



2010 SOUTHWEST CLUSTER CONFERENCE

MARCH 2-4, 2010

DALLAS, TEXAS

OMB Circulars-Ten Criteria for Allowable Costs

1. Allocable to the award under the provisions of the applicable cost principles

All costs must be reported in accordance with the relative benefits received by a particular program, project or activity.

DO:

- Have a **well-thought-out** Cost Allocation Plan that takes the following into account:
 - The cost allocation plan should be a statement of **methodology** for allocating of items of cost, as opposed to containing specific percentages or amounts.
 - The plan should include the ability to update numbers related to cost drivers as they change, so that costs may always be allocated appropriately.
 - The plan should provide for allocation of both direct and indirect costs, and should keep the two separate.
- Update your cost allocation plan as activities change or methods would no longer yield an accurate determination of benefits received by a program, project, or activity.
- Allocate costs associated with staff in accordance with how that staff person spends time

DON'T:

- Allocate costs inconsistently or shoot from the hip; rather, follow your Cost Allocation Plan.
- Report costs that are not allocable to the period of time or the work proposed in the grant application.

2. Reasonable for proper and efficient performance and administration of the grant

Would a prudent person determine that the cost is reasonable in nature and amount?

DO:

- Ask these questions:
 - *Is the cost generally recognized as ordinary and necessary for the organization's operation or award performance?*
 - *What restraints or requirements are imposed by factors such as generally-accepted sound business practices, arms-length bargaining, federal and state laws and regulations, and the award terms and conditions?*
 - *How does the cost compare to market prices for similar goods and services?*
 - *Did the individuals concerned act with prudence in the circumstances, considering their responsibilities to the organization; its members, employees, and clients; the public; and the government?*
 - *Did the cost involve significant deviations from established practices of the organization which might unjustifiably increase costs charged to the award?*
(Management Concepts)
- Consider how this decision would affect your organization if it were in the newspaper.
- Ask questions when something seems off!

DON'T:

- Fail to consider common sense and ethical use of funds.



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3. Treated consistently as a direct or indirect cost

If a cost is direct or indirect on one award or funding source, it should be the same for others.

DO:

- Charge as direct costs all things that can be tracked as such.

DON'T:

- Double charge as both direct and indirect.

4. Determined in accordance with generally accepted accounting principles (GAAP), except as otherwise stipulated in the applicable cost principles

GAAP includes the standards, conventions, and rules accountants follow in recording and summarizing transactions, and in the preparation of financial statements.

(Wikipedia)

In the U.S., generally accepted accounting principles, commonly abbreviated as US GAAP or simply GAAP, are accounting rules used to prepare, present, and report financial statements for a wide variety of entities, including publicly-traded and privately-held companies, non-profit organizations, and governments. Generally GAAP includes local applicable Accounting Framework, related accounting law, rules and Accounting Standard.

Similar to many other countries practicing under the common law system, the United States government does not directly set accounting standards, in the belief that the private sector has better knowledge and resources. US GAAP is not written in law, although the U.S. Securities and Exchange Commission (SEC) requires that it be followed in financial reporting by publicly-traded companies. Currently, the Financial Accounting Standards Board (FASB) is the highest authority in establishing generally accepted accounting principles for public and private companies, as well as non-profit entities. For local and state governments, GAAP is determined by the Governmental Accounting Standards Board (GASB), which operates under a set of assumptions, principles, and constraints, different from those of standard private-sector GAAP. Financial reporting in federal government entities is regulated by the Federal Accounting Standards Advisory Board (FASAB).

(Wikipedia)

DO:

- Have staff who are familiar with GAAP for your organization type.

DON'T:

- Just assume you are doing it correctly.



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5. Net of all applicable credits

If a refund or discount is received on a purchase, this refund or discount is not an allowable cost on a grant.

DO:

- Adjust reporting when an item is returned to the vendor.
- Be aware of discounts applied by vendors and ensure that reporting takes them into account
- Ensure that program income is spent during the grant period and that you do not request reimbursement for things reported as program income.

DON'T:

- Report the percentage rate for Workers Compensation, before any adjustments, experience ratings, or other modifications are taken into account.

6. Not included as cost or used to meet the cost-sharing requirements of another federal award, unless specifically permitted by law or regulation

Don't report federal funds as match on a federal grant unless you have permission from the grantor of funds you wish to use as match or the funds have lost their federal identity.

DO:

- Get permission letters from federal funders if you wish to use their funds as match.

DON'T:

- Assume funds are not federal if you did not directly receive them from the federal government.

7. Adequately documented

Documentation should leave no question as to whether or not the other criteria were met.

If it isn't appropriately documented, it didn't happen.

DO:

- Ensure that documents demonstrate purpose, funding source, allocability, and appropriate approval of the cost.
- Ask yourself if the document would substantiate the other criteria of allowable costs.
- Document the actual benefit received rather than charge based on budget.
- Ensure that in-kind matching is documented in accordance with OMB Circular requirements.

DON'T:

- Document expenditures in a manner that leaves questions about any other criteria for cost allowability.



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8. **Authorized or not prohibited under state or local laws or regulations**

This rarely comes up, but it is important to be aware.

DO:

- Be aware of state and local requirements.

DON'T:

- Incur costs that violate state and local requirements.

9. **In conformance with limits or exclusions on types or amounts of costs, as set forth in the applicable cost principles, federal laws, award terms and conditions, or other governing regulations**

Be aware of exclusions from all funders.

DO:

- Build procedures to ensure limits and exclusions are not violated.

DON'T:

- Leave this to a person's memory or to chance; rather create systems to ensure your success
- Incur types of costs not in your approved budget.
- Incur significantly more cost than is budgeted for a cost that is in your approved budget.

10. **Consistent with the recipient's policies, regulations, and procedures that apply to both federal awards and other activities of the recipient**

Federal and non-federal funds must be treated consistently.

DO:

- Follow your policies and procedures in all situations.

DON'T:

- Make exceptions in how you allocate federal costs.

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