**WorkforceGPS**

**SMART 3.0 Series: Uniform Guidance: Cost Principles and Cost Classification**

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GRACE MCCALL: Welcome to "Uniform Guidance: Cost Principles and Cost Classification SMART 3.0 Training."

So without further ado, I'd like to turn things over to one of our speakers for today, Nancy Taylor, senior accountant, DFMAS, United States Department of Labor, Region Five, Chicago, Illinois. Nancy?

NANCY TAYLOR: Thank you. Hi. Good afternoon, everyone. I will be presenting today with Chanel Castaneda. So we're going to get started and hope we have a lot of slides to cover. We want to make sure we have enough time remaining to answer any questions that you may have.

First of all, I'd like to, if you haven't heard about it before, and if you have we're just telling you again. Our grant management tool box is available to assist you throughout our SMART modules.

When you are able to look at the WorkforceGPS and see the SMART presentation modules you'll see icons located on those modules and it will direct you to tools that are going to be discussed throughout this presentation. Just keep in mind that we have a variety of tools available to help you throughout your grant management program and you can go to the tool box to look for any answers that you may have before you decide to reach out to your federal project officer.

Today we're going to cover general cost principles. At the end of this session, hopefully, you'll be able to identify the standard cost principles and applicability to recipients and subrecipients. You'll be able to describe the exceptions listed in the cost principles and selected items of cost. You should be able to identify changes to the selected items of cost and impact on recipient organizations. And be able to apply requirements to financial activities under the grants, specifically to the determination of allowable costs.

We're also going to talk about identifying the types of cost in your accounting system and understanding how those costs are classified. And we'll discuss the allowability of some specific items of cost relevant to DOL programs.

The cost principles base – are based on fundamental premise that non-federal entity is responsible for the efficient and effective administration of the grant through sound management practices. It must be used to determine the allowability of cost. The cost principles of the Uniform Guidance are found at 2 CFR 200 Subpart E.

Sections 200-400 through 475. So the cost principles are divided into several sections which are detailed on the screen. The one you will deal with most often is Sections 420 through 475. And this discusses whether 55 specific items of cost are allowable, allowable with conditions including prior approval, or unallowable.

And there's also – we can't identify all costs that you may face throughout your grant period, but these are 55 specific items of cost that have come up most often. So if you ever have any questions about whether a type of cost is allowable or unallowable, you should consult to our 2 CFR 200.420 through 475. And then, when in doubt, you can always, always, call your FPL.

In addition to the cost principles, DOL has added some exceptions to the Uniform Guidance which address cost principle topics. And that's found in 2 CFR 200, 2900.16 through 2900.19 and they deal with prior written approval which specifically indicates that prior approval must be provided not less than 30 days before the requested action to occur. They also address adjustment of negotiated cost rate which indicates or provides additional guidance as to whether or not you may have to re-issue a rate agreement.

If there's been significant changes and we talk about contingency provisions and that provides additional guidance regarding record retention and transfer of records. And then there's a section that discusses student activity costs where generally, they're unallowable. Well, under certain conditions, they may be allowable with prior approval as relates to student training. So you want to take a look at our exceptions just to familiarize yourself with that and to identify any exceptions that DOL has provided in addition to the Uniform Guidance.

Cost principles are applicable to all non-federal entities. Whether they are recipients, pass-through entities, or subrecipient. Non-federal entities are defined by the Uniform Guidance as state, local government, non-profit organizations, Indian tribes, and institutions of higher education. Now the DOL – for DOL programs, the DOL exception at 2 CFR 2900.2 adds to the Uniform Guidance of non-federal entities to include both commercial or profit entities, foreign organizations, and foreign public entities.

2 CFR 200.401, the cost principles, must be used to determine allowable costs of all work performed by a non-federal entity under the specific federal award. In addition, they must be used as a guide in the pricing of fixed priced contracts and subcontracts. There are very few exceptions to these requirements.

