

ATTACHMENT 2



Attachment B

OMB Circular A-87

42 Selected Items of Cost

Attachment B identifies 42 categories of cost and provides guidance on the allowability of each as a cost to Government grants/contracts



1. Accounting

- Cost of establishing and maintaining accounting and other information systems is allowable

2. Advertising & Public Relations

- Allowable Advertising
 - Recruitment of Personnel
 - Procurement of Goods & Services
 - Disposal of Scrap or Surplus



Continued

2. Advertising & Public Relations

- Allowable Public Relations
 - Costs are specifically required by award (direct)
 - Costs of communicating with the press pertaining to accomplishments which resulted from the performance of an award (direct)
 - Cost of keeping the public informed on matters of public concern . . . such as notices of contract/grant awards . . . etc.

Continued

2. Advertising & Public Relations

- Specifically unallowable:
 - Costs of meetings or other events related to fund raising or other organizational activities including:
 - Displays, demonstrations and exhibits
 - Meeting rooms, hospitality suites, and other facilities if used in connection with shows or special events
 - Compensation of employees or cost of services relating to displaying exhibits, making demonstrations and providing briefings

Continued

2. Advertising & Public Relations

- Specifically unallowable:
 - Costs of promotional items, memorabilia, gifts and souvenirs
- Costs of advertising and public relations designed solely to promote the governmental unit



3. Advisory Councils



- Allowable advisory council or committee costs:
 - as a direct cost where authorized by the Federal awarding agency or
 - as an indirect cost where allocable to Federal awards

4. Alcoholic Beverages

Costs of alcoholic beverages
are unallowable!



