Deborah Galloway
USDOL-ETA
Fiscal Policy Manager

Feb 2018

• Identify the standard cost principles and applicability to recipients and subrecipients
• Describe the exceptions listed in the cost principles and selected items of cost
• Identify changes to the selected items of cost and impact on recipient operations, and
• Apply requirements to financial activities under the grant, specifically in determining allowable costs

On a scale of 1 (lowest) to 5 (highest), rate your knowledge and understanding of the following statements.

► I am fully aware of the structure of the revised Cost Principles.
► I understand the significant changes to Subpart E.
► I know the applicability of DOL exceptions to specific sections.
► I am knowledgeable regarding the selected items of cost.
► I understand the various requirements for prior approval as described in the selected items of cost.
COFAR issued a new set of FAQs (dated July 2017) for the Uniform Guidance


Final task before handing over responsibilities to the Chief Financial Officer at www.cfo.gov

2 CFR 200 and 2 CFR Part 2900 may be found at www.ecfr.gov.

Strategies in navigating the administration of your grants around four themes: Monitoring, Accountability, Risk Mitigation and Transparency.
Before Uniform Guidance

- 8 OMB Circulars
  - 2 Administrative Requirements – A-102 and A-110
  - 3 Cost Principles – A-21, A-87, and A-122
  - 2 Audit Requirements – A-133 and A-50
  - 1 CFDA catalog – A-89
- Varying applicability, definitions, and standards

After Uniform Guidance

- Achieves 9 Goals
  1. Eliminating duplicative and conflicting guidance
  2. Focusing on performance over compliance for accountability
  3. Encouraging efficient use of IT and shared services
  4. Providing for consistent and transparent treatment of costs
  5. Limiting allowable costs to best use federal resources
  6. Standardizing business processes using data definitions
  7. Encouraging family-friendly policies
  8. Strengthening oversight
  9. Targeting audit requirements on risk of waste, fraud, and abuse

Structure

2 CFR Part 200 and 2 CFR Part 2900

- Acronyms & Definitions
  - Subpart A
    - New and updated terms
- General Provisions
  - Subpart B
    - Includes effective dates
- Pre-Federal Award Requirements
  - Subpart C
    - Appendix I – Full Text of Notice of Funding Opportunity
- Post Federal Award Requirements
  - Subpart D
    - Appendix II Contract Provisions
Structure (2)
2 CFR Part 200 and 2 CFR Part 2900

Cost Principles
- Subpart E & 7 Appendices
  - Appendix III — Indirect (F&A) Costs Identification and Assignment, and Rate Determination for Institutions of Higher Education (IHEs)
  - Appendix IV — Indirect (F&A) Costs Identification and Assignment, and Rate Determination for Nonprofit Organizations
  - Appendix V — State/Local Government wide Central Service Cost Allocation Plans
  - Appendix VI — Public Assistance Cost Allocation Plans
  - Appendix VII — State and Local Government and Indian Tribe Indirect Cost Proposals
  - Appendix VIII — Nonprofit Organizations Exempted From Subpart E — Cost Principles of Part 200
  - Appendix IX to Part 200—Hospital Cost Principles

Structure (3)
2 CFR Part 200 and 2 CFR Part 2900

Audit Requirements
- Subpart F & 2 Appendices
  - Appendix X — Data Collection Form (Form SF–SAC)
  - Appendix XI — Compliance Supplement

DOL Exceptions

The Department of Labor’s (Department or DOL) adoption of the Office of Management and Budget (OMB) Guidance in the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is found at 2 CFR 2900.

> except to the extent that an agency can demonstrate that any conflicting agency requirements are required by statute or regulations, or consistent with longstanding practice and approved by OMB.

> 22 exceptions were approved for DOL.
DOL Exceptions

- 2900.2 Non-Federal Entity
  - Applies to Commercial & Foreign Entities
- Multiple Provisions Concerning Budget
  - 30 days, in writing, and no blanket approval
- 2900.5 Federal awarding agency review of merit of proposals
  - Findings outside of audits can be used during merit reviews and as questioned costs

DOL Exceptions (2)

- 2900.7 Payment
  - Advances must be liquidated and additional restrictions can be imposed.
- 2900.14 Financial reporting
  - Expenditures must be reported on accrual basis
- 2900.15 Closeout
  - All obligations and/or accrued expenditures must be liquidated at closeout.
- 2900.13 Intangible property
  - Promote through free and open use of content on Creative Commons.

