

GOVERNOR'S OFFICE OF FEDERAL ASSISTANCE

NEVADA'S FEDERAL GRANT RESOURCE

Allowability & Cost Principles

General Housekeeping

- **Welcome**
- Training will be recorded and will be stopped during Q&A
- Today's training video and the resources shared will be posted to our website
- If you have a question, drop it in the chat
- Close Captioning is available, please click the CC button at the bottom of your screen



About Us

The Governor's Office of Federal Assistance, or OFA, was created with the passage of Assembly Bill 445 of the 81st Legislative Session

Vision

The Governor's Office of Federal Assistance supports our stakeholders in obtaining, increasing, and maximizing federal assistance.

Mission

The Governor's Office of Federal Assistance reduces barriers by providing inclusive, collaborative, comprehensive, and centralized support in obtaining federal dollars for Nevada.



Meet Your Trainers



A'Keia Sanders, MBA
Sr. Executive Grant Analyst



Kristen Stout, MPA
Director



Maximizing Effective Federal Funding

- ✓ Federal Fund Allocation & Maximizing Impact
- ✓ Ensure efficient and effective management of federal funding
- ✓ Deliver essential services to individuals within our communities
- ✓ Strengthen connections to eliminate in-state competition



Learning Objectives and Goals

- Understand Federal Cost Principles
- Factors Affecting Allowability of Costs
- Understanding General Cost Considerations
- Direct vs. Indirect Costs
- Understand Selected Items of Costs



Federal Cost Principles



Responsibility
and Efficiency



Compliance and
Consistency



Cost Allocation and
Indirect Costs



Non-Profit and
For-Profit Principles



Accounting
Policies



Exceptions to the Cost Principles

The following are exceptions to cost principles:

- **Federal loans, scholarships, fellowships, and traineeships based on educational allowances or tuition fees.**
- **Higher Education awards based on case counts or beneficiary numbers.**
- **Fixed Amount Awards.**
- **Federal Awards to hospitals.**
- **Other awards not requiring cost accounting to the Federal Government.**



Composition of Costs

- **Understanding total cost:** Federal award costs include more than just direct expenses.
- **Indirect costs:** These are also part of the total cost.
- **Uniform Guidance:** Total costs = Allowable direct costs + Allocable indirect costs - Applicable credits.

Composition of Costs Calculation

- (+) Allowable Direct Costs
- (+) Plus Allowable and Allocable Indirect Costs
- (-) Less Applicable Credits
- (=) Equals Total Costs



Factors Affecting Allowability of Costs

For cost to be allowable under the federal award, it must meet the following criteria:

Costs must be necessary, reasonable, and related to the Federal award.

Costs must follow any limits or exclusions set by the principles or the Federal award.

Costs must be consistent with policies that apply to both federally-funded and other activities of the organization.

Costs must be treated consistently. A cost can't be charged as a direct cost to a Federal award if it's already been charged as an indirect cost for the same purpose.

Costs must follow generally accepted accounting principles (GAAP), unless stated otherwise for state and local governments or Indian tribes.

Costs must not be used to meet cost sharing or matching requirements of any other federally-funded program in the current or past periods.

Costs must be well-documented.

Costs must be incurred during the approved budget period. The Federal awarding agency can allow, at its discretion, the carry forward of unobligated balances to future budget periods without prior written approval.



Necessary & Reasonable Costs

When determining if a cost is reasonable, you need to consider the following:

- The cost should be seen as usual and necessary for the non-Federal entity or the efficient performance of the Federal award.
- Considerations include sound business practices, fair negotiations, relevant laws and regulations, and Federal award terms.
- Market prices for similar goods or services in the area should be considered.
- Individuals must act responsibly, considering their duties to the entity, its staff, students or members, the public, and the Federal Government.
- The entity should not deviate significantly from its usual practices, as this could unnecessarily increase the Federal award's cost.