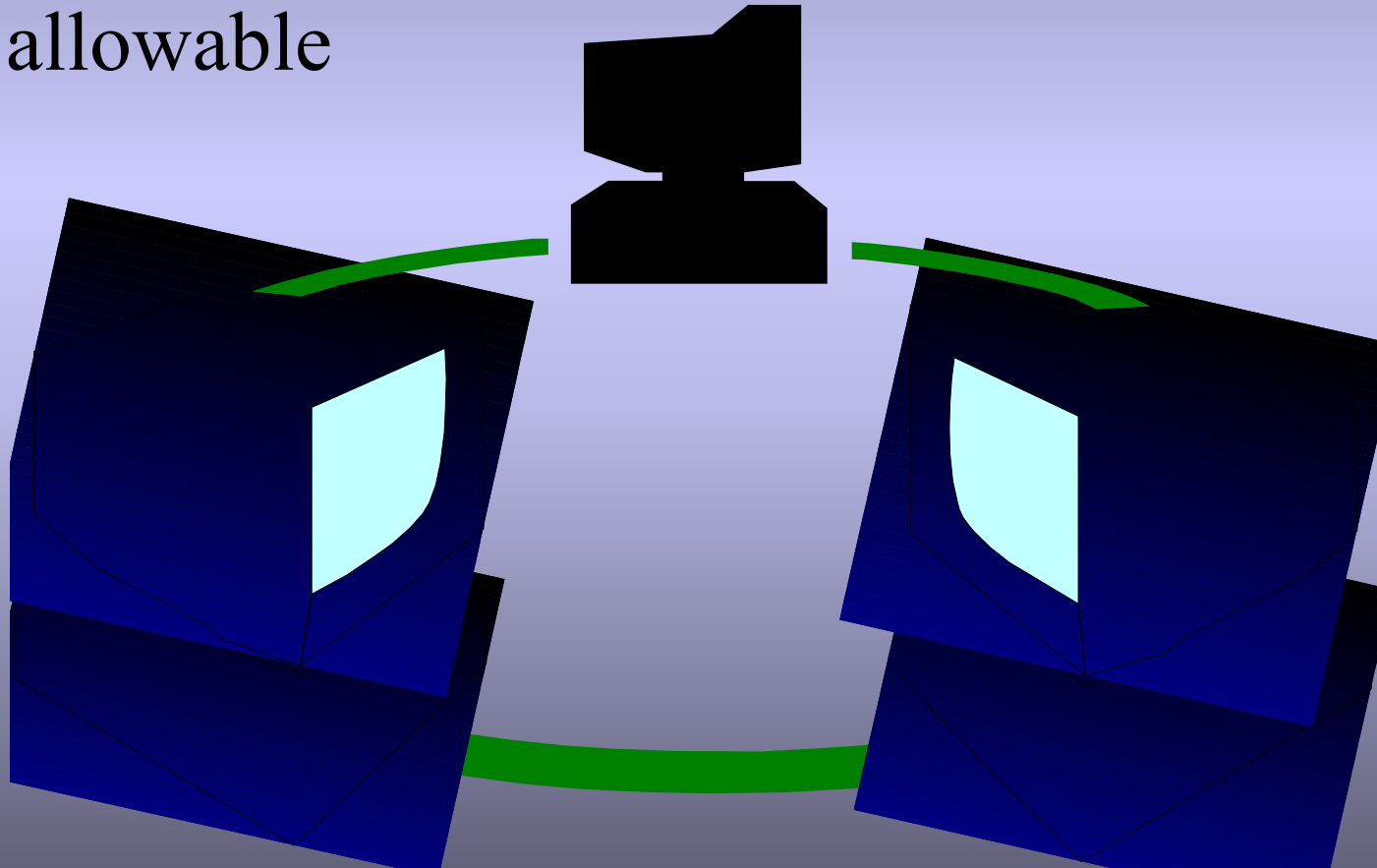
5. Audit Services



- Allowable provided that the audits were performed in accord with the Single Audit Act
- Other audit costs are allowable if specifically approved by the awarding or cognizant agency

6. Automatic Electronic Data Processing

- The cost of data processing service is allowable



7. Bad Debts

- Bad debts, including losses arising from uncollectible accounts and other claims, and related costs are unallowable

	July 24	19	2001	==
PAY TO THE ORDER OF	Steve Garfinkel		\$ 100,000	
	One Hundred Thousand			DOLLARS
FOR	Extortion Payment		Alan Greensponge	

8. Bonding

- Costs of bonding employees and officials are allowable to the extent they are reasonable and represent sound business practice



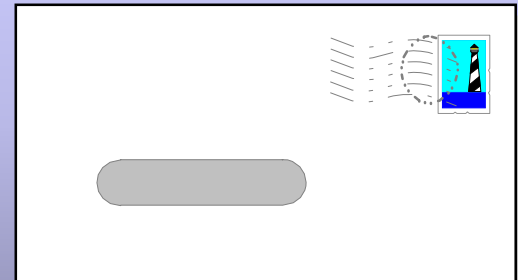
9. Budgeting

- Costs incurred for the development, preparation, presentation and execution of budgets are allowable



10. Communication

Communication costs are allowable



11. Compensation for Personal Services

- Includes all compensation paid currently or accrued by the governmental unit during the period of performance. Compensation costs are allowable when
 - Reasonable
 - Follows a merit system appointment, as appropriate
 - Adequately documented and supported



Continued

11. Compensation for Personal Services



- Fringe benefits
 - Generally allowable if
 - Reasonable and required by
 - Law
 - Governmental unit-employee agreement or
 - Established policy of the governmental unit
 - Authorized absences are generally allowable if costs are equitably distributed

The terminal leave controversy →

11. Compensation for Personal Services



- Fringe benefits(continued)
 - “When a governmental unit uses the cash basis of accounting, the cost of leave is recognized in the period that the leave is taken and paid for. Payments for unused leave when an employee retires or terminates employment are allowable in the year of payment provided they are allocated as a **general administrative expense** to all activities of the governmental unit or component.”

Terminal Leave

Continued

11. Compensation for Personal Services



- Fringe benefits(continued)
 - When a governmental unit uses the accrual basis of accounting, in accordance with GAAP, allowable leave costs are the lesser of the amount accrued or funded.

11. Compensation for Personal Services



- Fringe benefits(continued)
 - Allowable if granted under established written policies
 - employer contributions or expenses for social security
 - employee life
 - health
 - unemployment
 - worker's compensation
 - pension plan costs(including PRHB)
 - other

Continued

11. Compensation for Personal Services



- Fringe benefits(continued)
 - Severance pay
 - Payments in addition to regular salaries made to workers whose employment is being terminated are allowable to the extent that they are require by
 - law
 - employer-employee agreement
 - established written policy

11. Compensation for Personal Services



- Fringe benefits(continued)
 - Severance pay
 - Severance payments (but not accruals) associated with normal turnover are allowable.
 - Must be allocated to all activities as an indirect cost
 - Abnormal or mass severance will be considered on a case-by-case basis and is allowable if approved by the cognizant Federal agency.

