

# Council on Financial Assistance Reform's Uniform Guidance Training



**UNIFORM ADMINISTRATIVE  
REQUIREMENTS,  
AUDIT REQUIREMENTS,  
AND COST PRINCIPLES  
2 CFR CHAPTER 1, CHAPTER  
2, PART 200, ET AL.**

January 27, 2014

# Cost Principles



## **REFORMS TO CIRCULARS A-21, A-87, AND A-122**

# Cost Principles



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# Cost Principles



- **2 CFR CHAPTER II,**
  - **PART 200 - - “UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS”**
  - **SUBPART E - COST PRINCIPLES**
  - **AND APPENDICES III-VIII: COST PRINCIPLES. REFORMS TO COST PRINCIPLES (CIRCULARS A-21, A-87, AND A-122).**

# Cost Principles



**Final “guidance” clarifies and strengthens Cost Principles across many functional areas.**

# Cost Principles



- Question we hear frequently -
  - Should we continue using 2 CFR 220, 225, and 230 until December 2014, even though these regulations have now been removed from the CFR?

# Significant changes in the Cost Principles



- Indirect Cost Rates
- Compensation – Personal Services (time & attendance)
- Family Friendly Policies
- Support for Shared Services

# Applicability



- **200.401 – Application**
  - No change in exclusions
  - Clarification - Cost Accounting Standards



# Subpart E – Cost Principles

## General Provisions



- **200.400 - POLICY GUIDE**
  - Recognizes the dual role of students
  - Strengthens the long standing practice that non Federal entities are not permitted to keep profit unless expressly authorized by the terms & conditions of the award.

# Cost Principles



- **200.407 - Prior Written Approval**
  - Provides a one-stop comprehensive list of the circumstances under which non-Federal entities should seek prior approval from the Federal awarding agency.

# Cost Principles



- **200.413 – Administrative Costs as Direct Costs**
  - Direct charging administrative costs
  - Even some unallowable costs must be in the IDC base

# Cost Principles



- **200.414 - Indirect (F&A) Costs**
  - Federal acceptance of approved IDC rate(s)
  - New de minimis rate
  - One time extension of up to 4 years

# Cost Principles



- **200.414 - Indirect (F&A) Costs (continued)**
  - Federal awarding agencies must accept approved negotiated indirect cost rates under 200.414 (c)(1) unless a different rate is required by Federal statute or regulation, or when approved by a Federal awarding agency head or delegate based on documented justification as described in paragraph (c)(3) of this section.

# Cost Principles



- **200.414 - Indirect (F&A) Costs (continued)**

A 10% de minimis IDC rate available is now available under §200.414 (f) – It says, “ any non-Federal entity that has never received a negotiated indirect cost rate, except for those non-Federal entities described in Appendix VII to Part 200 . . . may elect to charge a de minimis rate of 10% of modified total direct costs (MTDC) which may be used indefinitely. Importantly, if chosen, the non-Federal entity must use the 10% rate on all federal awards until the entity negotiates an approved rate with their cognizant agency.

# Cost Principles



- **200.414 - Indirect (F&A) Costs** (continued)
- (g) Any non-Federal entity that has a federally negotiated indirect cost rate may apply for a one-time extension of a current negotiated indirect cost rates for a period of up to four years. This extension will be subject to the review and approval of the cognizant agency for indirect costs. If an extension is granted the non-Federal entity may not request a rate review until the extension period ends.

# Cost Principles



- **Question:**

“Can non-federal entities extend for 4 years? What about 3 years or 2 years?”



# Cost Principles



- **Appendix Listing**

- Appendix I to Part 200 – Full text of Notice of Funding Opportunity
- Appendix II to Part 200 – Contract Provisions for non-Federal Entity Contracts Under Federal Awards
- Appendix III to Part 200 – Indirect (F&A) Costs Identification and Assignment, and Rate Determination for Institutions of Higher Education (IHE)

# Cost Principles



- **Appendix Listing** (continued)
  - Appendix IV to Part 200 – Indirect (F&A) Costs Identification and Assignment, and Rate Determinations for Nonprofit Organizations
  - Appendix V to Part 200 – State/Local Government and Indian Tribe- Wide Central Service Cost Allocation Plans
  - Appendix VI to Part 200 – Public Assistance Cost Allocation Plans
  - Appendix VII to Part 220 – State and Local Government and Indian Tribe Indirect Cost Proposals