DOL Exceptions (3)

- 2900.17 Adjustment of negotiated IDC rates
  - Indirect Costs Rates may need to be renegotiated
- 2900.18 Contingency provisions
  - Retention of records related to contingencies
- Subpart F – Audit Requirements (2900.20-.22)
  - Audit Resolution and Management Decisions
  - Clearly defined steps
Standards
Factors Affecting Allowability

- Necessary and reasonable
- Conform with federal law, guidelines and grant terms
- Consistent with policies and procedures
- Accorded consistent treatment
- Not used for cost sharing or matching funds
- Legal under state and local law
- Adequately documented
- In accordance with GAAP
- In accordance with federal law, guidelines and grant terms
- Accorded consistent treatment
- Not used for cost sharing or matching funds
- Legal under state and local law
- Adequately documented
- In accordance with GAAP

Factors Affecting Allowability

- Necessary and Reasonable

200.404 Reasonable cost does not exceed what would be incurred by a prudent person under prevailing circumstances when decision was made to incur the cost.

Necessary for the performance or administration of the grant

- Follow sound business practices
- Fair market prices
- Act with prudence
- No significant deviation from established prices

Factors Affecting Allowability

- Practical aspects of necessary
  - Is this item or service needed to meet grant goals?
  - Is this the minimum amount I need to spend to meet my need?

A foundation for allowable costs

- Do I have the capacity to use what I am purchasing?
- Did I pay a fair rate?
- If I were asked to defend this purchase, would I be comfortable?
Adequately Documented

- Amount of funds and how funds are used
- Total cost of the project
- Percentage of costs provided by other sources
- Records that show compliance/performance
- Other records to facilitate an effective audit
- Allocable benefit to the grant

Additional Standards

- Applicable Credits
- Composition of Costs
- Prior Written Approval
- Special Considerations

Program Regulations

- WIOA 20 CFR 683
- WIA 20 CFR 667.260-268
- WIA 20 CFR 668.340-350

Program regulations may have prohibited costs

See the Selected Items of Cost for details
Program Limitations

- Salaries & Bonus Limitations
  TEGL 5-06
- Public Service Employment Programs
- Legal expenses for prosecution of claims, ALJ audit appeals or civil actions
- SESA
- Real Property

WIOA Limitations

- WIOA – Section 181(e) Prohibits use of funds for:
  - Employment-Generating activities
  - Revolving loan funds
  - Business capitalization
  - Economic development
  - Foreign travel

Status Check

Are the statements true or false?

- The cost principles are the criteria for charging costs to a Federal award
- The standards for documentation include performance information
- Salary and bonus restrictions no longer apply with the new Principles
Learning objectives for this section

- Describe the DOL exceptions and major changes

### Significant Changes

- Prior Written Approval
  - Request for approval must be submitted not less than 30 days before requested action occurs (2900.16)
  - Significant changes in the Cost Principles have added prior written approval requirements (200.407)

- Grant Officer is the only authorized official to provide written approval (2900.12)

### Prior Approval Applicability

- As a discretionary (non-formula) Grantee:
  - Must obtain prior ETA approval in the same way as other direct recipients of discretionary grant funds
- As the State Formula Grantee:
  - For approval of State and Local Workforce Investment Area (LWIA) costs
  - Prior approval authority is delegated to the Governor
  - No additional ETA approval is required
Applicability

Recipients, subrecipients, pass-through entities

- States and local governments
- Institutions of Higher Education (IHE)
- Non-profit organizations
- For-profit or commercial entities
- Indian tribes
- Foreign organizations and foreign public entities

Indirect Costs

- DOL clarification at 2900.17
  - Adjustments or refunds and effect on IDC rates
- 200.413 – Discussion of Direct Costs
- 200.418 – Distinctions
- Use of Appendices

De Minimis Rates

Type of Indirect Cost Rate discussed at 200.616(e)

<table>
<thead>
<tr>
<th>Covered in Indirect Cost Module</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entity eligible to receive rate</td>
</tr>
<tr>
<td>May charge an indirect cost rate of 10% of modified total direct costs (MTDC)</td>
</tr>
</tbody>
</table>

Entity has never received or does not currently have a negotiated indirect cost rate
Learning objectives for this section

- Identify additions and deletions
- Apply requirements for the determination of allowable costs

Selected Items of Cost

Types of Costs

<table>
<thead>
<tr>
<th>Allowable</th>
<th>Unallowable</th>
<th>Allowable with conditions</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Training Costs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Collection of Improper Payments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Health and Welfare</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Entertainment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Fines and Penalties</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Bad Debts</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Personnel</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Donations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Interest</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Most Costs)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2 CFR 200.422

- Unallowable Conditions
  - Authorized by statute
  - Authorized by Federal agency
  - As an indirect cost where allocable
- Costs of media including electronic media
- Incorporates "Communication Costs"
- Recruitment of Personnel
- Procurement of goods and services
- Advertising and Public Relations are distinct types of cost

**Advertising 2 CFR 200.421**

- Memorabilia
- Organizational Recognition
- Promotional Items

**Public Relations 2 CFR 200.421**

- Communication Costs
- Community Outreach
- Program specific awards
- General program liaison

**Capital Assets 2 CFR 200.12**

- Equipment
- Real Property
- Major Renovations
- Intellectual property
- Expenditures capitalized in accordance with GAAP
Cost of searching for and obtaining child care is allowable. Cost of actual child care is unallowable. See Conference costs.