Continued

11. Compensation for Personal Services



- Support of salaries and wages
 - Personnel Activity Reports(aka TD)
 - Must reflect after-the-fact determination of activity
 - Must account for total activity for which employee is compensated
 - Must be signed by the employee
 - Must be prepared monthly and coincide with one or more pay periods

11. Compensation for Personal Services



- Support of salaries and wages
 - Personnel Activity Reports(continued)
 - Periodic certification (minimally semi-annual) by supervisor is available for employees who work on a single Federal award or cost objective
 - Substitute systems for allocating salaries and wages to Federal awards may be used in lieu of PARs subject to approval by the cognizant Federal agency
 - Random sampling, case counts, other quantifiable measures of employee effort

Continued

11. Compensation for Personal Services



- Support of salaries and wages
 - Personnel Activity Reports(continued)
 - Other substitute systems for estimating effort and cost allocation may be accepted by the cognizant Federal agency if it concludes that the amounts to be allocated to the Federal awards will be minimal, or that the system will result in lower cost to the Federal government

Continued

11. Compensation for Personal Services



- Donated Services
 - The value of donated services
 - is not reimbursable either as a direct or indirect cost
 - may be used to meet cost sharing or matching requirements in accordance with the provisions of the Common Rule
 - when material, must receive a fair share of allocable indirect costs



12. Contingency Provisions

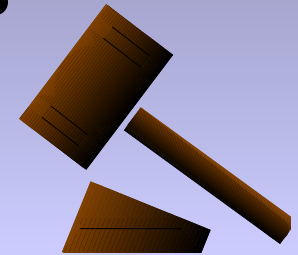
- Contributions to a contingency reserve or any similar provision made for events the occurrence of which cannot be foretold with certainty as to time, intensity, or with an assurance of their happening are unallowable
- Exceptions might be self-insurance, pension funds and PRHB

13. Contributions and Donations

Contributions and donations by the organization to others are unallowable



14. Defense & Prosecution of Criminal & Civil Proceedings and Claims

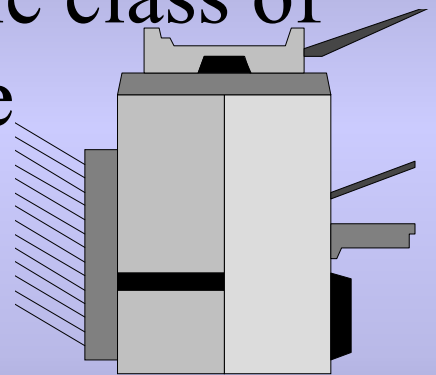


- These types of cost are generally unallowable
- Legal expenses required in the administration of Federal programs are allowable.



15. Depreciation and Use Allowances

- Costs are allowable
- A combination of the two methods may not be used in connection with a single class of fixed assets (e.g., buildings, office equipment, computer equipment)
- Computation of use allowance or depreciation shall be based on acquisition cost. Acquisition cost of a donated asset shall be the fair market value at the time of donation.



Continued

15. Depreciation and Use Allowances

- Computation of use allowance or depreciation will exclude:

- Cost of land
- Any portion donated by Federal Government
- Any matching portion


- Maximum use allowance

- Buildings and improvements = 2% of acquisition cost
- Equipment = 6 2/3% of acquisition cost



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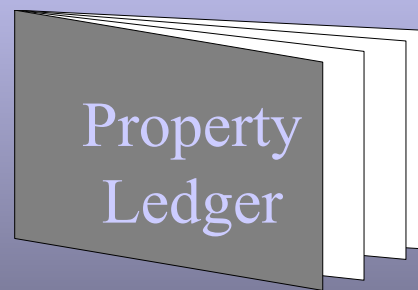
15. Depreciation and Use Allowances

- Where depreciation method is followed:
 - Use straight-line or 
 - Document clear evidence that the expected consumption of the asset will be significantly greater or lesser in the early portions of its useful life and use another depreciation method
 - “Componentization” of buildings is permitted for purposes of depreciation