And the exceptions are fixed amount awards. These requirements are covered in – if you look in the module for procurement and contract management, you will see more detailed information regarding fixed amount awards. And there is also some exceptions regarding loans, scholarships, fellowships, and these are considered amounts to individuals so there's no need to track costs. And awards to hospitals are covered under the old requirements at 45 CFR Part 74.

So the standards advancing the factors affecting allowability of cost to be charged are found in the Uniform Guidance at 2 CFR 200.403. And these factors are; the cost must be necessary and reasonable for the performance of the grand award. We are going to go into more detail regarding the necessary and reasonable because this is one of the most important factors affecting the allowability of costs. They should also conform with federal law, guidelines, and grant terms.

That's why it's important for you to review your grant award document. Identify what the terms and conditions are in that document, any guidelines that's placed on it, and also the federal law that has appropriated those funds. It must – the factors must identify a consistency, must be consistent with policies and procedures; policies and procedures that you have developed within your agency. And it must be accorded consistent treatment.

So we're going to cover some of these factors as we move on to the next slide. In addition, it must be in accordance with GAAP, generally accepted accounting principles. The standards also talk about how our costs, federal funds cannot be used for cost matching other federal grants unless its specifically identified in the grand award document. And most importantly, it must be adequately documented. Any expenditures that are incurred for a federal grant must have adequate documentation to support those costs. We say, the more documentation the better.

So when we talk about necessary and reasonable, the necessary and reasonable standard is the foundation of all the factors for establishing when a cost is allowable. If it does not meet this standard, then all other factors are irrelevant. So it must be necessary and reasonable costs for the performance of the grant award. This is the main principle that you really need to consider when trying to determine whether or not a cost is allowable or chargeable. The three basic requirements of a cost must be necessary, reasonable, and allocable to the award. We will discuss all three of these requirements.

Again, as mentioned, the necessary and reasonable standard is the foundation for all the factors for establishing the cost is allowable for charging to your federal grant. If the cost does not meet this standard, all other factors are irrelevant. The cost would not be considered allowable if it does not meet the necessary and reasonableness for the grant. In determining reasonableness, the non-federal entity should consider the following factors; be necessary for the performance of the administration of the grant. Follow sound business practices, be in line with fair market prices.

You don't want to use federal funds to pay – just because you have federal funds doesn't mean that you should use them to pay for something at a higher cost than what you would normally use your own funds to pay for. Be prudent under the circumstances, use the same prudence you would apply to your own personal funds. Keeping in mind that federal funds in some degree, are your funds because they're taxpayers' dollars and we are the taxpayers.

They should not have a significant deviation from established prices. Costs should not increase from the established price. So again, if you can buy a laptop for $500, then why would you pay $1,500 for that same laptop using federal funds? These are some of the comparisons you want to look at because this is something that we look at when we come out to monitor your program. Reasonableness, necessary for the program.

And we keep iterating the necessary when incurring a cost, the following questions you should ask yourself to help you determine whether or not the cost is necessary and reasonable. What are the practical aspects of necessary? Do I really need this? Is the item I'm buying needed to meet my grant performance goals? Is the minimum amount I need to spend to meet my needs? If not, why haven't I adjusted my estimate?

What are the practical aspects of reasonable? Do I have the capacity to use what I am purchasing? It needs to be used during the life of the grant. Keeping that in mind, did I pay a fare rate? If I were asked to defend this purchase, would you be comfortable doing so to auditors, to the federal awarding agency when we come out to monitor your program? And just as importantly, to the general public, if this is raised.

We talked a little bit about the prudent person. A prudent person uses good judgement and common sense in handling practical matters. Ask yourself, would I incur this cost if I was not using federal funds? And this is very important for you to take this into consideration because the more money you can save with a purchase of a service or a supply, the more you can use to provide services for the participants who are in need of those services.

One thing you want to make sure you have in place is written policies, a written policies and procedures. To promote the efficiencies and effectiveness and consistency while upholding the organization's philosophy or vision. What type of policy? What should it include? You should have policies in place that identify the process for the services that you're going to be provided so that they are consistent, fair, and they should also outline instructions or steps to consider to provide consistency when classifying these costs as program or administrative.

