

ATTACHMENT 3

OMB Circular A-122

Attachment B



Selected Items of Cost

Attachment B identifies 56 categories of cost and provides guidance on the allowability of each as a cost to Government grants/contracts



1. Advertising & Public Relations Costs

- **Allowable Advertising**
 - **Recruitment of Personnel**
 - **Procurement of Goods & Services**
 - **Disposal of Scrap or Surplus (continued)**



Advertising & Public Relations Costs (continued)

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

Advertising & Public Relations Costs (continued)

- **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)**

Advertising & Public Relations Costs (continued)

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



2. Alcoholic Beverages

**Costs of alcoholic beverages
are unallowable!**



3. Bad Debts

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

May 17 19 2002

PAY TO THE ORDER OF Steve Garfinkel \$ 100,000

One Hundred Thousand DOLLARS

FOR Extortion Payment Alan Greensponge

4. Bid and Proposal Cost (reserved)

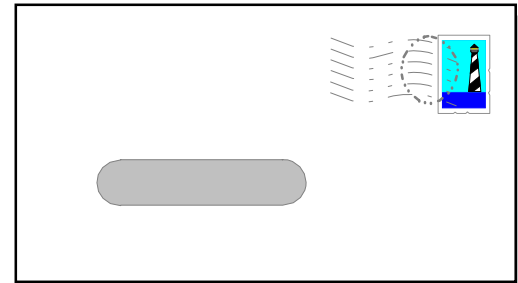
5. Bonding Costs

- **Costs of bonding required as a result of the terms of the award are allowable**
- **General bonding costs of the organization are allowable to the extent they are reasonable and represent sound business practice**



6. Communication Costs

Communication costs are allowable



7. Compensation for Personal Services

- **Includes all compensation paid currently or accrued by the organization during the period of the award. Compensation costs are allowable when**
 - **Reasonable**
 - **Consistent/Allocable**
 - **Adequately documented**

(continued)



Compensation for Personal Services (continued)



- **Fringe benefits**
 - **Generally allowable**
 - **Authorized absences are allowable if costs are equitably distributed**
 - **Employer contributions are allowable when paid in accord with established written policies**
 - **Costs of insurance on key managerial employees is allowable to the extent that it represents additional compensation. These costs are unallowable if the organization is named as the beneficiary (continued)**

Compensation for Personal Services (continued)



- **Organization-furnished autos**
 - Portion that relates to personal use by employees (including to and from work) is unallowable regardless whether reported as income
 - Costs are allowable as direct costs to sponsored award(s) when necessary for the performance and approved by the awarding agency
(continued)

Compensation for Personal Services (continued)



- **Pension plans**
 - **The cost of an organization's pension plan which are incurred in accordance with the established policies of the organization are allowable if**
 - **Reasonable**
 - **Cost allocations are not discriminatory**
 - **In Accordance with GAAP**
 - **Must be funded within 6 months after the end of the organization's fiscal year (continued)**

Compensation for Personal Services (continued)

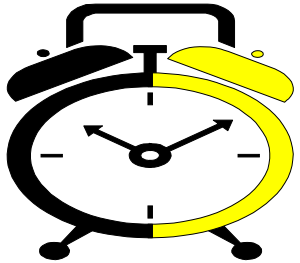


- **Incentive compensation**
 - **Incentive compensation to employees based on cost reductions, or efficient performance, suggestion awards, safety awards, etc. are allowable to the extent that:**
 - **Overall compensation is reasonable**
 - **Established plan**
 - **Consistent treatment (continued)**

Compensation for Personal Services (continued)



- **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 or responsible supervisor**
- **Must be prepared monthly and coincide with one or more pay periods**



8. 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 reserves for normal severance pay**

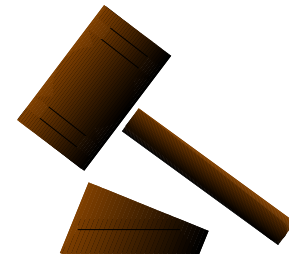
9. Contributions

Contributions and donations by the organization to others are unallowable

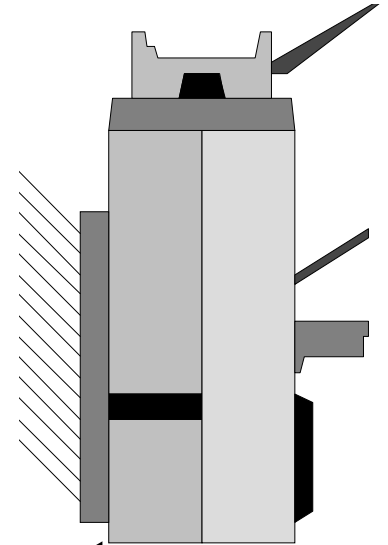


10. Defense & Prosecution of Criminal & Civil Proceedings, Claims, Appeals & Patent Infringement

- These types of cost are generally unallowable
- Refer to A-122 for details relative to the situation you face as necessary

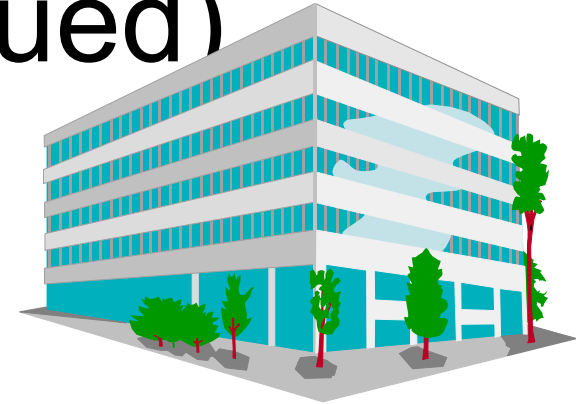


11. Depreciation and Use Allowances




- **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)**

Depreciation and Use Allowances (continued)



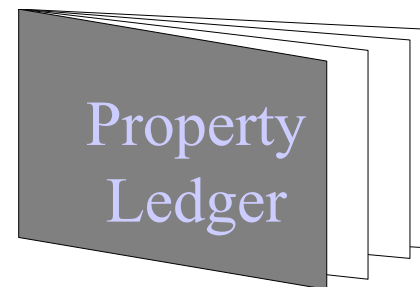
- **Computation of use allowance or depreciation will exclude:**
 - **Cost of land**
 - **Any portion donated by Federal Government**
 - **Any matching portion**
- **Maximum use allowance**
 - **Buildings and improvements = 2% of acquisition cost**
 - **Equipment = 6 2/3% of acquisition cost (continued)**

Depreciation and Use Allowances (continued)

- 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)

