

Cost Principles Webinar for DOE Grant Recipients

**U.S. Department of Energy
Office of Energy Efficiency and Renewable Energy
Golden Field Office
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Cognizance & Review Thresholds

Cognizant Federal agency is defined by 48 CFR 2.101 as the Federal agency that, on behalf of all Federal agencies, is responsible for establishing final indirect cost rates and forward pricing rates, if applicable, and administering cost accounting standards for all contracts in a business unit.

DOE Golden Field Office would be Cognizant for:

- For-Profit or Non-Profit Recipients who receive the preponderance of their Federal funding from DOE, *only if they have not received prior Federal Funds as a Prime Recipient from another Government source.*

DOE is not Cognizant for State/Local Government entities, Tribal, or Educational institutions.



Federal Cost Principles

The Office of Management and Budget (OMB) establishes federal grant management policies and cost principles through OMB circulars and common rules. These policies and cost principles are then incorporated into each relevant agency's applicable Federal regulations in the Code of Federal Regulations (CFR).

Federal cost principles are intended to establish a uniform approach for determining costs and promoting effective program delivery, efficiency, and better relationships between grant recipients, subrecipients, and the Federal government.

The principles are promulgated to determine allowable costs, enforce compliance with Federal grant requirements, and ensure that the Federal Government bear its fair share of costs except where restricted or otherwise prohibited by law.



Cost Principles: Organization Types

- **2 CFR Parts 215 and 220:** *Cost Principles for Educational Institutions* (OMB Circular A-21)
- **2 CFR Part 225:** *Cost Principles for State and Local Governments* (OMB Circular A-87)
- **2 CFR Part 230:** *Cost Principles for Non-Profit Organizations* (OMB Circular A-122)
- **48 CFR Chapter 1, Part 31:** *Contract Cost Principles and Procedures*



Indirect Rate Proposals (IRP) & Incurred Cost Proposals (ICP)

- IRP = Actual costs + Projections

Sample IRP form: <https://www.eere-pmc.energy.gov/Forms.aspx>

- ICP = Fiscal Year (FY) end incurred (actual) costs

For the entire organization, not just DOE award or Federal awards.

*The ICP submission should tie to the Recipient's
General Ledger.*



Cost Principles: Unallowable Costs

- Recipients must exclude unallowable costs from the Fringe/Indirect Base when submitting an IRP to DOE.
- Cost Principles defined by organization-type in the CFR (OMB/FAR) describe what costs are allowable or unallowable for reimbursement.
- Costs must be: reasonable; allocable; given consistent treatment in accordance with generally accepted accounting principles (GAAP); and must conform to any award limitations or exclusions.



Generally Unallowable Costs

- Alcoholic beverages
- Entertainment
- Meals in your home town/not traveling, including working lunches
- Unauthorized airfare upgrades
- Auto expenses, when already being reimbursed for mileage
- Car washes
- Most expenses for which receipts are not provided
- Pre-award costs not previously approved in writing by DOE Contracting Officer
- Cost of fines paid
- Cost overruns incurred on other Federal awards
- Contributions or donations, including cash, property, and services
- Goods or services above market prices
- Fee or profit for award recipients
- Direct Expenses not related to the Federal project
- Expenses not ordinary and necessary for the performance of the Federal award



Generally Unallowable Business Costs

- Overtime that should be compensated as regular time
- Advertising and public relations costs not related to the performance of the Federal award
- Bad debt, and related collection and legal costs
- Cost incurred for an organized fund raising activity
- Contributions or donations, including cash, property, and services
- Interest on borrowings
- Merger & Acquisition costs
- Lobbying expenses
- Certain patent expenses not required by the Federal award



Cost Principles: Travel and Per Diem

- Federal Travel Regulations: Statutory requirements and Executive branch policies for traveling at government expense:

<http://www.gsa.gov/federaltravelregulation>

- GSA Per Diem Rates by Locale:

<http://www.gsa.gov/perdiem>



Frequently Asked Questions

Q: How should recipients invoice DOE for fringe and indirect costs as their rates change over the life of the project?

A: Recipients should invoice indirect costs (including fringe) at the actual costs being incurred, truing up their billing as their project progresses. This will alleviate the project being over or under billed at the end of the period of performance. It is the recipients responsibility to inform the Government if they are running significantly under or over the provisionally approved rates. After the recipient submits an incurred cost proposal, the proposal is audited, and the final (annual) rate agreement is issued, the associated fiscal year will be closed.

Note: Check the Terms and Conditions for specific indirect ceilings.



Frequently Asked Questions

Q: When are recipients' incurred cost proposals due to the cognizant agency?

A: Incurred cost proposals are due to the cognizant agency within 180 days after the recipient's fiscal year end.



Frequently Asked Questions

Q: What is the preferred format or method for submitting the required annual incurred cost proposals to DOE?

A: The DCAA ICE Model available at <http://www.dcaa.mil/> is the ideal format for incurred cost proposals. While not a requirement, it meets the needs for reconciliation and certification. See *Information for Contractors*, Chapter 6, available at <http://www.dcaa.mil/> for detailed information.



Resources

- 10 CFR 600: http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&tpl=/ecfrbrowse/Title10/10cfr600_main_02.tpl
- OMB Circulars: http://management.energy.gov/policy_guidance/financial_assistance.htm
- DOE Guide to Financial Assistance