Written policies provide consistent guidance for new staff as well. We've run across cases where staff are so used to doing something they've never written it down. They just know the process and when something happens. It could be a sickness or an illness, something that will take them away from their position.

A new person comes on board and they don't know how the process or procedure was conducted because there are no written policies or guidelines in place for them to follow. So this is something that's very important and this is also an area we look at when we come out and monitor. Do you have written policies and procedures for conducting business?

OK, so now we're going to talk a little bit about allocation. However, in order to understand allocable costs, you must first understand what allocation means as defined in the Uniform Guidance. Allocation means the process of assigning a cost, or a group of costs to one or more cost objectives. In reasonable proportion to the benefit provided or other equitable relationship. The process may entail the assigning a cost directly to a final cost objective or through one or more intermediate cost objectives.

A cost is allocable to a particular federal award or cost objective if the goods or services involved are chargeable or assignable to that grant award. So there needs to be a benefit to the grant award in order to allocate a cost to that award. It's incurred specifically for the federal award, benefits both the federal award and other work of a non-federal entity and can be distributed in proportions that may be approximate using reasonable methods.

So you may have a cost that's benefiting more than just the federal award but you need to have some type of a signable system in place to identify the benefit to each funding source. So consequently, if an award does not benefit from a cost, the cost is not allowable and this is something that we look at when we come out and monitor. We look at how costs are charged to the grant and then we look to see the benefit that the grant receives from those costs. And we do this by it being adequately documented.

This is this the next standard that we'll discuss in detail, is the requirement that all costs charged to a federal award must be adequately documented. We always say that more documentation is better than less. What should be documented? The amount of funds and how funds are used. So if you're charging funds for travel we'd like to see the actual cost of those travels. And when we look at the invoices. And in addition to seeing the actual cost, we want to see what was the travel for. How did it benefit our program?

The requirements for adequate documentation is contained in the Uniform Guidance at 2 CFR Part 200. In order to meet the standard for adequately documented, a recipient must have records that cover the following: amount of funds and how the funds are used, how much money did you spend on a particular item, what is the total cost of the project accumulative to date? So this is a part of the financial reporting.

What percentage of cost is provided by other sources? If a cost benefits more than a federal program how are those costs allocated? What is the documentation that you have to support the allocations of those costs? Are there physical or electronic records that demonstrate both compliance and performance? Do you have other records to facilitate an effective audit, such as a chart of accounts or linking (accrued ?) spreadsheet. You also must have documentation to support the allocable portion of a cost to a grant.

Again, we talk about the necessary and reasonableness and this is something that we look at as monitors when we come out to insure that the performance and costs that are charged to the grant are allocable, they benefit the grant, they're necessary for the performance of the grant, and they're reasonable costs to the grant.

Additional standards, there are a number of additional tests that must be applied to determine the allowability of cost. A composition of costs, total costs are allowable direct costs for allocable indirect costs minus credits received. So we look to see, when you're charging a grant, what is the amount that is charged?

Less any discounts if you get a discount for paying early or paying a purchase bill early, take advantage of those. Any applicable credit, you – we want the charge to the grant le- – applicable credit. Is there prior written approval? We're going to cover this in a section in significant changes to Uniform Guidance. But if there's a requirement for prior approval, then that means you must have it prior to incurring that cost. Are there any limitations on allowances of cost?

That's why it's important to review your federal award because it may be subject to some statutory requirements that limit the allowability of cost. There's some examples with administrative costs. There are admin limitations. There are other cost limitations associated with different grant awards.

So it's important to review your awards documents to know any limitations. Are there any special considerations that may be applied to your grand award? So you want to check and look at that, look at the section to see if that applies to your grant award.

Next slide. This slide details the shifting of cost detailed in the Uniform Guidance. This section, this slide talks about – it identifies the section in the Uniform Guidance that talks about shifting of costs and then we're going to talk about, again, a little more discussion on program regulations and cost limitations, program limitations.