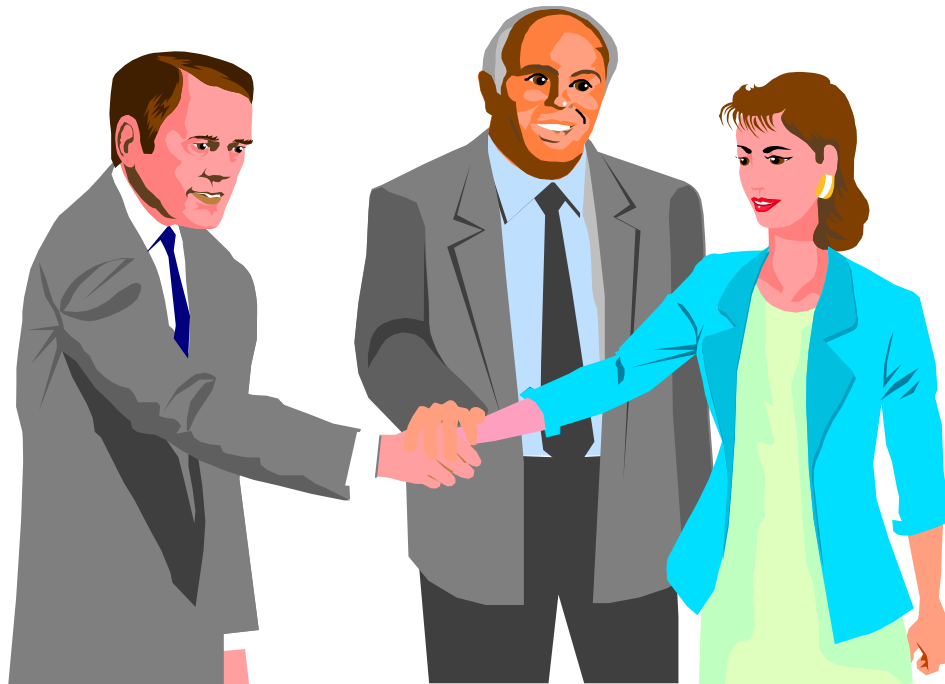
Depreciation and Use Allowances (continued)

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



12. Donations

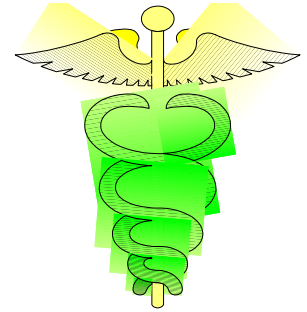
- **The value of donated services, goods or space is not reimbursable either as a direct or indirect cost (continued)**



Donations (continued)

- **Services donated in the performance of a direct cost activity shall be allocated a proportionate share of indirect costs when the following circumstances exist**
 - **Value of the services is material**
 - **The services generate a significant amount of indirect costs**
 - **The direct cost activity is not pursued primarily for the benefit of the Federal government**

13. Employee Morale, Health & Welfare Costs & Credits

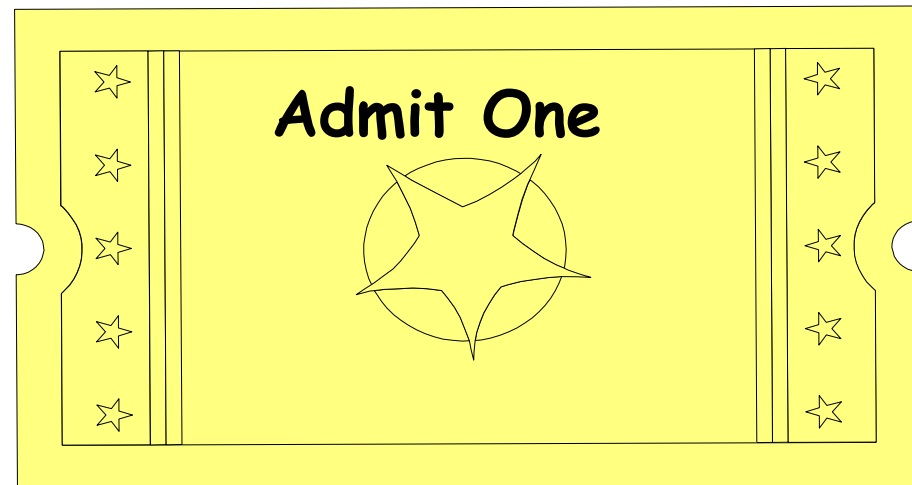


- **Examples - In-house publications, health clinics/infirmaries, recreational activities, etc.**
- **Costs are allowable if:**
 - **In accord with established practice**
 - **Reasonable**
 - **Equitably distributed to all activities**
 - **Offset by income earned**



14. Entertainment Costs

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



**Washington Capitols
27**

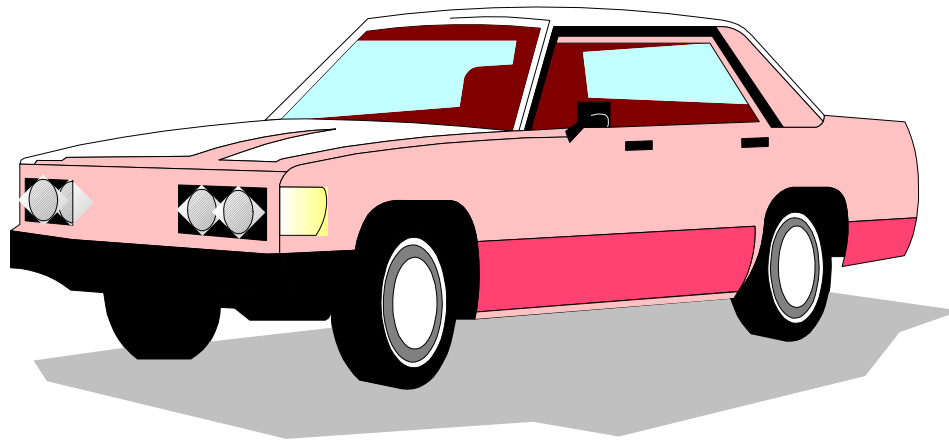
15. Equipment & Other Capital Expenditures

- **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 organization's financial statement capitalization level or**
 - **\$5,000**
- (continued)**



Equipment & Other Capital Expenditures (continued)

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



16. Fines and Penalties



- **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**



17. Fringe Benefits

- 1. Fringe benefits in the form of regular compensation paid to employees during periods of authorized absences from the job, such as vacation leave, sick leave, military leave, and the like, are allowable, provided such costs are absorbed by all organization activities in proportion to the relative amount of time or effort actually devoted to each.**
- 2. Fringe benefits in the form of employer contributions or expenses for social security, employee insurance, workmen's compensation insurance, pension plan costs, and the like, are allowable, provided such benefits are granted in accordance with established written organization policies. (continued)**

Fringe Benefits (continued)

(3) (a) Provisions for a reserve under a self-insurance program for unemployment compensation or workers' compensation are allowable to the extent that the provisions represent reasonable estimates of the liabilities for such compensation, and the types of coverage, extent of coverage, and rates and premiums would have been allowable had insurance been purchased to cover the risks. However, provisions for self-insured liabilities which do not become payable for more than one year after the provision is made shall not exceed the present value of the liability.