Continued

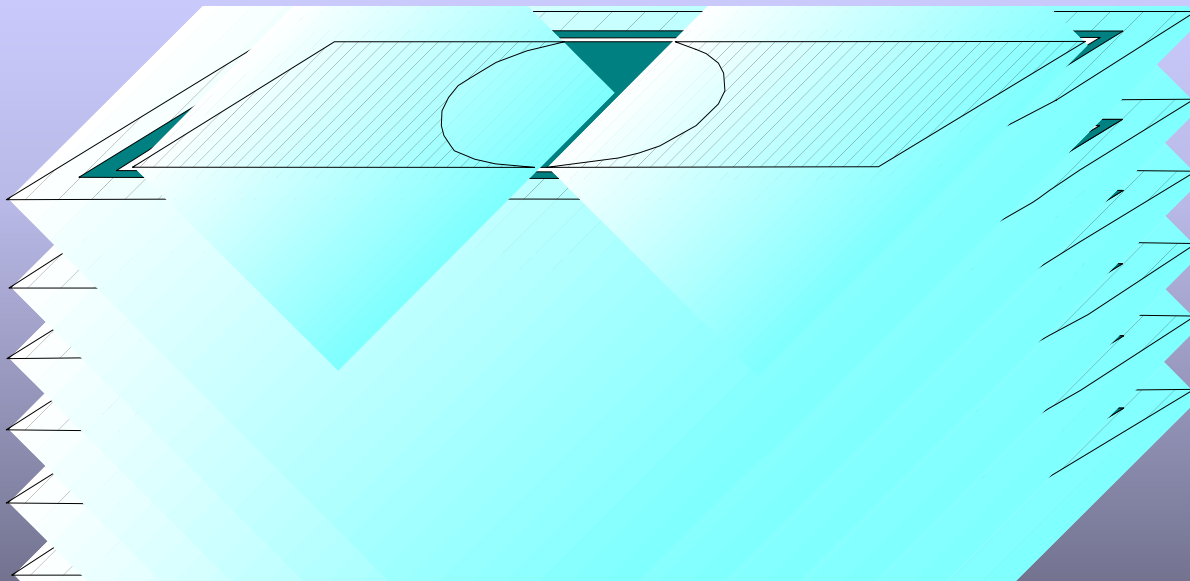
15. Depreciation and Use Allowances

- Adequate property records must be maintained under either method
- Physical inventories must be taken at least once every two years

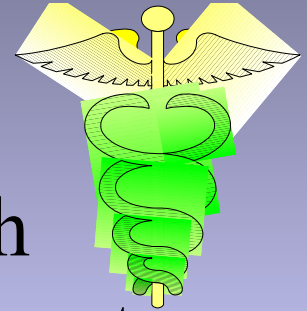


16. Disbursing Service

- The cost of disbursing funds by the Treasurer or other designated officer is allowable.



17. Employee Morale, Health & Welfare Costs & Credits

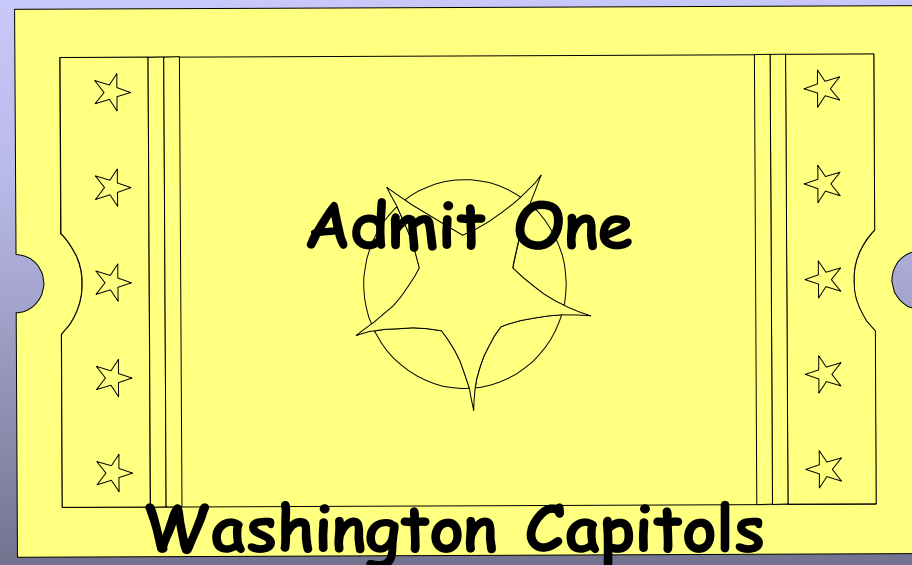


- Examples - In-house publications, health clinics/infirmaries, recreational activities, etc.
- Costs are allowable if:
 - In accord with established practice
 - Reasonable
 - Equitably distributed to all activities
 - Offset by income earned



18. Entertainment

Costs of amusement, diversion, social activities, ceremonials and costs relating to these activities such as meals, lodging, rentals, transportation and gratuities are unallowable.