# Cost Principles



- **Appendix Listing** (continued)
  - Appendix VIII to Part 200 – Nonprofit Organizations Exempted from Subpart E – Cost Principles of Part 200
  - Appendix IX to Part 200 – Hospital Cost Principles
  - Appendix X to Part 200 – Data Collection Form (Form SF-SAC)
  - Appendix XI Part 220 – Compliance Supplement

# Cost Principles



- **200.415 - Required Certifications**
  - Signed by official who can legally bind organization
  - Penalties under the False Claims Act

# Cost Principles



- **200.419 - Cost Accounting Standards And Disclosure Statement**
  - IHE threshold for CAS raised to \$50M
  - Streamlined review for changes to reduce the risk of non-compliance and audit findings

# 2 CFR Part 200 Subpart E



## **GENERAL PROVISIONS FOR SELECTED ITEMS OF COST**

# Selected Items of Cost



- **200.421 - Advertising and public relations**
  - Allowability of advertising and public relations costs (no change)

# Selected Items of Cost



- **200.422 - Advisory Councils**
  - These costs are still allowable if authorized by statute or with prior approval from the Federal awarding agency.



# Selected Items of Cost



- **200.425 Audit Services**
- **Financial Statement Audits**
- Paragraph (b) allows the costs of a financial statement audit for a non-Federal entity **that does not currently have a Federal** award when included in the indirect cost pool as part of a cost allocation plan or indirect cost proposal. These audits may be useful to the Federal agency negotiating an indirect cost rate, and they are not in conflict with the Single Audit Act.

# Selected Items of Cost



- **200.428 Collections of Improper Payments (new)**

The costs incurred by a non-Federal entity to recover improper payments are allowable as either direct or indirect costs, as appropriate.

# Selected Items of Cost



- **200.430 – Compensation – Personal Services**
  - Strengthen Internal Controls
  - Removed Examples
  - Federal Agencies may approve methods for blended/braided funds
  - Use of institutional base salary for IHE

# Selected Items of Cost



- **200.430 – Compensation – Personal Services (continued)**
  - Strengthen Internal Controls
  - Removed Examples
  - Federal Agencies may approve methods for blended/braided funds
  - Use of institutional base salary for IHEs

# Selected Items of Cost



- **200.431 – Compensation – Fringe Benefits**
  - GAAP for accrual based accounting
  - Mass severance
  - Excessive severance pay
  - Family friendly leave

# Selected Items of Cost



- **200.432 – Conferences**
  - Requires conference hosts/sponsors to exercise discretion and judgment in ensuring that conference costs are appropriate, necessary and managed in a manner that minimizes costs to the Federal award.
  - Allows costs of finding local dependent care

# Selected Items of Cost



- **200.433 – Contingency Provisions**
  - Paragraph (b) requirements to charge
    - ✦ Accepted estimating methodology
    - ✦ Must be explicitly subject to agency approval at time of award
    - ✦ Costs must be allowable
    - ✦ Amounts must be included in award
    - ✦ Must retain records to verify costs

# Selected Items of Cost



- **200.434 - Contributions and Donations**
  - No major changes – language is strengthened to align with Cost Sharing Section 200.306



# Selected Items of Cost



- **200.435 -Defense and Prosecution of Criminal and Civil Proceedings, Claims, Appeals and Patent Infringements.**
  - Language has been streamlined for consistency purposes and now specifically mentions Whistleblower Protection Act.

# Selected Items of Cost



- **200.436 – Depreciation**
  - Shift from GASBS # 51 to GAAP
  - Donated assets valued at time of donation
    - ✦ Donated assets may be depreciated or claimed as matching but not both.

# Cost Principles



- **200.437 – Employee Health and Welfare costs**

“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.”