Fringe Benefits

(b) Where an organization follows a consistent policy of expensing actual payments to, or on behalf of, employees or former employees for unemployment compensation or workers' compensation, such payments are allowable in the year of payment with the prior approval of the awarding agency, provided they are allocated to all activities of the organization.

(4) Costs of insurance on the lives of trustees, officers, or other employees holding positions of similar responsibility are allowable only to the extent that the insurance represents additional compensation. The costs of such insurance when the organization is named as beneficiary are unallowable.

18. Goods or Services for Personal Use

**Unallowable regardless of whether the cost
is reported as taxable income**

19. Housing and Personal Living Expenses

- **Unallowable as an indirect cost or fringe benefit regardless of whether it is reported by the employee as taxable income**
- **Allowable as direct if necessary and approved by the awarding agency**



20. Idle Facilities and Idle Capacity

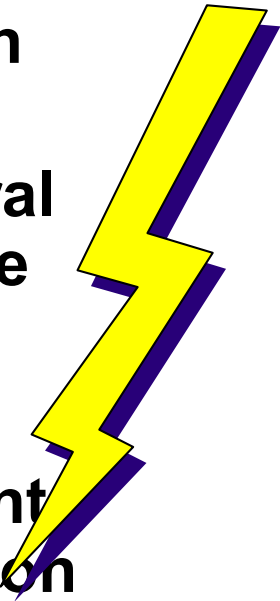


- **Unallowable except to the extent that**
 - **They are necessary to meet fluctuations in workload or**
 - **Were necessary at one point and because of unforeseen changes are no longer necessary (under this exception, costs of idle facilities are allowable for a reasonable period of time, ordinarily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

21. Independent Research and Development (Reserved)

22. Insurance and Indemnification

- **Insurance required or approved pursuant to an award is allowable**
- **Insurance carried by the organization in general conduct of business is allowable subject to the following limitations**
 - **Reasonable coverage**
 - **Cost of insurance on officers must represent additional compensation and the organization may not be identified as the beneficiary**
 - **Other miscellaneous items**



23. Interest, Fundraising and Investment Management

Costs

Costs incurred for interest on borrowed capital or temporary use of endowment funds are unallowable (continued)



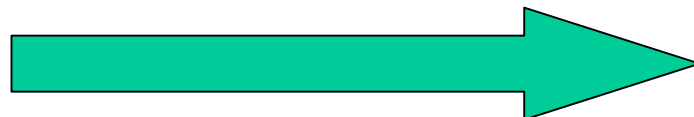
Interest, Fundraising and Investment Management Costs (continued)

- **Interest on debt incurred after June 1, 1998 to acquire or replace capital assets and used in support of sponsored agreements is allowable if: (continued)**



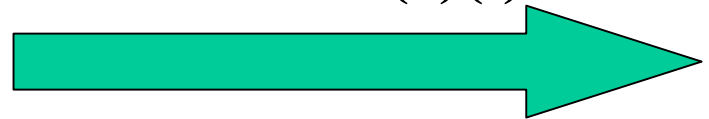
Interest, Fundraising and Investment Management Costs (continued)

- A. Facilities acquisitions over \$10 million where the Federal reimbursement is = or > 40%, needs prior approval from cognizant agency**
- B. Facilities > \$500,000, must submit an OMB A-110 lease/purchase analysis showing that the financed purchase cost is less**
- C. Actual interest costs claimed are predicated upon interest rates no higher than the fair market rate available to the non-profit organization from an unrelated 3rd party (continued)**



Interest, Fundraising and Investment Management Costs (continued)

- D. Investment/Interest earnings are used to offset allowable interest cost.**
 - E. Reimbursements are limited to the least costly alternative based on the total cost analysis as required in B.**
 - F. Nonprofit organizations are also subject to additional conditions -- see Section 23a(1)(f).**
- (continued)**



Interest, Fundraising and Investment Management Costs (continued)

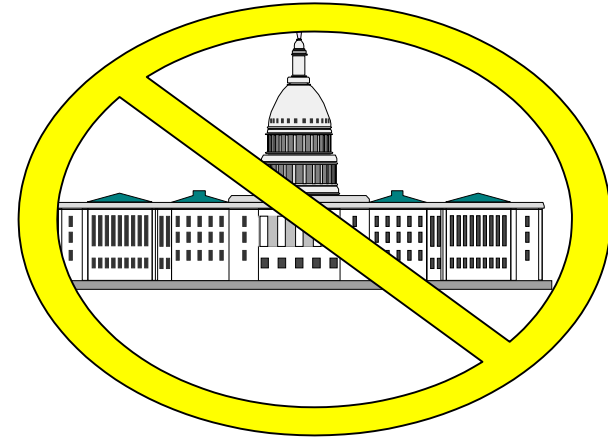
- **Fundraising and similar expenses incurred solely to raise capital or obtain contributions are unallowable**
- **Costs of investment counsel & staff and similar expenses are unallowable**
- **Fundraising and investment activities shall be allocated an appropriate share of indirect costs**

24. Labor Relations Costs

Costs of maintaining satisfactory relations with employees, including labor management committees, employee publications and other related activities are allowable



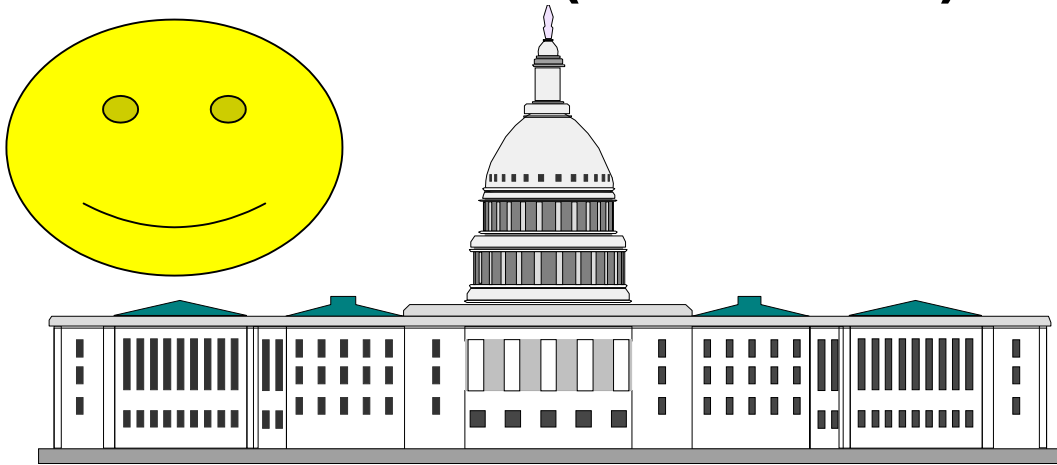
25. Lobbying



- **Unallowable**
 - Attempts to influence election outcomes
 - Contributing to political causes
 - Attempts to influence Federal or State legislation through virtually any communicative device
 - Legislative liaison activities when performed in support of unallowable lobbying (continued)