NOTE: A cost could be determined necessary but not reasonable and vice versa



Allocable Costs

- A cost can be charged to a federal award if:
 - It directly relates to the award.
 - It benefits both the award and other activities and can be divided.
 - It is essential for the non-federal entity's operations.
- You can't charge costs to one federal award to cover another's shortages or to avoid rules. But you can share costs between awards if allowed.
- If a cost benefits multiple projects, split it based on the benefit to each. If you can't determine the exact benefit, use a reasonable method and document it. Costs for equipment bought with a federal award stay with that award, even if used later for something else.
- If the contract follows Cost Accounting Standards (CAS), allocate costs according to CAS, which takes precedence over other rules.



Other General Cost Considerations

- **Prior written Approval:**
 - Under any Federal award, it can sometimes be hard to tell if certain costs are reasonable and appropriate. To avoid having these costs rejected or disputed later, the organization receiving the funds can ask for written approval from the agency managing the grant before incurring any special or unusual expenses.
 - This approval should clearly state the timeframe or scope of the agreement. If there is no prior written approval, it doesn't automatically mean the costs are unreasonable or inappropriate, unless the rules specifically say prior approval is needed for those costs to be allowed.

Required Prior Written Approval (2 CFR 200.407)			
Description of Selected Items of Cost	Cite	Description of Selected Items of Cost	Cite
Use of grant agreements (including fixed amount awards), cooperative agreements, and contracts.	2 CFR 200.201	Fines, penalties, damages, and other settlements	2 CFR 200.441
Cost sharing or matching	2 CFR 200.306	Fundraising and investment management costs	2 CFR 200.442
Program income	2 CFR 200.307	Goods or services for personal use	2 CFR 200.445
Revision of budget and program plans	2 CFR 200.308	Insurance and indemnification	2 CFR 200.447
Real property	2 CFR 200.311	Memberships, subscriptions, and professional activity costs	2 CFR 200.454(c)
Equipment	2 CFR 200.313	Organization costs	2 CFR 200.455
Fixed amount subawards	2 CFR 200.333	Participant support costs	2 CFR 200.456
Direct costs	2 CFR 200.413(c)	Pre-award costs	2 CFR 200.458
Compensation—personal services	2 CFR 200.430(h)	Rearrangement and reconversion costs	2 CFR 200.462
Compensation—fringe benefits	2 CFR 200.431	Selling and marketing costs	2 CFR 200.467
Entertainment costs	2 CFR 200.438	Taxes	2 CFR 200.470
Equipment and other capital expenditures	2 CFR 200.439	Travel costs	2 CFR 200.475
Exchange rates	2 CFR 200.440		



Other General Cost Considerations

- **Applicable Credits** – Any reduction in expenditure transactions that offset or lower expenses allocated to the federal award should be applied as either a cost reduction or a cash refund, as appropriate.
- **Limitation on allowance of costs** - The Federal award may have legal limits on how much can be spent. If these limits are lower than the total costs calculated using the guidelines, the extra amount cannot be charged to the Federal award.
- **Collection of unallowable costs** - If costs are found to be unallowable by the Federal agency or related entity, any payments made for those costs must be refunded with interest, unless a law or regulation says otherwise.



Direct Costs vs. Indirect Costs

200.402

The total cost of federal awards includes costs directly charged to the award and the reimbursement of allocable indirect costs, less applicable credits.

200.412

There is no universal rule for classifying certain costs as either direct or indirect...



Direct Costs

- Can be identified specifically with a particular final cost objective that can be directly assigned to such activities relatively easily with a high degree of accuracy. (200.413(a)).
- Examples of Direct Costs:
 - Salary (Direct Labor Costs)
 - Fringe Benefits (related Direct Labor employees)
 - Materials and Supplies Travel Expenses
 - Equipment
 - Rent and Occupancy



Indirect Costs

200.414

Indirect costs are incurred for a common or joint purpose benefiting more than one cost objective, and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved.