So we know our regulations identify salary and bonus limitations and how no funds available under Title I of WIOA or the Wagner-Peyser Act may be used by your recipient or subrecipient to pay the salary and bonuses of an individual either as a direct or indirect cost at a rate in excess of the annual rate of basic pay for executive level two; which currently is at $189,600 for 2019. Until there is a calculation that must be conducted if you are in the position where you feel that you may reach this limitation, you want to make sure you perform that calculation to ensure that you are not overcharging the grant.

There are program limitations for SESA Real Property, considerations applicable to buildings with federal or state (redact ?) interest. Some may have been funded by WIA and in some instances, grandfathered in from JTPA. So this is something that you need to be aware of.

Also, public service employment programs, which means that funds cannot be used to supplement local government personnel costs. And legal expenses for the prosecution of claims against the federal government. Our funds cannot be used, if you decide that you want to sue the federal government, you cannot use our money to sue us.

In WIOA Section 181(e), it provides the specific limitations on the use of Title I WIOA funds. It specifically states that funds may not be used for employment generating activities, investment in revolving loan funds, capitalization of businesses, investments, and contract bidding recourse centers, foreign travel, cannot use our funds for debarred or suspended parties.

And it's important that you review before you are subcontracting out any of the funds, review the debarment and suspension parties list to ensure that any entity that you're planning to contract with is not on that. And persons falsely labeling products made in America. In addition, 20 CFR 683.250 prohibits the use of funds for subawards and that we talked about contracts with parties that are debarred, suspended, or otherwise excluded from or ineligible for participation in federal programs or activities.

We talked – the slides have kind of moved around a little bit. So the shifting of costs was – it's – there's a section that talks about federal funds cannot be used to shift – to cover costs that may have been – that you've run out for. So example, if any cost allocable to a particular federal award under the principles provided for and this part may not be charged to other federal awards to overcome fund deficiencies.

So for example there's a (sic) out of school youth provision where funds have to be spend up to 50 percent, must be spent on out of school youth. Well, if you have spent, or have not met that requirement, or you're trying to pick up another program to cover that because you've over spent funds, then you – that's a restriction. Another example of cost shifting includes from one grant to another grant and there are some exceptions.

Administrative to program, there's an administrative cost limitation on most grants and if you have reached your admin limitation on one grant and you try to use other federal funds to supplement that cost limitation, that would become a problem.

However, this prohibition would not preclude the non-federal entity from shifting costs that are allowable under two or more federal awards in accordance with existing federal statutes, regulations, or the terms and conditions of the award. So if you do have a cost that's allowable under two or more federal grants and you want to move those costs around, that would be fine. As long as you're not shifting costs to cover and over expenditure or cost limitation.

Prior written approval. The Uniform Guidance, prior approval requirements are defined as prior written approval. In 2 CFR 200.407, the Uniform Guidance specifically identifies 17 items of cost that require prior written approval before costs are allowable. The non-federal entity may seek the prior written approval of the cognizant agency for indirect costs or the federal awarding agency in advance of the incurrence of special or unusual costs. So the essence of prior written approval on any element of cost will not in itself effect the reasonableness or allocability of that element unless prior approval is specifically required.

Written approval means that we understand that some grantees have very close relationships with their federal project officers. They may call them and ask them if this cost is allowable and the federal project officer may say yes. However, if it's required that you have written approval, that means that the telephone conversation is not considered approval.

You must have written approval and the Department of Labor guidance at 2 CFR 2900, one of the exceptions testify that only the grant officer has the authority to approve. So it's important that you understand what prior approval requirements there are and if you need prior approval, you need to submit that request through your federal project officer to the grant officer.

The DOL exceptions also specify that the requests for prior approval must be submitted not less than 30 days before the cost is actually incurred. Requesting approval for a cost already charged to the grant may lead to disallowance of the cost. So keep that in mind you want to get prior approval prior to incurring the cost.

Here are a few things to keep in mind regarding prior written approval. Grantees are not exempt from reasonable, necessary, and allocable, even with prior approval. And that means you may request prior approval for a certain cost or expense but we also expect that you have done your due diligence to make sure that, that cost is reasonable for the performance of the grant necessary and there is a benefit.