19. Equipment & Other Capital Expenditures

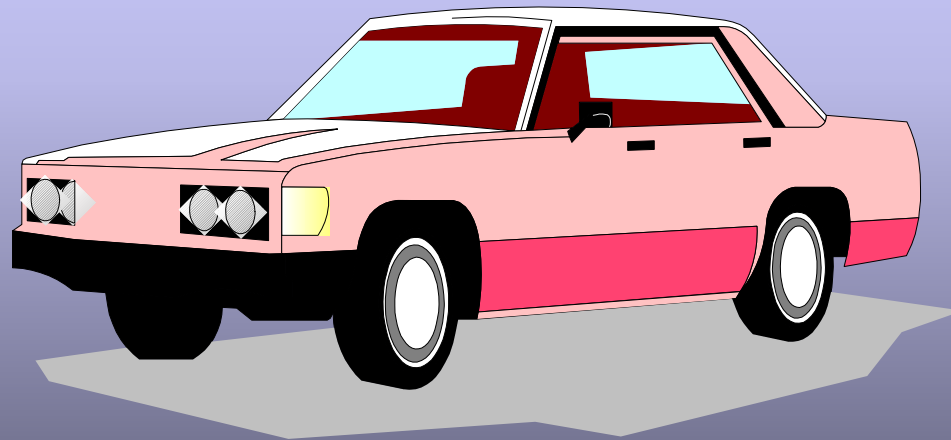
- Equipment - an article of non expendable, tangible personal property having a useful life of more than one year and an acquisition cost equal to or greater than the lesser of:
 - The governmental unit's financial statement capitalization level or
 - \$5,000



Continued

19. Equipment & Other Capital Expenditures

- Unallowable as indirect costs
- Prior approval from the awarding agency must be obtained to direct charge



20. Fines and Penalties

**Federal
Marshal**

- Costs of failures to comply with Federal, state, or local laws are unallowable
- Allowable if incurred as a result of compliance with specific provisions of an award or instructions in writing from the awarding agency



21. Fund Raising and Investment Management Costs

- Fundraising and similar expenses incurred to solely raise capital or obtain contributions are unallowable
- Costs of investment counsel & staff and similar expenses are unallowable
- Fundraising and investment activities shall be allocated an appropriate share of indirect costs

22. Gains and Losses on Disposition of Depreciable Property and Other Capital Assets and Substantial Relocation of Federal Programs

- Recognized in the year of asset retirement
- The amount will be the difference between the amount realized and the undepreciated basis of the property
- Substantial relocation of Federal awards from one facility to another generally requires Federal approval and possible negotiation of space costs and other charges

23. General Government Expenses

- General costs of government are unallowable including
 - Salaries and expenses of the Office of the Governor of a State or the chief executive of a political subdivision
 - Salaries and expenses of State legislatures or similar local governmental bodies whether incurred for purposes of legislation or executive direction

Continued

23. General Government Expenses

- General costs of government are unallowable including(continued)
 - Cost of the judiciary branch of a government
 - Prosecutorial activities are generally unallowable
 - Other general types of government services normally provided to the general public

24. Idle Facilities and Idle Capacity



- Unallowable except to the extent that
 - They are necessary to meet fluctuations in workload or
 - Were necessary at one point and because of unforeseen changes are no longer necessary (under this exception, costs of idle facilities are allowable for a reasonable period of time, ordinarily not to exceed one year)

25. Insurance and Indemnification

- Insurance required or approved pursuant to an award is allowable
- Insurance carried by the governmental unit in general conduct of activities is allowable subject to the following limitations
 - Reasonable coverages
 - Cost of insurance or risk of loss reserves on Federal property are unallowable unless required or approved under an award
 - Other miscellaneous items



26. Interest

Costs of interest on borrowed capital or use of a governmental unit's own funds, however represented, are unallowable.



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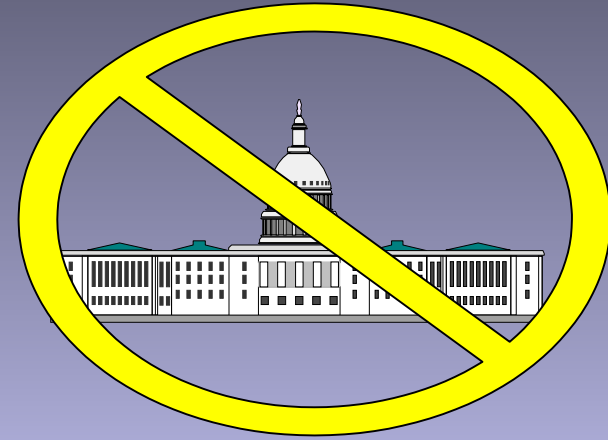
26. Interest

- Financing costs (including interest) incurred on or after the date of this Circular associated with otherwise allowable costs of building acquisition, construction, reconstruction or remodeling done on or after October 1, 1980 are allowable.

