

CHAPTER 2-250

SUPPORTING DOCUMENTATION AND ACCOUNTING FILES

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2-250-00 What is the purpose of this chapter?

This chapter provides guidance on the kinds of documents you should keep in your accounting files to support costs charged to an assistance agreement you received from us, the Office of Surface Mining Reclamation and Enforcement (OSM).

2-250-10 What supporting documentation is appropriate for personnel costs and consultant services?

- A. Personnel compensation includes all salaries, wages and other payments for services. They may be paid currently or accrued. The services must be necessary for the program and allocable to this assistance agreement. The cost must be reasonable for the services provided. Your personnel compensation policies for costs paid with Federal funds must be consistent with those for activities paid with other funds.

You should document amounts charged for personnel with payrolls that have been recorded and approved in accordance with generally accepted accounting practices. Payrolls should be supported by time and attendance records of employees. If employees worked on more than one program or project, the personnel costs charged to the assistance agreement should be supported by records showing how their time was distributed between projects.

- B. Fringe benefits are compensation other than salaries and wages. They may be paid currently or accrued. They include costs such as payroll taxes, leave, health benefits, and retirement. Fringe benefits are allowable to the extent that they are reasonable, and are required by law, contract, or policy. If employees work on more than one program or project, charge fringe benefit costs to the agreement in the same percentage as the salary charged to the agreement. You should document fringe benefits with your established personnel compensation policy, and show that you apply it consistently.
- C. Consultant services pay qualified or expert individuals or organizations to provide professional and technical services. You should support consultant costs with proposals from more than one

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reputable consultant whenever feasible. Bills for consultant fees should provide a clear statement of the services performed and, as appropriate, the time worked or the quantity of services provided. You should file a copy of any reports produced by consultants.

2-250-20 What supporting documentation is appropriate for construction costs?

- A. Construction costs in OSM assistance agreements normally relate to projects to reclaim abandoned mine sites, or to restore water or other resources damaged by past mining. We must approve projects before you begin actual construction, by approving your application or by issuing an Authorization to Proceed. In addition to actual construction costs, project costs may include other costs allocable to a specific reclamation project, such as planning and design, construction monitoring and inspection, and administration.
- B. For construction and other contracts, you should document your contracting process. Your files should include invitations for bids, bids, contracts, construction monitoring reports, contractor's invoices, and any other documents needed to trace the history of the contract.
- C. You should document your compliance with requirements from the Surface Mining Control and Reclamation Act (SMCRA) and OSM regulations. For example, you should document your determination that a site was eligible for funding under Title IV of SMCRA, your check of contractors in the Applicant Violator System (AVS), and your entry of sites, and accomplishments in the Abandoned Mine Land Inventory System (AMLIS).
- D. For Abandoned Mine Land (AML) program grants, you should keep documentation adequate to justify the totals you report for AML project costs, and to trace project costs to individual reclamation projects or sites.

2-250-30 What supporting documentation is appropriate for property costs?

- A. Equipment is nonexpendable, tangible personal property having a useful life of more than one year and costing \$5,000 or more per unit. See Chapter [2-200](#) for more information on equipment, supplies, and other property. You should document equipment costs with approval documents, price quotations, purchase orders, requisitions or contracts, receiving reports, and vendor invoices.
- B. Supplies include consumable items such as paper and postage, and also items of property which don't meet the criteria for equipment. You should support supplies costs with purchase orders, requisitions, receipts, vendor invoices, or other evidence that the supplies were paid by, and used for the assistance program.

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2-250-40 What supporting documentation is appropriate for travel costs, space costs, and other direct costs?

- A. Travel costs are expenses of employees traveling on official business, such as transportation, lodging, and subsistence. You may charge these costs on an actual cost basis, on a per diem or mileage allowance basis, or on a combination of the two, according to the travel policies of your organization. Your travel policies should apply consistently to activities supported by Federal, and non-Federal funds. You should support travel costs with a report by the traveler of expenses incurred and the purpose of the travel, and with evidence the costs were properly authorized and approved.
- B. Space costs are the costs of acquiring or renting space to use for the assisted project. See Chapters [3-140](#) and [3-150](#) for more information on leasing, purchasing or constructing space. Space costs also include normal maintenance and operation costs required to make space usable for program purposes. You should support space rental costs with a signed lease agreement showing all the terms of the rental. You should support space use or depreciation charges by showing how the charge was calculated, and applied to your program.
- C. Other direct costs include such items as repairs, utilities, telephones, internet access, publications and printing, subscriptions, and other miscellaneous expenses related to the assistance agreement. You should support charges for other direct costs with vendor's invoices, receipts, or other evidence that you received, and used the service for the purposes of the assisted program.

2-250-50 What supporting documentation is appropriate for indirect costs?

- A. Indirect costs are incurred for a common purpose, benefit more than one program, and cannot readily be assigned to one program without more work than it is worth. You must ensure that you do not charge items as direct costs which are already included in the indirect cost pool.
- B. You should keep a copy of your cost allocation plan to show the cost elements in the indirect pools and explain the direct cost base, and the cost allocation rationale.
- C. You should keep a copy of the approved indirect cost agreement in your assistance agreement file. If you have charged costs to an OSM assistance agreement based on more than one approved indirect cost agreement, you should keep all applicable agreements.

2-250-60 What supporting documentation is appropriate for program income?

Program income is all funds you receive directly generated by an assistance-supported activity, or earned as a result of the assistance agreement during the performance period. See Chapter [2-210](#) for more information about program income. You should support program income with documents showing all funds you receive, the sources of all program income, and how all program income was used.

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2-250-70 What supporting documentation is appropriate for costs transferred from one funding source to another?

- A. Audit reports have cited instances where costs were transferred from other projects, or programs to OSM assistance agreements many months after the costs were originally recorded. In some cases, the documentation did not adequately explain why the transfers were made. We recognize that cost transfers may be appropriate when you support closely related work from more than one funding source, or when you need to correct bookkeeping or clerical errors in the original charges. However, transfers which are frequent, late, or not adequately explained, particularly if the projects have significant cost overruns, or unexpended fund balances, raise serious concerns. They may lead us to question the propriety of the transfers, and the overall reliability of your accounting system, and internal controls.
- B. When closely related work is paid from more than one funding source, you may transfer costs from the original funding source to OSM funds if the transfer meets all of the following conditions.
1. The cost is a proper and allowable charge to the OSM agreement.
 2. You document the transfer with a full explanation and justification.
 3. A responsible program official and a financial or administrative official certify that the transfer is appropriate.
 4. To the maximum extent possible, you should transfer costs within 120 days of the original charge. Transfers made long after the original charge raise serious questions concerning the propriety of the transfer. If you transfer costs more than 120 days after the original charge, your supporting documentation should also explain why the transfer was late.
- C. When you transfer costs to OSM assistance agreements to correct accounting errors, you must make the transfer promptly after you discover the error. You should make every effort to correct errors before you submit a financial report to OSM. You should support the correcting transfer with a full explanation of how the error occurred, and why the new charge is correct. An explanation which merely states that the transfer was made "to correct error" or "to transfer to correct project" is not sufficient.
- D. Frequent errors or changes in recording costs may indicate the need for improvements in your accounting system and/or internal controls. You should evaluate the need for improvements in these areas and make them. We may require you to make improvements if we determine that they are necessary to reduce errors or improve management of Federal funds.