allowed had the non-federal entity continued to own the property. This amount would include expenses such as depreciation, maintenance, taxes, and insurance.

(c) Rental costs under “less-than-arm's-length” leases are allowable only up to the amount (as explained in paragraph (b) of this section). For this purpose, a less-than-arm's-length lease is one under which one party to the lease agreement is able to control or substantially influence the actions of the other. Such leases include, but are not limited to those between:

(1) Divisions of the non-federal entity;

(2) The non-federal entity under common control through common officers, directors, or members; and

(3) The non-federal entity and a director, trustee, officer, or key employee of the non-federal entity or an immediate family member, either directly or through corporations, trusts, or similar arrangements in which they hold a controlling interest. For example, the non-federal entity may establish a separate corporation for the sole purpose of owning property and leasing it back to the non-federal entity.

(4) Family members include one party with any of the following relationships to another party:

(i) Spouse, and parents thereof;

(ii) Children, and spouses thereof;

(iii) Parents, and spouses thereof;

(iv) Siblings, and spouses thereof;

(v) Grandparents and grandchildren, and spouses thereof;

(vi) Domestic partner and parents thereof, including domestic partners of any individual in 2 through 5 of this definition; and

(vii) Any individual related by blood or affinity whose close association with the employee is the equivalent of a family relationship.

(5) Rental costs under leases which are required to be treated as capital leases under GAAP are allowable only up to the amount (as explained in paragraph (b) of this section) that would be allowed had the non-federal entity purchased the property on the date the lease agreement was executed. The provisions of GAAP must be used to determine whether a lease is a capital lease. Interest costs related to capital leases are allowable to the extent they meet the criteria in §200.449 Interest. Unallowable costs include amounts paid for profit, management fees, and taxes that would not have been incurred had the non-federal entity purchased the property.

(6) The rental of any property owned by any individuals or entities affiliated with the non-federal entity, to include commercial or residential real estate, for purposes such as the home office workspace is unallowable.

§200.466 Scholarships and student aid costs.

(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:

(1) The individual is conducting activities necessary to the federal award;

(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

(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;

(4) The tuition or other payments are reasonable compensation for the work performed and are conditioned explicitly upon the performance of necessary work; and

(5) It is the IHE's practice to similarly compensate students under federal awards as well as other activities.

(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.

§200.467 Selling and marketing costs.

Costs of selling and marketing any products or services of the non-federal entity (unless allowed under §200.421 Advertising and public relations.) are unallowable, except as direct costs, with prior approval by the federal awarding agency when necessary for the performance of the federal award.

§200.468 Specialized service facilities.

(a) The costs of services provided by highly complex or specialized facilities operated by the non-federal entity, such as computing facilities, wind tunnels, and reactors are allowable, provided the charges for the services meet the conditions of either paragraphs (b) or (c) of this section, and, in addition, take into account any items of income or federal financing that qualify as applicable credits under §200.406 Applicable credits.

(b) The costs of such services, when material, must be charged directly to applicable awards based on actual usage of the services on the basis of a schedule of rates or established methodology that:

(1) Does not discriminate between activities under federal awards and other activities of the non-federal entity, including usage by the non-federal entity for internal purposes, and

(2) Is designed to recover only the aggregate costs of the services. The costs of each service must consist normally of both its direct costs and its allocable share of all indirect (F&A) costs. Rates must be adjusted at least biennially, and must take into consideration over/under applied costs of the previous period(s).

(c) Where the costs incurred for a service are not material, they may be allocated as indirect (F&A) costs.

(d) Under some extraordinary circumstances, where it is in the best interest of the federal government and the non-federal entity to establish alternative costing arrangements, such arrangements may be worked out with the federal cognizant agency for indirect costs.

§200.469 Student activity costs.

Costs incurred for intramural activities, student publications, student clubs, and other student activities, are unallowable, unless specifically provided for in the federal award.

§200.470 Taxes (including Value Added Tax).

(a) For states, local governments and Indian tribes:

(1) Taxes that a governmental unit is legally required to pay are allowable, except for self-assessed taxes that disproportionately affect federal programs or changes in tax policies that disproportionately affect federal programs.

(2) Gasoline taxes, motor vehicle fees, and other taxes that are in effect user fees for benefits provided to the federal government are allowable.

(3) This provision does not restrict the authority of the federal awarding agency to identify taxes where federal participation is inappropriate. Where the identification of the amount of unallowable taxes would require an inordinate amount of effort, the cognizant agency for indirect costs may accept a reasonable approximation thereof.