**Improper Payments**

2 CFR 200.428

- New item of cost
- Allowable
- Either direct or indirect
- Use of amounts collected specified

**Contingency Provisions**

2 CFR 200.433 & 2900.18

- Generally unallowable
- Allowable only under strict conditions:
  - Included in budgets
  - Broadly accepted cost estimating methods
  - For budget purposes only
- Any type of “reserve” is unallowable
Primary purpose is dissemination of technical information beyond the non-federal entity, unless further restricted by the terms of the federal award.

- Allowable with conditions:
  - Meeting
  - Retreat
  - Seminar
  - Workshop

- Rental cost
- Speaker fees
- Meals and refreshments
- Local transportation

- Must exercise discretion and judgment in ensuring conference costs are appropriate, necessary, and minimize costs to the federal award.

**Equipment 2 CFR 200.33 & 200.439**

**Definition**
- Tangible personal property (use life > 1 year)
- $5000 cost or entity capitalization level
- Computing devices
  - IT systems
  - General and special purpose

**Management Requirements**
- Specifies acquisition and use requirements
- Prior approval required
- Expensed in period acquired
Fines and Penalties
2 CFR 200.441
Defined as fines, penalties, damages, violations of Federal and/or local laws
Unallowable
Examples are parking tickets, DUI equipment, late payment penalties
Cross reference - Defense of claims against the government - unallowable

Welfare Costs
2 CFR 200.437
Allowable with conditions
Conditions
• Health and welfare of staff
• In accordance with documented policies
• Must be allocated
Losses generally unallowable
Eliminates “morale costs”

Entertainment
2 CFR 200.438
Limited exceptions
Programmatic purpose AND
Authorized within budget OR
Authorized by awarding agency (prior approval)
Unallowable
Examples:
• Sports event tickets
• Gift cards
• Movie tickets
**Intellectual Property**

**CFR 200.448 & 2900.13**

- Combines patent and royalties from Circulars
- Does NOT address licensing requirements
- Further clarifies allowable and unallowable costs associated with each
- Reference requirements for intangible property
  - DOL exception includes use of Creative Commons license 2 CFR 2900.13
  - Allows subsequent use in manner specified by the awardee

**Lobbying**

**2 CFR 200.450**

- Costs of lobbying are unallowable
- Lobbying includes any actions
  - Designed to influence the obtaining of grants
  - Designed to influence or give special consideration to acting on an award or regulatory matter
- Governed by multiple statutes

**Participant Support Costs**

**2 CFR 200.456 & 469, 2900.19**

- When supportive services including participant support costs are expressly authorized by a program statute, regulation, or FOA, this award waives the prior approval requirement for participant support costs as described in 2 CFR 200.456.
- Allowable as defined
- Check your grant agreement
- Student Activity fees are unallowable
- DOL exception at 2900.19
- Allowable if meet a program requirement
- Have prior written approval
Status Check
Are the statements true or false?

1. Advertising costs include electronic media
2. Conference costs include the cost of meeting space
3. DOL requires a Creative Commons license for intellectual property developed with grant funds
4. The costs of collecting bad debts are unallowable.

For Your Consideration
Are there changes that you should be making in your award documents for future awards?

How will the written prior approval requirements impact your program operations?

Will some of the new restrictions on costs affect your program design in future awards?

Key Concepts
The Uniform Guidance consolidates the definitions and many have been changed or deleted.

The Cost Principles have been consolidated into Subpart E of the Uniform Guidance.

The Selected Items of Cost have been clarified and many are new.
Knowledge Check

On a scale of 1 (lowest) to 5 (highest), rate your knowledge and understanding of the following statements.

- I am fully aware of the structure of the revised Cost Principles.
- I understand the significant changes to Subpart E.
- I know the applicability of DOL exceptions to specific sections.
- I am knowledgeable regarding the Selected Items of Cost.
- I understand the various requirements for prior approval as described in the Selected Items of Cost.

Uniform Guidance
Grants Management Training on WorkforceGPS
https://grantsapplicationandmanagement.workforcegps.org/

Questions?

Deborah Galloway - Galloway.deborah@dol.gov

Thank you!