Lobbying (continued)

- **Allowable**
 - **Providing a technical presentation on a topic directly related to the performance of an award**
 - **Any activity specifically authorized by statute to be accomplished with funds under the award (continued)**



Lobbying (continued)

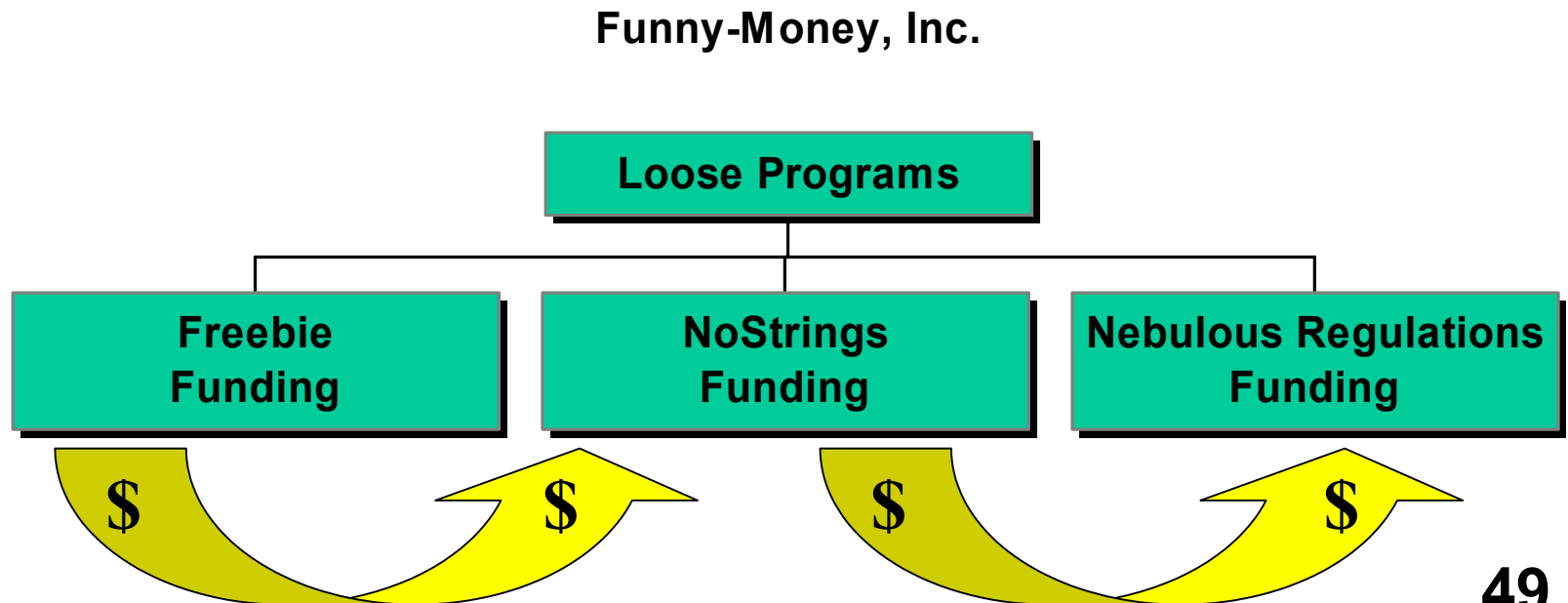
- **ICP's must separately identify lobbying costs and treat them as unallowable**
- **Nonprofits must provide a "Lobbying Certification" with their annual ICP**
- **Organizations shall maintain adequate records to demonstrate the determination of costs as allowable or unallowable in accord with Circular A-122 (continued)**

Lobbying (continued)

- **Records shall not be required to be created for purposes of complying with lobbying requirements in any particular calendar month when**
 - **the employee engages in lobbying 25% or less of their compensated hours during that month and**
 - **within the preceding five-year period, the organization has not materially misstated allowable or unallowable costs of any nature, including legislative lobbying costs**

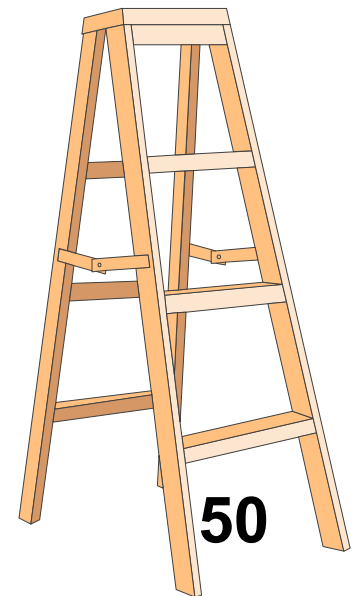
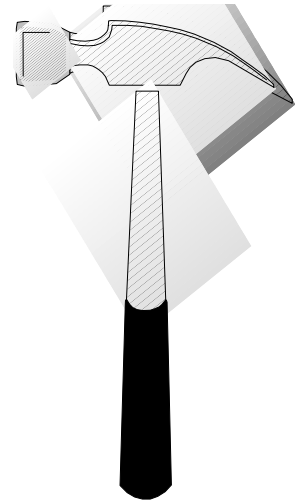
26. Losses on Other Awards

Any excess of costs over income on any award is unallowable as a cost of any other award



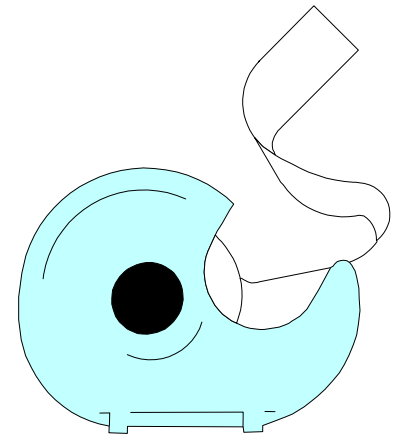
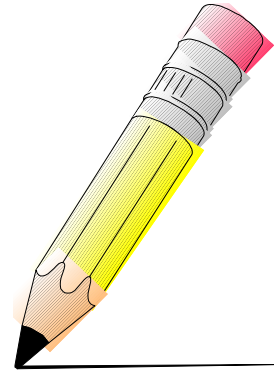
27. Maintenance and Repairs

- **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**



28. 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.**



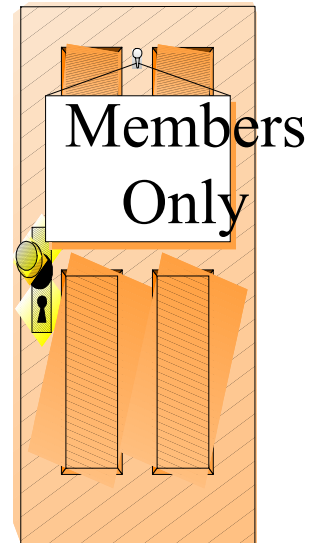
29. Meetings and Conferences

- **Costs associated with the conduct of meetings and conferences include renting facilities, meals, speakers fees, etc., and are allowable**
 - **Should be charged directly whenever possible**
 - **Costs for meetings held for general administration of the organization are allowable**