(b) For nonprofit organizations and IHEs:

(1) In general, taxes which the non-federal entity is required to pay and which are paid or accrued in accordance with GAAP, and payments made to local governments in lieu of taxes which are commensurate with the local government services received are allowable, except for:

(i) Taxes from which exemptions are available to the non-federal entity directly or which are available to the non-federal entity based on an exemption afforded the federal government and, in the latter case, when the federal awarding agency makes available the necessary exemption certificates,

(ii) Special assessments on land which represent capital improvements, and

(iii) Federal income taxes.

(2) Any refund of taxes, and any payment to the non-federal entity of interest thereon, which were allowed as federal award costs, will be credited either as a cost reduction or cash refund, as appropriate, to the federal government. However, any interest actually paid or credited to an non-federal entity incident to a refund of tax, interest, and penalty will be paid or credited to the federal government only to the extent that such interest accrued over the period during which the non-federal entity has been reimbursed by the federal government for the taxes, interest, and penalties.

(c) Value Added Tax (VAT) Foreign taxes charged for the purchase of goods or services that a non-federal entity is legally required to pay in country is an allowable expense under federal awards.

Foreign tax refunds or applicable credits under federal awards refer to receipts, or reduction of expenditures, which operate to offset or reduce expense items that are allocable to federal awards as direct or indirect costs. To the extent that such credits accrued or received by the non-federal entity relate to allowable cost, these costs must be credited to the federal awarding agency either as costs or cash refunds. If the costs are credited back to the federal award, the non-federal entity may reduce the federal share of costs by the amount of the foreign tax reimbursement, or where federal award has not expired, use the foreign government tax refund for approved activities under the federal award with prior approval of the federal awarding agency.

§200.471 Termination costs.

Termination of a federal award generally gives rise to the incurrence of costs, or the need for special treatment of costs, which would not have arisen had the federal award not been terminated. Cost principles covering these items are set forth in this section. They are to be used in conjunction with the other provisions of this part in termination situations.

(a) The cost of items reasonably usable on the non-federal entity's other work must not be allowable unless the non-federal entity submits evidence that it would not retain such items at cost without sustaining a loss. In deciding whether such items are reasonably usable on other work of the non-federal entity, the federal awarding agency should consider the non-federal entity's plans and orders for current and scheduled activity. Contemporaneous purchases of common items by the non-federal entity must be regarded as evidence that such items are reasonably usable on the non-federal entity's other work. Any acceptance of common items as allocable to the terminated portion of the federal award must be limited to the extent that the quantities of such items on hand, in transit, and on order are in excess of the reasonable quantitative requirements of other work.

(b) If in a particular case, despite all reasonable efforts by the non-federal entity, certain costs cannot be discontinued immediately after the effective date of termination, such costs are generally allowable within the limitations set forth in this part, except that any such costs continuing after termination due to the negligent or willful failure of the non-federal entity to discontinue such costs must be unallowable.

(c) Loss of useful value of special tooling, machinery, and equipment is generally allowable if:

(1) Such special tooling, special machinery, or equipment is not reasonably capable of use in the other work of the non-federal entity,

(2) The interest of the federal government is protected by transfer of title or by other means deemed appropriate by the federal awarding agency (see also §200.313 Equipment, paragraph (d), and

(3) The loss of useful value for any one terminated federal award is limited to that portion of the acquisition cost which bears the same ratio to the total acquisition cost as the terminated portion

of the federal award bears to the entire terminated federal award and other federal awards for which the special tooling, machinery, or equipment was acquired.

(d) Rental costs under unexpired leases are generally allowable where clearly shown to have been reasonably necessary for the performance of the terminated federal award less the residual value of such leases, if:

(1) The amount of such rental claimed does not exceed the reasonable use value of the property leased for the period of the federal award and such further period as may be reasonable, and

(2) The non-federal entity makes all reasonable efforts to terminate, assign, settle, or otherwise reduce the cost of such lease. There also may be included the cost of alterations of such leased property, provided such alterations were necessary for the performance of the federal award, and of reasonable restoration required by the provisions of the lease.