Typical indirect costs include:

- Generally, includes clerical and administrative staff, unless specific requirements are met (200.413(c)).
- Utilities such as Heat, Air Conditioning and Lighting
- General Administration and general expenses such as the salaries and expenses of executive officers, personnel administration and accounting



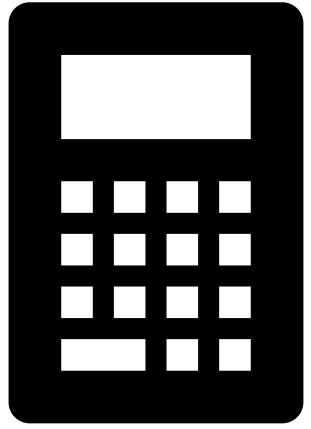
Indirect Costs Definitions

Terms from 2CFR 200 Uniform Guidance Appendices III-VII

- **Base:** accumulated direct costs used to distribute indirect costs to individual federal awards.
- **Base Cost:** the accumulated direct costs used to distribute indirect costs to individual federal awards.
- **Indirect Cost Pool:** the accumulated costs that jointly benefit two or more programs or other cost objectives.
- **Indirect Cost Rate:** a device for determining fairly and conveniently within the boundaries of sound administrative principles, what proportion of indirect cost each program should bear. It is the ratio (expressed as a percentage)
- **Indirect Cost Rate Proposal:** the documentation prepared by a non-federal entity and used to substantiate its request for the establishment of an indirect cost rate.
- **Cost Allocation Plan:** a written summary which shows how an organization allocates costs between two or more programs.



Indirect Costs – Calculation to Get that Percentage



$$\frac{\text{Indirect Costs}^*}{\text{Direct Project Cost}} = \text{Indirect Cost Rate \%}$$

*Department/program/grant overhead + agency-wide indirect costs

The Indirect Cost rate above is a ratio of the **indirect costs to direct project costs**.

- **Indirect costs** are those accumulated for the total operation over a prescribed period of time. (indirect cost)
- **Direct project costs** are those for all direct projects in the operation over the same prescribed period of time. (The denominator can be Salaries & Benefits or Total Project Cost)



Indirect Cost Rates

Four Types (under the OMB Guidelines)

1. **Provisional Rate (Estimated):** a temporary rate applicable to a specified period which is used for funding, interim reimbursement, and reporting indirect costs, pending the establishment of a final rate for the period.
2. **Final Rate (Actual):** Established after costs are known (Underpayments are subject to availability of funds and Overpayments must be credited or returned)
3. **Fixed Rate with Carry-Forward:** The fixed rate with carry-forward has an element of both the predetermined and provisional rates but none of their detriments. A grantee can adjust its estimated rate to an actual rate.
4. **Predetermined Rate:** A predetermined rate is firm; it cannot be adjusted. Predetermined rates may not be used by non-federal entities that have not negotiated the rate with the cognizant agency for indirect costs.



Negotiating Indirect Cost Rates (NICRA) – Federal Cognizant Agency

- A cognizant agency for indirect costs is the federal agency responsible for reviewing, negotiating, and approving cost allocation plans or indirect cost proposals on behalf of all federal agencies (200.1).
 - The assignment of cognizant agency for indirect costs is described for each agency in their relevant appendix
- ✓ (1) For Institutions of Higher Education (IHEs): Appendix III to this part, paragraph C.11.
- ✓ (2) For nonprofit organizations: Appendix IV to this part, paragraph C.2.a.
- ✓ (3) For State and local governments: Appendix V to this part, paragraph F.1.
- ✓ (4) For Indian tribes: Appendix VII to this part, paragraph D.1.