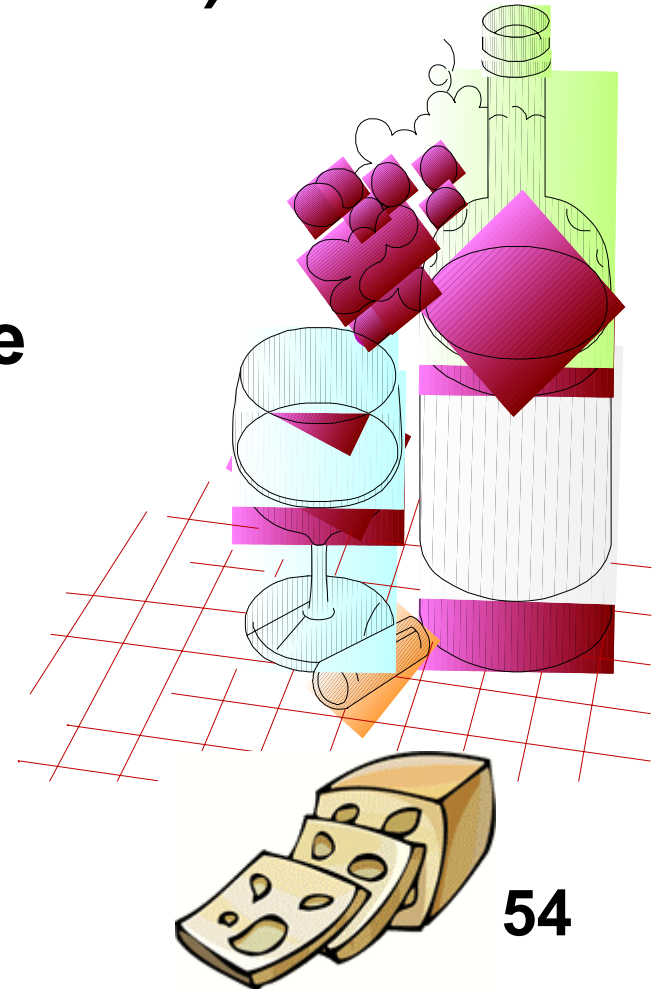
30. Memberships, Subscriptions and Professional Activity Costs

- **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 (continued)**



Memberships, Subscriptions and Professional Activity Costs (continued)

- **Costs of memberships in civic or community organizations are allowable with prior approval by the cognizant Federal agency**
- **Memberships in country, social, or dining clubs are unallowable**



31. Organization Costs



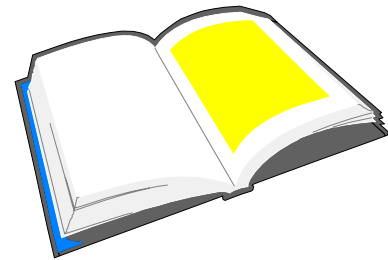
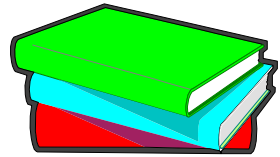
All costs of organization or reorganization are unallowable except with prior approval of the awarding agency

32. Overtime, Extra-pay Shift, and Multi-shift Premiums

- Allowable only with prior approval of the awarding agency except
 - When necessary to cope with emergencies, etc.
 - When employees are performing indirect functions, such as administration or maintenance
 - In the performance of tests, lab procedures, or other similar operations which cannot be reasonably interrupted
 - When lower overall cost to the Feds will result

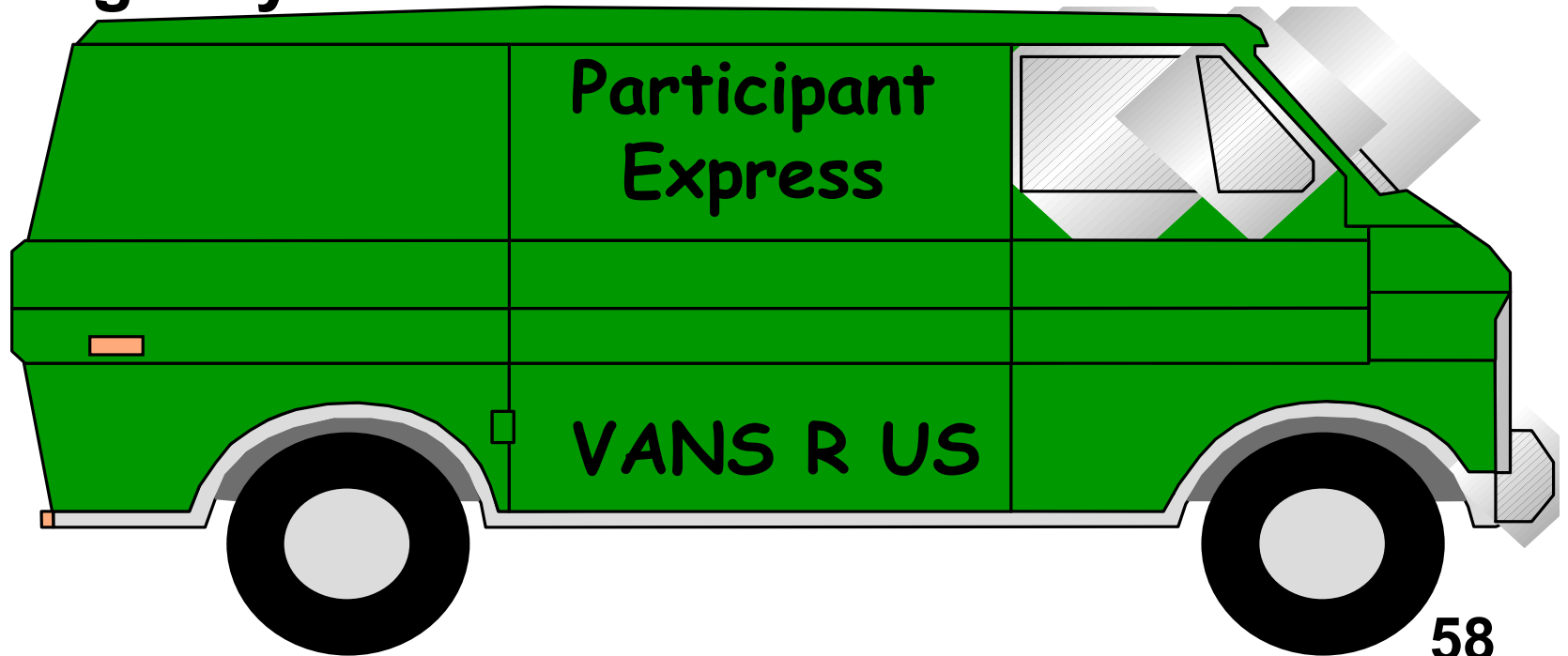
33. Page Charges in Professional Journals