# Selected Items of Cost



- **200.438 – Entertainment Costs**
  - Unallowable unless
    1. Those costs have a programmatic purpose and are authorized in the approved budget for the federal award, or
    2. Those costs have prior written approval from the federal awarding agency

# Selected Items of Cost



- **200.439 Equipment and Other Capital Expenditures**
  - Definitions in Subpart A
  - Property Standards in Subpart D

# Selected Items of Cost



- **200.440 – Exchange Rates (new)**

Allows for cost increases from fluctuations in exchange rates with certain conditions being met and of course, the availability of funds.

# Selected Items of Cost



- **200.441 – Fines, Penalties, Damages and Other Settlements**
  - Includes Tribal law violations
  - Includes “alleged violations” and not just “violations” are unallowable except when they result directly from complying with the terms of a Federal award or are approved in advance by the Federal awarding agency.

# Selected Items of Cost



- **200.446 - Idle Facilities and Idle Capacity**
  - Allows for the costs of idle facilities when they are necessary to fluctuations in workload, such as those which may be typical of developing shared service arrangements.



# Selected Items of Cost



- **200.449 – Interest**
  - Paragraph (b)(2) establishes the date of January 1, 2016, as the date that non-federal entities whose fiscal year starts on or thereafter may be reimbursed for financing costs associated with patents and computer software .

# Selected Items of Cost



- **200.453 – Materials and Supplies Costs, Including Costs of Computing Devices**
  - Paragraph (c) May be charged direct
  - Definition of Computing Devices 200.20
  - Definition of Supplies 200.94

# Selected Items of Cost



- **200.455 - Organization Costs**
  - Now unallowable to all organizations unless specific approval by the awarding federal agency

# Selected Items of Cost



- **200.456 – Participant Support Costs**
  - Applies to types of organizations
  - Definition moved to 200.75
  - The treatment of participant support costs is in the definition of modified total direct costs and in the appendices on indirect cost rates, Appendix IV to Part 200

# Selected Items of Cost



- **200.460 – Proposal Costs**
  - Proposal cost changes the language that allowed for other than indirect treatment of these costs.
  - Allocable only to current accounting period

# Selected Items of Cost



- **200.461 – Publication and Printing Costs**
  - Paragraph (c) resolves a long-standing issue with charges necessary to publish research results, which typically occur after expiration, but are otherwise allowable costs of an award.

# Selected Items of Cost



- **200.463 – Recruiting Costs**
- Paragraph (b) of Section 200.463 – Recruiting Costs, makes clear that “special emoluments, fringe benefits, and salary allowances” that do not meet the test of reasonableness or do not conform with established practices of the entity are unallowable.

# Selected Items of Cost



- **200.463 – Recruiting Costs**

- Paragraph (c) provides that when relocation costs are incurred with the recruitment of a new employee and have been funded in whole or in part as a direct cost to the 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 only the Federal share of such relocation costs to the Federal government.



# Selected Items of Cost



- **200.463 – Recruiting Costs**
  - To meet the needs associated with obtaining critical foreign research skills, new language and standards for short term travel visa costs have been added under paragraph (d).

# Selected Items of Cost



- **200.464 – Relocation Costs of Employees**
  - Limits the previously unlimited amount of time for which a Federal award may be charged for the costs of an employee's vacant home to up to six months.

# Selected Items of Cost



- **200.465 – Rental Costs of Real Property and Equipment**
  - rental costs under “sale and lease back”
  - rental costs under “less-than-arm's length”
  - home office space

# Selected Items of Cost



- **200.469 - Student Activity Costs**
  - Student activities are primarily applies to IHEs, applicability is expanded to all entities to further mitigate risks of waste, fraud, and abuse.

# Selected Items of Cost



- **200.470 - Taxes (including Value Added Tax)**
  - Paragraph (a) – States, local government and Indian Tribes
  - Paragraph (b) Nonprofits and IHEs
  - Adds paragraph (c) – Value Added Taxes – Foreign taxes

# Selected Items of Cost



- **200.474 – Travel Costs**
  - Provides that temporary dependent care costs that result directly from travel to conferences and meet specified standards are allowable.

# Cost Principles

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**Thank you for your time and attention!**

**Please submit questions to [cofar@omb.eop.gov](mailto:cofar@omb.eop.gov). All questions will be reviewed and some may be included in a frequently asked questions document that will be posted on the COFAR website, <https://cfo.gov/cofar/>.**