(e) Settlement expenses including the following are generally allowable:

(1) Accounting, legal, clerical, and similar costs reasonably necessary for:

(i) The preparation and presentation to the federal awarding agency of settlement claims and supporting data with respect to the terminated portion of the federal award, unless the termination is for cause (see Subpart D—Post Federal Award Requirements of this part, §§200.338 Remedies for Noncompliance through 200.342 Effects of Suspension and termination); and

(ii) The termination and settlement of subawards.

(2) Reasonable costs for the storage, transportation, protection, and disposition of property provided by the federal government or acquired or produced for the federal award.

(f) Claims under subawards, including the allocable portion of claims which are common to the federal award and to other work of the non-federal entity, are generally allowable. An appropriate share of the non-federal entity's indirect costs may be allocated to the amount of settlements with contractors and/or subrecipients, provided that the amount allocated is otherwise consistent with the basic guidelines contained in §200.414 Indirect (F&A) costs. The indirect costs so allocated must exclude the same and similar costs claimed directly or indirectly as settlement expenses.

§200.472 Training and education costs.

The cost of training and education provided for employee development is allowable.

§200.473 Transportation costs.

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.

§200.474 Travel costs.

(a) *General.* Travel costs are the expenses for transportation, lodging, subsistence, and related items incurred by employees who are in travel status on official business of the non-federal entity. Such costs may be charged on an actual cost basis, on a per diem or mileage basis in lieu of actual costs incurred, or on a combination of the two, provided the method used is applied to an entire trip and not to selected days of the trip, and results in charges consistent with those normally allowed in like circumstances in the non-federal entity's non-federally-funded activities and in accordance with non-federal entity's written travel reimbursement policies. Notwithstanding the provisions of §200.444 General costs of government, travel costs of officials covered by that section are allowable with the prior written approval of the federal awarding agency or pass-through entity when they are specifically related to the federal award.

(b) *Lodging and subsistence.* Costs incurred by employees and officers for travel, including costs of lodging, other subsistence, and incidental expenses, must be considered reasonable and otherwise allowable only to the extent such costs do not exceed charges normally allowed by the non-federal entity in its regular operations as the result of the non-federal entity's written travel policy. In addition, if these costs are charged directly to the federal award documentation must justify that:

(1) Participation of the individual is necessary to the federal award; and

(2) The costs are reasonable and consistent with non-federal entity's established travel policy.

(c)(1) Temporary dependent care costs (as dependent is defined in 26 U.S.C. 152) above and beyond regular dependent care that directly results from travel to conferences is allowable provided that:

(i) The costs are a direct result of the individual's travel for the federal award;

(ii) The costs are consistent with the non-federal entity's documented travel policy for all entity travel; and

(iii) Are only temporary during the travel period.

(2) Travel costs for dependents are unallowable, except for travel of duration of six months or more with prior approval of the federal awarding agency. See also §200.432 Conferences.

(3) In the absence of an acceptable, written non-federal entity policy regarding travel costs, the rates and amounts established under 5 U.S.C. 5701-11, ("Travel and Subsistence Expenses; Mileage Allowances"), or by the Administrator of General Services, or by the President (or his or her designee) pursuant to any provisions of such subchapter must apply to travel under federal awards (48 CFR 31.205-46(a)).

(d) *Commercial air travel.* (1) Airfare costs in excess of the basic least expensive unrestricted accommodations class offered by commercial airlines are unallowable except when such accommodations would:

(i) Require circuitous routing;

(ii) Require travel during unreasonable hours;

(iii) Excessively prolong travel;

(iv) Result in additional costs that would offset the transportation savings; or

(v) Offer accommodations not reasonably adequate for the traveler's medical needs. The non-federal entity must justify and document these conditions on a case-by-case basis in order for the use of first-class or business-class airfare to be allowable in such cases.

(2) Unless a pattern of avoidance is detected, the federal government will generally not question a non-federal entity's determinations that customary standard airfare or other discount airfare is unavailable for specific trips if the non-federal entity can demonstrate that such airfare was not available in the specific case.

(e) *Air travel by other than commercial carrier.* Costs of travel by non-federal entity-owned, -leased, or -chartered aircraft include the cost of lease, charter, operation (including personnel costs), maintenance, depreciation, insurance, and other related costs. The portion of such costs that exceeds the cost of airfare as provided for in paragraph (d) of this section, is unallowable.

§200.475 Trustees.

Travel and subsistence costs of trustees (or directors) at IHEs and nonprofit organizations are allowable. See also §200.474 Travel costs.

View the electronic version of the Selected Principles of Cost online.

This page is deliberately left blank