- **Allowable as a necessary part of research costs, where**
 - **The papers report on work supported by the Federal government**
 - **The charges are impartially levied by the journal on all research papers whether support by Federal funds or not**



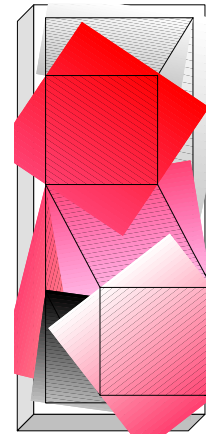
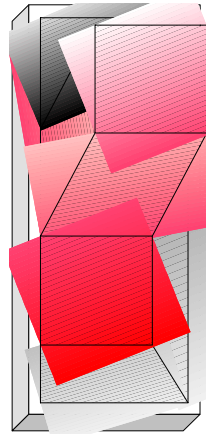
34. Participant Support Costs

These costs are allowable as direct costs with the prior approval of the awarding agency



35. Patent Costs

Generally, if these types of costs are not required by the award, they are not allowable.



36. Pension Plans

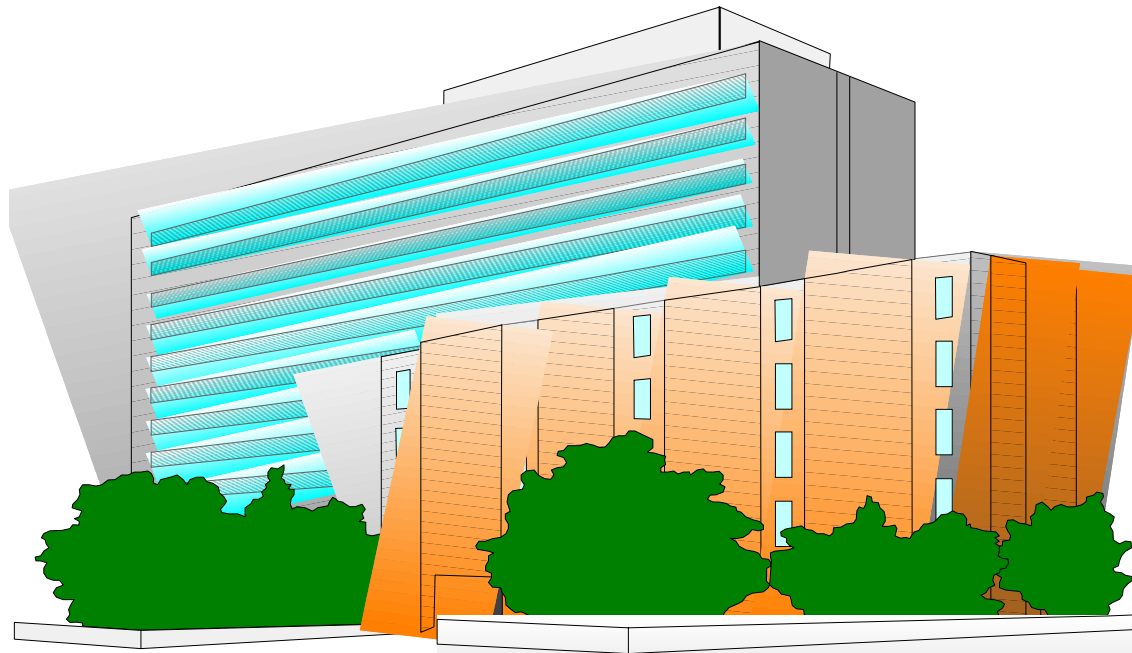
- 1) Costs of the organization's pension plan which are incurred in accordance with the established policies of the organization are allowable, provided:**
 - (a) Such policies meet the test of reasonableness;**
 - (b) The methods of cost allocation are not discriminatory;**
 - (c) The cost assigned to each fiscal year is determined in accordance with generally accepted accounting principles (GAAP), as prescribed in Accounting Principles Board Opinion No. 8 issued by the American Institute of Certified Public Accountants;**
and

Pension Plans (continued)

- (d) **The costs assigned to a given fiscal year are funded for all plan participants within six months after the end of that year. However, increases to normal and past service pension costs caused by a delay in funding the actuarial liability beyond 30 days after each quarter of the year to which such costs are assignable are unallowable.**
- 2) Pension plan termination insurance premiums paid pursuant to the Employee Retirement Income Security Act (ERISA) of 1974 (Pub. L. 93-406) are allowable. Late payment charges on such premiums are unallowable.**
- 3) Excise taxes on accumulated funding deficiencies and other penalties imposed under ERISA are unallowable.⁶¹**

37. Plant Security Costs

Necessary expenses incurred to comply with Federal security requirements or for facilities protection are allowable



38. 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**

39. Professional Service

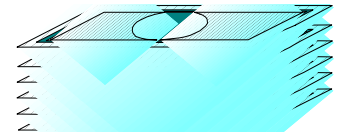


- **Costs of professional and consultant services rendered by persons who are members of a particular profession or possess a special skill, and who are not officers or employees of the organization are allowable after considering the following factors**
 - **Nature and scope of services rendered**
 - **Necessity for contracting for the service**
 - **Past pattern of such costs (continued)**

Professional Service Costs (continued)

- **Impact of Federal awards on the organization's business**
- **Proportion of the organization's Federal to non-Federal work**
- **Whether the work can be done more economically by direct employment**
- **Qualifications of the individual or concern rendering the service**
- **Adequacy of the contractual agreement for the service**

40. Profits and Losses on Disposition of Depreciable Property or Other Capital Assets



- **Include profits or losses in the year in which they occur as offsets to appropriate depreciation**
- **The credit or charge will be the difference between the amount realized on the property and its undepreciated basis**

41. Publication and Printing Costs

- **Generally allowable**
- **Direct charges need prior approval of the awarding agency**
- **Allocate as indirect if not identifiable with a particular cost objective**