26. Interest

- Financing costs (including interest) incurred on or after the date of this Circular associated with otherwise allowable costs of equipment are allowable under most conditions.

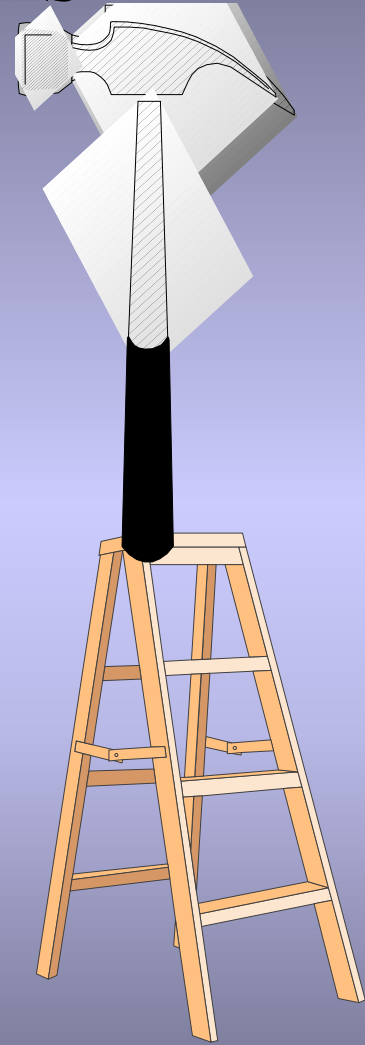
27. Lobbying



- Unallowable -
 - Costs of certain influencing activities associated with obtaining grants, contracts, cooperative agreements, or loans
 - For certain grants, etc., refer to the Common Rule, “New Restrictions on Lobbying”

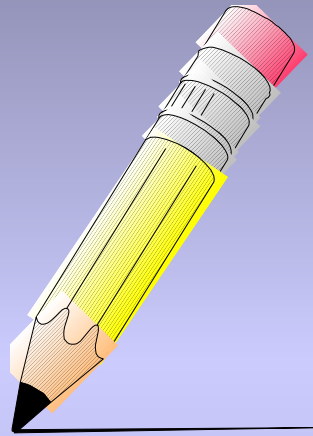
28. Maintenance, Operations and Repairs

- Costs necessary to keep buildings and equipment in efficient operating condition are allowable
- Costs which add to the permanent value or appreciably prolong the life of the asset shall be treated as capital expenditures

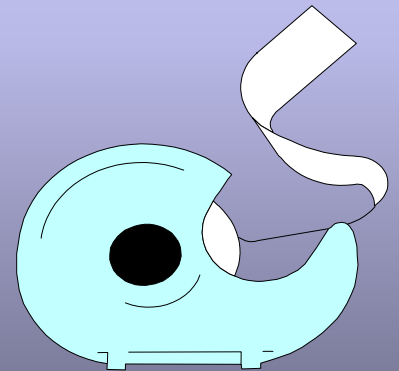


29. Materials and Supplies

- Costs are allowable



- Remember to charge the cost of materials and supplies at actual prices after deducting all cash discounts, trade discounts, etc.



30. Memberships, Subscriptions and Professional Activities

- Membership in business, technical and professional organizations are allowable
- Subscriptions to business, technical and professional periodicals are allowable
- Costs of meetings and conferences, including travel costs, etc., when the primary purpose is the dissemination of technical information are allowable



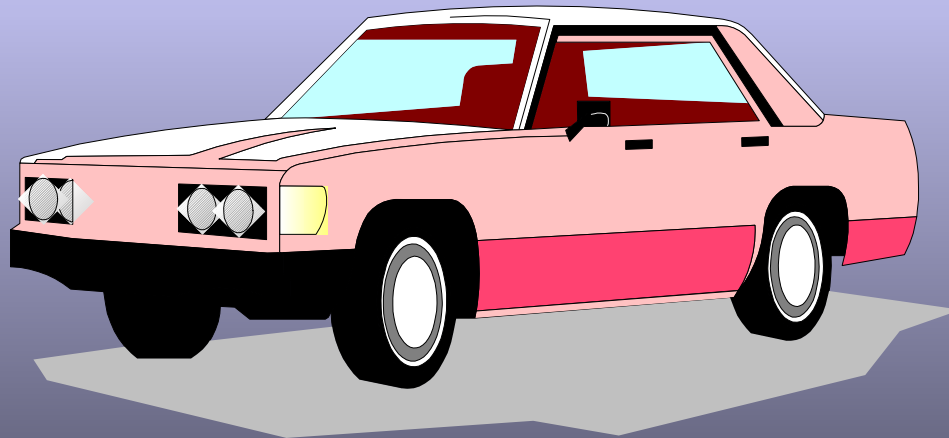
30. Memberships, Subscriptions and Professional Activities