Negotiating Indirect Cost Rates (NICRA)

More Information

- The federal funding notices must include the awarding agency's policies on direct cost rate reimbursement, matching, or cost share.
- Indirect costs require a current negotiated indirect cost rate agreement (NICRA) or elect de minimis rate.
- Negotiated rates must be accepted by all federal awarding agencies (200.414(c)(1))
- PTEs must negotiate rate with subrecipients if no approved rate exists.
 - Can accept a prior negotiated rate with a different PTE
 - De minimis rate, as applicable
 - PTE cannot require use of a de minimis indirect cost rate if the subrecipient has a federally approved rate.
- See 2 CFR 200.332(a)(4)



Indirect Costs – More to Know

- For major institutions of higher education (IHEs) and nonprofit organizations, indirect costs must be classified as “Facilities” and “Administration”
- Because of the diversity of nonprofit organizations, it is not possible to specify types of costs that must be treated as indirect.
- Generally, federal awarding agencies must accept a non-federal entity’s negotiated indirect cost rate
- Requirements for development and submission of indirect rates are contained in the Appendices to the Uniform Guidance



Indirect Costs – De Minimis

- Entities that do not have a current negotiated indirect cost rate may elect to use a de minimis rate of 15% of modified total direct costs* - If chosen, this methodology once elected must be used consistently for all Federal awards until such time as a non-Federal entity chooses to negotiate for a rate, which the non-Federal entity may apply to do at any time.
- Eligibility Requirements:
 - Any recipient that does not have a current negotiated rate, except for state and local governments that receive more than \$35 million in direct federal funding.
 - Includes grantees that previously had a negotiated rate that expired.
 - Modified Total Direct Costs (MTDC): “all direct salaries & wages, applicable fringe benefits, materials and supplies, services, travel, and up to the first \$50,000 of each subaward” (200.1).*

***Reflects OMB Memo M-24-11: No later than awards issued on or after October 1, 2024 “Federal agencies may elect to apply the 2024 Revisions to Federal awards issued prior to October 1, 2024, but they are not required to do so.”**



Indirect Costs – Where to Find the Requirements 200.414 (e)

Requirements for development and submission of indirect (F&A) cost rate proposals and cost allocation plans are contained in Appendices III-VII and Appendix IX as follows:

- (1) Appendix III to Part 200—Indirect (F&A) Costs Identification and Assignment, and Rate Determination for Institutions of Higher Education (IHEs);
- (2) Appendix IV to Part 200—Indirect (F&A) Costs Identification and Assignment, and Rate Determination for Nonprofit Organizations;
- (3) Appendix V to Part 200—State/Local Governmentwide Central Service Cost Allocation Plans;
- (4) Appendix VI to Part 200—Public Assistance Cost Allocation Plans;
- (5) Appendix VII to Part 200—States and Local Government and Indian Tribe Indirect Cost Proposals; and
- (6) Appendix IX to Part 200—Hospital Cost Principles.



Additional Learning Resources

- NGMA
 - Grants Management Body of Knowledge (GMBok) Guide
 - [Maximizing Recovery on Your Grants by Leveraging Indirect Cost – January 2024 Webinar](#)
- Amplifund
 - [Indirect Costs: Knowledge is Power Webinar](#)
- Hdl Companies
 - [Unleash Your Grant Portfolio and Save Your General Fund](#)
- Federal Agencies (not an all-inclusive list)
 - [Department of Labor](#)
 - [US Economic Development Administration](#)
 - [National Endowment for the Humanities](#)

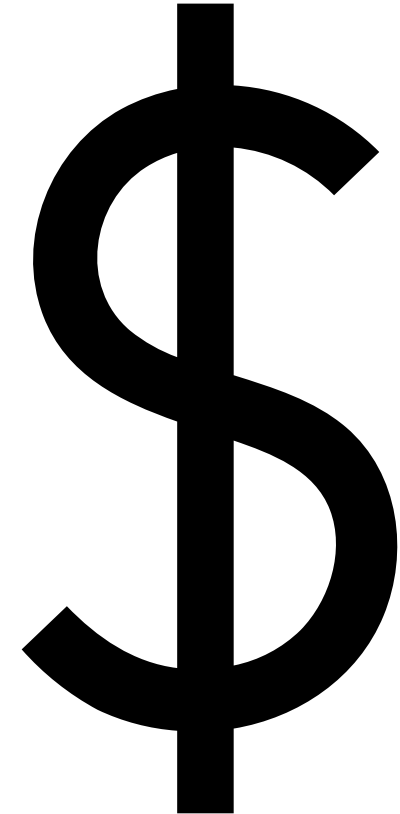


General Provisions for Selected Items of Cost

2CFR 200.420-200.476

Section 200.420 of the Uniform Guidance provides additional rules that apply to specific cost categories. Listed are those most frequently identified:

- For many items listed, the allowability determination is not as straightforward as “allowable” or “unallowable”
- Many of the items are allowable only under specific conditions
- To be charged to your grant, all selected items of cost must be necessary, reasonable, and allocable to your federal grant program
- When in doubt if cost item is allowed, reach out to your federal awarding agency



Selected Items of Cost – Just a few examples

- § 200.421 Advertising and public relations.
- § 200.423 Alcoholic beverages.
- § 200.430 Compensation—personal services.
- § 200.434 Contributions and donations.
- § 200.437 Employee health and welfare costs.
- § 200.438 Entertainment costs.
- § 200.454 Memberships, subscriptions, and professional activity costs.
- § 200.458 Pre-award costs.
- § 200.473 Training and education costs.
- § 200.475 Travel costs.



Selected Items of Cost – A Review of the Favorites

- § 200.421 Advertising (200.421(a) and (b), only allowable if used for one of the following purposes:
 - Advertising cost and corollary administrative costs -
 - Advertising media – magazines, newspapers, radio and television, direct mail, exhibits, electronic or computer terminals and the like
 - The recruitment of personnel required for performance of an award;
 - Procurement of goods and services;
 - Disposal of scrap or surplus material (unless reimbursed);
 - Program outreach and other specific purposes.



Selected Items of Cost – A Review of the Favorites

- **§ 200.421 Public Relations (200.421 (d) only allowable if used for one of the following purposes:**
 - Costs specifically required by the Federal award
 - Costs of communicating with the public and press pertaining to specific activities or accomplishments which result from performance of the Federal award;
 - Costs of conducting general liaison with news media and government public relations officers



Selected Items of Cost – A Review of the Favorites

§ 200.423 Alcoholic beverages

- Costs of alcoholic beverages are unallowable.

§ 200.475 Travel costs

- 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.
 - Alcohol is unallowable (200.423)
- May be charged on an actual or per diem basis to the award (or some combination).
- Travel policies are required (200.475(b)) – No written travel policy? Then federal rules apply (General Services Administration: 5 USC 5701-11; FAR 48 CFR 31.205-46(a)).



Technical Assistance

- Free technical assistance (TA) to all stakeholders
- We answer questions about grants during all phases of the grant lifecycle
- Technical Assistance includes (but is not limited to):
 - Grant Discovery
 - Grant Writing Mentorship & Review
 - Grant Management & Monitoring
- Email us at grants@ofa.nv.gov
- Call us at (775) 684-0156



Educational Resources

- **Video Library & Monthly Webinars**
- **Topic specific webpages [ofa.nv.gov] including**
 - IJA Hub
 - Grant resources
 - Grant matching program
 - Data Resources
 - FAQs
- **Monthly Consortia**
 - Network with Likeminded Grant Partners
 - Current Consortia
 - Work Force Development
 - Rural Development
- **K-12 Education**
 - Open to Current USDR Nevada Federal Grant Discovery Tool Users
 - Sign Up at <https://ofa.nv.gov/grandiscovery>
- **Grant Education**
 - National Grant Management Association
 - Grantsmanship Center
 - Grants.gov



Most Popular OFA Services



- [Notice of Funding Opportunity and Database](#)
- [Weekly Grant Opportunities](#) – Every Friday
- [Grant Training Video Library](#)
- [Nevada's Grant Matching Program](#)
- [Free Technical Assistance](#)
- Sign up for the [OFA Newsletter](#) so you don't miss anything!



Don't Forget



Single Point of Contact and the Intergovernmental Review

- OFA is the Designated Single Point of Contact
- Presidential Executive Order 12372
- Coordinate in-state grant applications
- Foster intergovernmental relationships



Allowability & Cost Principles Training Survey