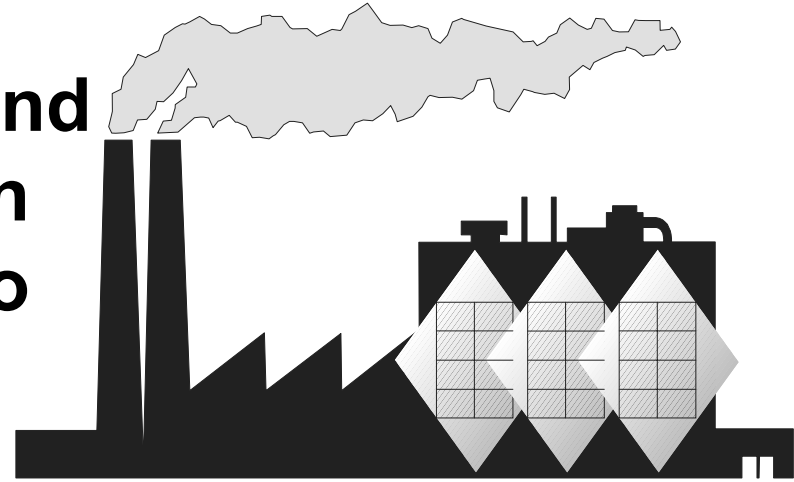
42. Rearrangement and Alteration Costs

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



43. Reconversion Costs

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



44. Recruiting Costs

- **Generally, advertising and associated costs incurred for recruitment of staff are allowable but**
 - **They must meet the test of reasonableness and**
 - **They must conform with established practices of the organization**



**Help
Wanted**

**Position Available:
Director,
Office of Cost
Determination**

45. Relocation Costs



- **Relocation costs for a permanent change of duty assignment are generally allowable if**
 - **The move is for the benefit of the employer**
 - **Reimbursement to the employee is in accord with established written policy**
 - **Reimbursement does not exceed actual expenses**
- **See A-122, Section 45, for more specifics on types of allowable/unallowable expenses**

46. Rental Costs

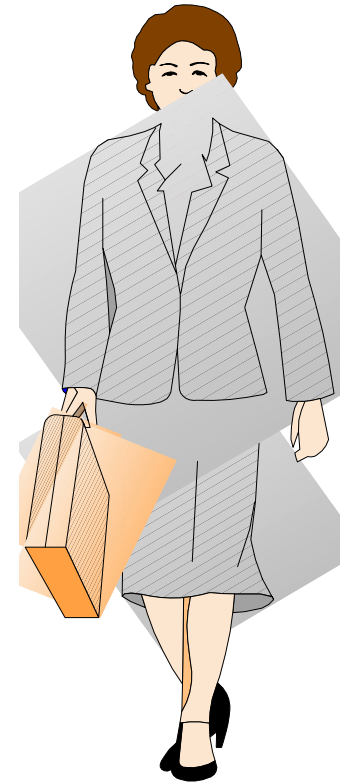
- **Rental costs are generally allowable if the rates are reasonable**
- **Rental costs under sale and leaseback arrangements are allowable only up to the amount that would be allowed had the organization continued to own the property (continued)**



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

Rental Costs (continued)

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 organization

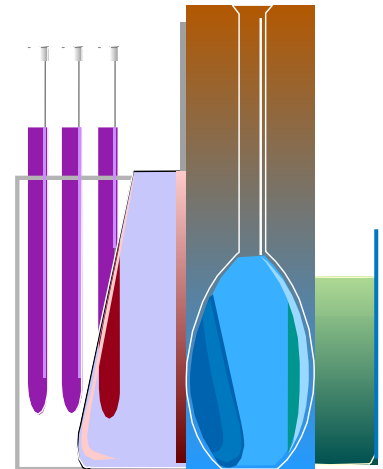


N. Fluence

47. Royalties and Other Costs for use of Patents and

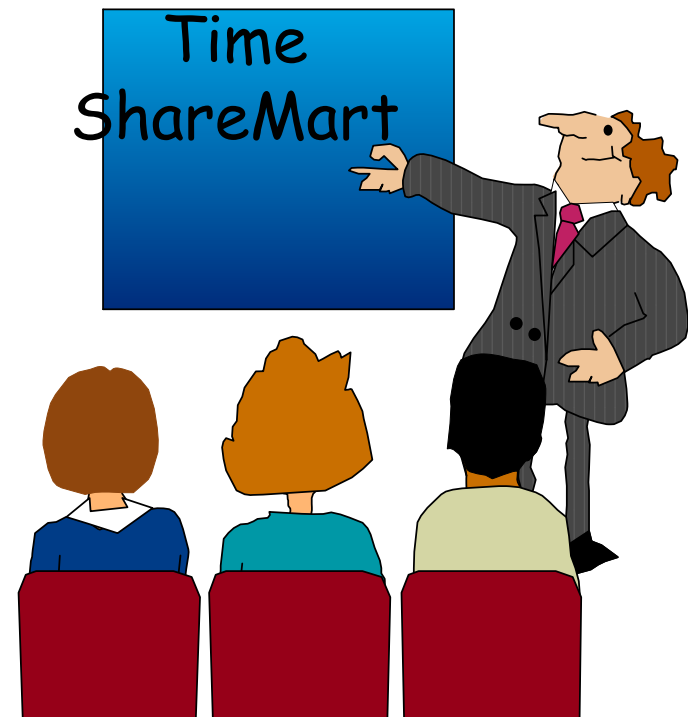
Copyrights

- **Generally, costs necessary for proper performance of the award are allowable unless patent or copyright**
 - **Can be used for free by the Federal government**
 - **Has been adjudicated as invalid**
 - **Is considered unenforceable**
 - **Has expired**



48. Selling and Marketing

- **Costs of selling and marketing products or services of the organization are unallowable**
- **They are allowable as direct cost if prior approval is obtained and they are necessary for performance of the award**



49. Severance Pay

- **Severance pay is allowable only to the extent that it is required by**
 - **Law**
 - **Employer-employee agreement**
 - **Established policy that effectuates an implied agreement on the organization's part**
 - **Circumstances of the employment (continued)**



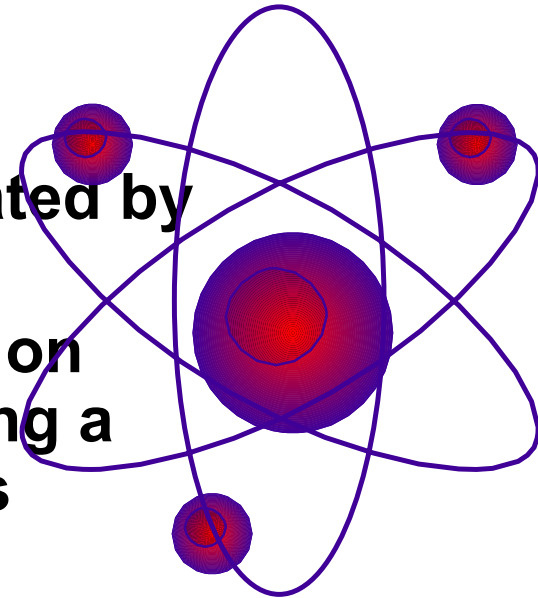
Severance Pay (continued)

- **Severance payments associated with normal turnover is allowable as an indirect cost**
- **Abnormal or mass severance shall be considered on a case-by-case basis as to Federal participation in the cost**
- **Cost for "golden parachute" packages which are in an amount in excess of normal severance pay are unallowable**