- Costs of memberships in civic or community organizations are allowable with prior approval by the cognizant Federal agency
- Memberships in organizations substantially engaged in lobbying are unallowable

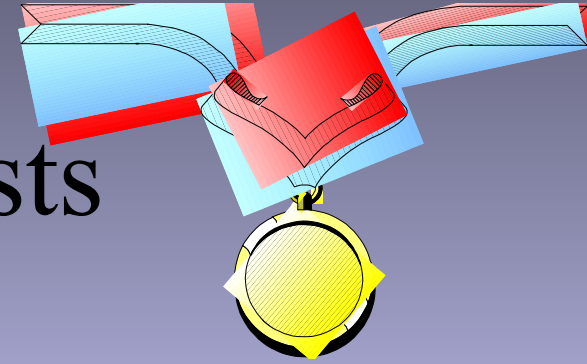


31. Motor Pools

- Costs of a service organization which provides automobiles to user governmental units at a mileage or fixed rate and/or provides vehicle maintenance, inspection, and repair services are allowable.



32. Pre-award Costs



- Pre-award costs are costs incurred prior to the effective date of the award directly pursuant to the negotiation of the award
- Pre-award costs are allowable only to the extent that they would have been allowable if incurred after the effective date of the award and only with the written approval of the awarding agency

33. Professional Service Costs



- Costs of professional and consultant services rendered by persons that are members of a particular profession or possess a special skill, whether or not officers or employees of the governmental unit, are allowable if reasonable and not contingent on recovery of costs from the Federal government

Continued

33. Professional Service Costs

- Retainer fees supported by evidence of bona fide services available or rendered are allowable

34. Proposal Costs

- Costs of preparing proposals for potential Federal awards are allowable
 - Normally treated as indirect
 - May be treated as direct with prior approval of the Federal awarding agency



35. Publication and Printing

- Costs of printing, distribution, promotion, mailing, and general handling are allowable



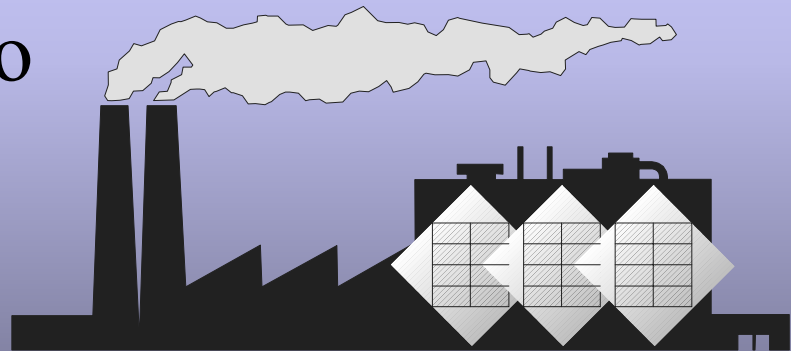
36. Rearrangement and Alteration Costs

- Allowable if ordinary or normal
- Special arrangements and alterations need prior approval of the awarding agency



37. Reconversion Costs

- Except for normal wear and tear, costs of restoring a governmental unit's facilities to approximately the same condition existing immediately prior to Federal awards are allowable



38. Rental Costs

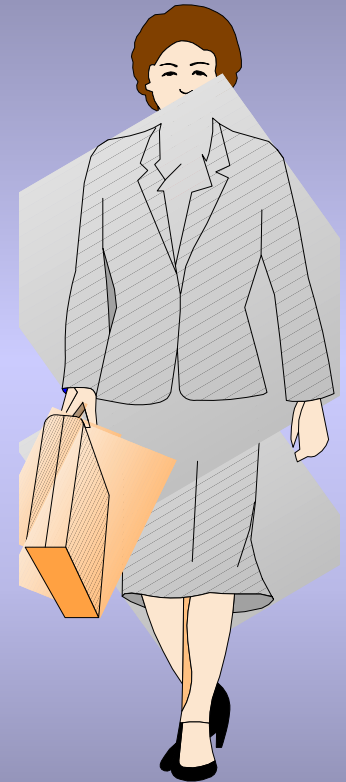
- Rental costs are generally allowable if the rates are reasonable
- Rental costs under sale and leaseback arrangements are allowable only up to the amount that would be allowed had the governmental unit continued to own the property



