



Attachment 19
Cost Principles Applicable to Grants
and Contracts with State and Local Governments
(OMB Circular A-87) Exercise 3

Is it
Allowable?

Is it
Unallowable?

Is is
Direct?

Is it Indirect?

The following pages contain a list of items of cost applicable to a state or local government:

Required:

- 1. Based on your knowledge of the federal regulations indicate in the **allowability** code column if the item is:
 - (A) Allowable,**
 - (B) Allowable under certain exceptions, or**
 - (C) Unallowable.****
- 2. Indicate in the remaining column if the cost described is most likely to be treated as a direct cost (DC) or an indirect cost (I/C) in a department accounting system.**

Allowability Code Direct or Indirect

Element of Cost

1. 10 % use allowance on fully depreciated equipment
2. Acquisition Cost of Computer
3. Legal fees paid to a law firm to aid in the prosecution of a contract claim against the Federal Government (firm ultimately lost claim)

Allowability
Code

Direct or
Indirect

Element of Cost

4. Legal fees paid to a law firm to aid in the prosecution of a contract claim against the Federal Government (firm ultimately won claim)
5. Cost of maintaining a "Building-Security" force
6. Subscription cost to "Adult" magazine identified as cost of employee morale
7. Cost of Contributed Services

Allowability
Code

Direct or
Indirect

Element of Cost

8. Fire Insurance-Building
9. Payment to a Reserve Account for Anticipated Future Losses
10. Retirement Contribution
Applicable only to the Comptroller
11. **Night time** Differential Pay –
Computer Operators
12. Dues of Executives in the Plush
Country Club

<u>Element of Cost</u>	<u>Allowability Code</u>	<u>Direct or Indirect</u>
13. Overtime Premium		
14. Bad Debts		
15. Workmen's Compensation Insurance		
16. Interest Expense		
17. Proceeds from sale of obsolete office equipment which had been charged to the indirect cost pool at the time of acquisition		

<u>Element of Cost</u>	<u>Allowability Code</u>	<u>Direct or Indirect</u>
18. Salaries of City Council		
19. Advertising Expense (Employment Ads)		
20. Retainer Paid to an Advertising Consultant		
21. Food for State-Operated Cafeteria		
22. Building Rent		

<u>Element of Cost</u>	<u>Allowability Code</u>	<u>Direct or Indirect</u>
23. Salary of State Treasurer who is elected to office		
24. Idle time of Technical Specialist		
25. General Non-covered Losses		
25. Cost of Outside Professional Services		
27. Federal Government requested "Open House" tours, food and refreshments		

<u>Element of Cost</u>	<u>Allowability Code</u>	<u>Direct or Indirect</u>
28. Gifts for Clerical Staff		
29. Postage for Christmas Card Mailing List		
30. Uniforms for Sponsored Little League Team		
31. Dues in the National Lobbying Association		
32. Contributions to a Political Party		

Allowability
Code

Direct or
Indirect

Element of Cost

33. Salary of City Director whose
Division has one Federal
Grant

34. Cost of preparing proposals on
potential Federal Government
Grants

35. Paper towels for washroom

36. Printing and Reproduction Costs

37. Salaries of Fire-Protection
Personnel

Allowability
Code

Direct or
Indirect

Element of Cost

38. Depreciation of City-Owned
Fire Trucks

39. First Class Airfare for Department
Directors

40. Losses on Other Federal Contracts

41. Indirect Costs Incurred in Excess of
the Amount Computed by
Application of Prior Years'
Negotiated Fixed Rate

42. Cost Estimator's Salary for
Preparation of Proposals

<u>Element of Cost</u>	<u>Allowability Code</u>	<u>Direct or Indirect</u>
43. Executive Training Program – General		
44. Department Picnic Costs		
45. Bribes Paid to Public Officials		
46. Salaries-Program Evaluation Control Group		
47. Salary of City Manager		
48. Cost of Collecting Delinquent Accounts		

<u>Element of Cost</u>	<u>Allowability Code</u>	<u>Direct or Indirect</u>
49. Fines		
50. Payment to Self-Insured Reserve Account		
51. Life Insurance on Department Head with the Local Government as Beneficiary		
52. Salary of County Commissioner		
53. Contract Administrator's Entertainment Costs		

<u>Element of Cost</u>	<u>Allowability Code</u>	<u>Direct or Indirect</u>
54. Public Accounting Fees		
55. Technical Training Program		
56. Amortization of Bond Discount		
57. Luncheon Costs (Incurred While Entertaining Federal Government Representatives)		
58. Riot Fence for Anticipated Anti-Bombing Demonstration		

Allowability
Code

Direct or
Indirect

Element of Cost

59. Tuition Payments to Internal
Auditors for Graduate Studies

60. Travel of Elected Official to
Attend Meeting on Current Federal
Grant