50. Specialized Service Facilities

- **Costs of services provided by highly complex or specialized facilities operated by the organization are allowable if**
 - **Charges for the services are based on actual usage and directly billed using a rate methodology which recognizes applicable credits and**
 - **Does not discriminate against Federally-sponsored programs and**
 - **Is based on actual costs**



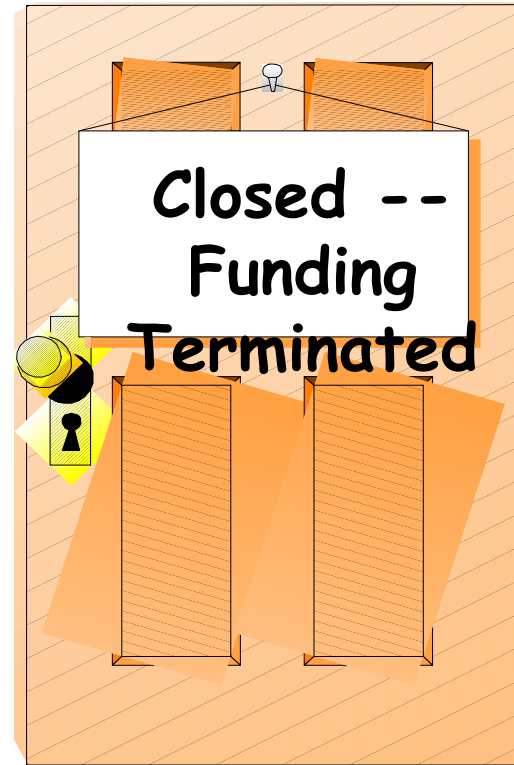
51. Taxes



- **Taxes are generally allowable except for**
 - **Taxes from which exemptions are available**
 - **Special assessments on land which represent capital improvements and**
 - **Federal income taxes**
- **Applicable credits(offsets to taxes) must be taken where appropriate**

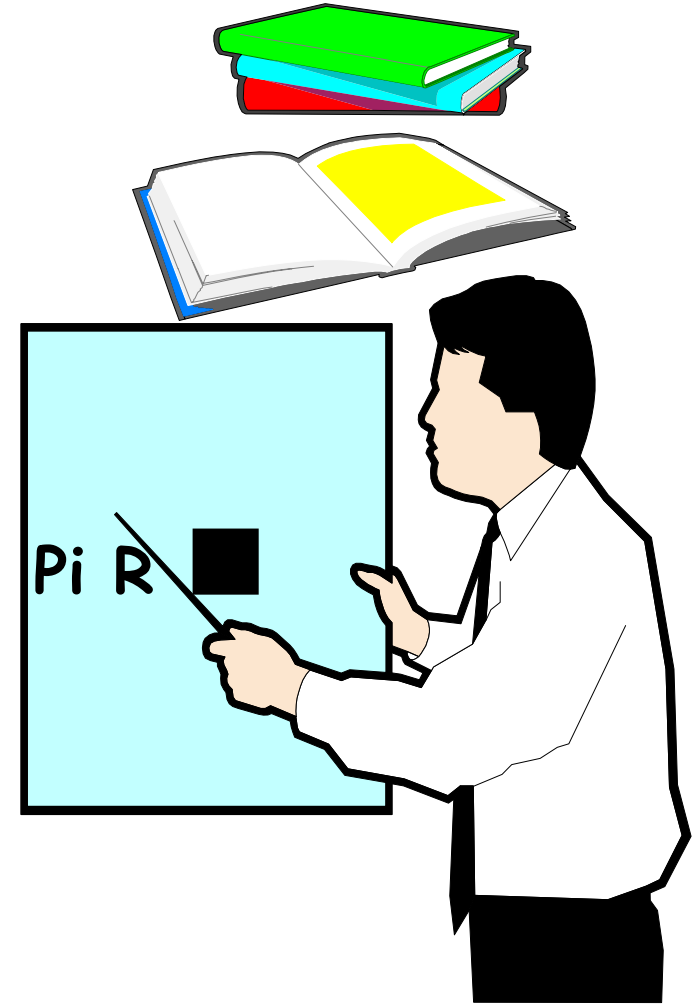
52. Termination Costs

- **Termination of awards generally give rise to costs which would not have arisen had the award not been terminated**
- **Reasonable and customary costs of terminating an award are generally allowable**
- **See A-122, Section 52, for more specifics**



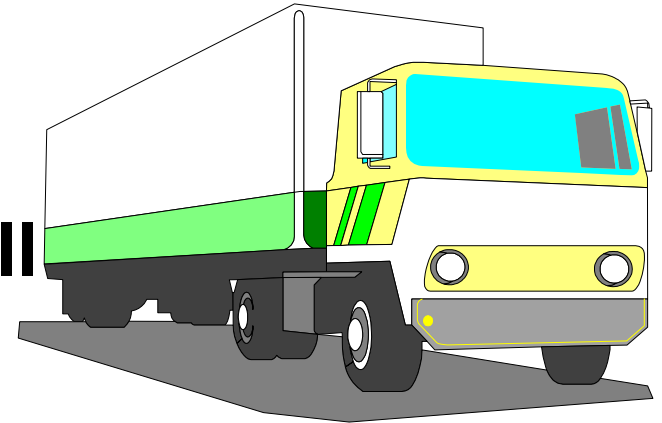
53. Training and Education Costs

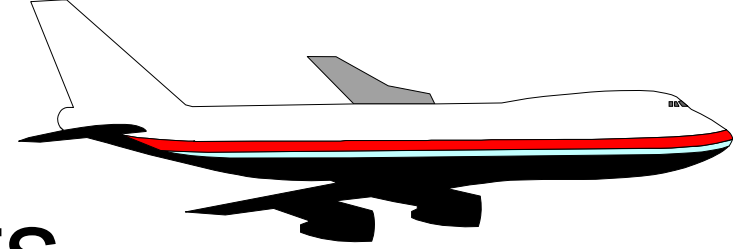
- **Generally, training and education costs related to employee development, such as, workshops, textbooks, classes, etc. are allowable**



54. Transportation Costs

- **Allowable as direct if provided for in the award**
- **Allowable as indirect for equitable distribution to all benefiting activities**



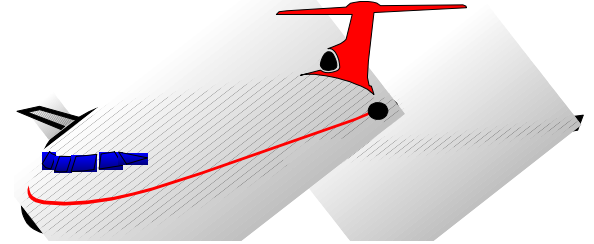


55. Travel Costs

- **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 organization (continued)**

Travel (continued)

- **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**

56. Trustees

Travel and subsistence of trustees(or directors) are allowable



WHEW!!

Questions??