**Office Space
For Rent
Phone 364-5789**

38. Rental Costs

Rental costs under less-than-arms-length leases(those in which one party is able to control or substantially influence the actions of the other) are allowable only up to the amount that would be allowed had title to the property vested in the governmental unit



N. Fluence

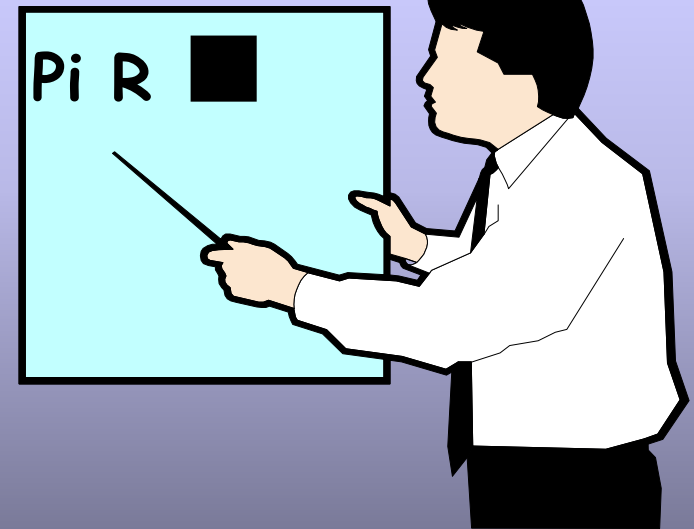
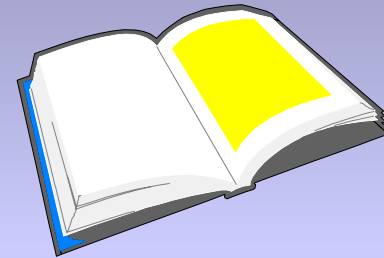
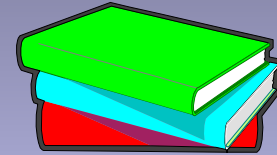
39. Taxes



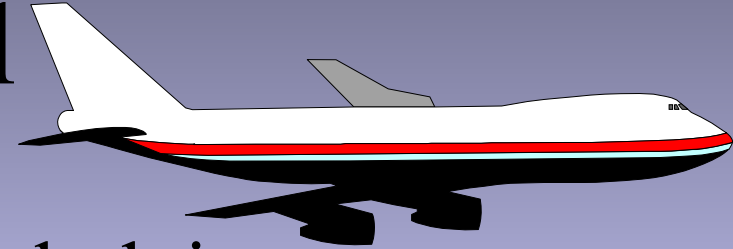
- Taxes that a governmental unit is legally required to pay are allowable, except for self-assessed taxes that disproportionately affect Federal programs or changes in tax policies that disproportionately affect Federal programs
- Provision becomes effective January 1, 1998

40. Training

- The cost of training provided for employee development is allowable



41. Travel



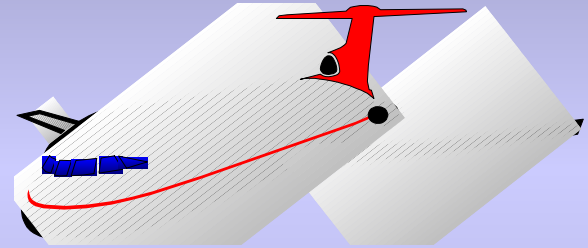
- Expenses for transportation, lodging, subsistence, and related items incurred by employees on official business are allowable
- Such costs may be charged on an actual basis, per diem or mileage basis or a combination, but must be consistent with those normally allowed by the governmental unit

Continued

41. Travel

- The difference between first class and less than first class air accommodations is unallowable except when the lesser would

- Require circuitous routing
- Require travel during unreasonable hours
- Greatly increase the duration of the flight
- Result in additional costs offsetting the savings
- Not meet the medical needs of the traveler



42. Under-recovery of Costs Under Federal Agreements

Any excess costs over the Federal contribution under one award agreement are unallowable under other award agreements

WHEW!!

Questions??