When you're purchasing requiring prior approval must be made prior to the last year of funding. It cannot go – you cannot go on a purchasing spree because funds are remaining and the grant is about to expire.

So you want to make sure that you have a system in place where you're monitoring your activity, you're monitoring your availability of funds so that you don't get to the end of your grand and have this lump sum of money available because we will not give you prior approval to go out and just start spending money to use up all the funds. It must be reasonable, necessary, and allocable. Keep those three in mind.

Again, you must have grant officer approval before incurring the cost where prior approval is required. I want to just make this statement because this has come up a number of times, the DOL exceptions we've written it out and identified that because you've identified a certain cost in your budget or your statement of worth and that budget or statement of worth has been approved, it does not constitute prior approval for that specific purchase or activity.

If it is something that needs prior approval then you need to seek that from the grant officer. The fact that it's in your statement of worth and your budget just indicates to us that this is something that you're planning to do as a part of your proposal for your grant program but approval still must be submitted and requested by the grant officer for those items that require prior approval.

In some cases, grant officer prior approval authority has been delegated. So when the state of the recipient of state formula funds, prior approval is delegated to the governor; which means that the state's own approval process is in place and the local workforce investment areas and their subrecipients can go to the state for approval.

There's no additional ETA approval required; however, if the state is a direct recipient of a discretionary non-formula grant, then they must request prior – the state must request prior approval from ETA for any item that's designated to – that requires prior approval. For all other non-federal entities where a recipient or subrecipient ETA prior approval is required.

They must come to ETA for that prior approval and if they have subrecipients of discretionary grants, they request the prior approval goes through their pass-through entities and is rolled up to ETA. So keep that in mind, state formula grantees, the prior approval authority is delegated to the governor and direct discretionary state grantees, they have to seek prior approval through ETA and all other non-federal entities that receive direct funds from ETA must come to ETA for prior approval.

OK. We're going to talk a little bit about cost classification. Identify the types of costs in your accounting system and understanding how those costs are classified. The Uniform Guidance in 2 CFR 200.410 states there is no universal rule for classifying certain costs as either direct or indirect. The cost may either be direct or indirect under every accounting system. It may be direct to a specific service or function for indirect to a federal award or other final cost objective. Therefore, it is essential that each item of cost be treated consistently in like circumstances to avoid double charging.

And it's also easier to correct errors – consistent treatment is very important and if you're consistent and you identify that it's an error at some point, it's easier to change it all because you've been consistently charging an error. However, if it's been sporadic, you're charging it as direct or indirect one period, and then the next you'll have a difficult time going through your accounting system and trying to make all the adjustments. So it's important to be consistent treatment in like circumstances.

OK, here are some examples of misclassifications of costs. The first example, a nonprofit organization classified the costs of fundraising as meeting expenses that are added to the indirect cost pool. So we know that meeting expenses are allowable but fundraising is not. So that's an important section, or something to consider making sure that you classify the cost correctly because at some point that fundraising cost that was identified as meeting could be discovered that it's actual fundraising when we look at support documentation.

The second one, the SCSEP grantee runs out of monies to pay its rent for the last three months of its current grant. When it receives its new grant, it charges the late rent to the new grant. Well, that would be a problem because the new grant funds are only available for the period that they were – that they began. So if they began three months prior to the expense of rent, then – or three months after the rent cost incurred, then you can't move those monies back to cover old expenses because the new monies were not available when those expenses incurred. So it's important to understand and to make sure you're classifying your costs correctly.

The non-federal entity must have a financial management system in place to ensure their costs are charged the proper cost category that are adequately classified. And again, we're just reiterating that it's important that you have a chart of accounts and a financial – is your financial organizational tool that provides a complete listing of every account in your accounting system? And that you're ensured that your account code is unique for each type of asset, liability, equity, revenue, and expense.

This is another example of a misclassification of costs you can look at. And then now we have some knowledge check questions. So we're just going to walk right through these. The first one there's a poll for the first question. The Uniform Guidance 2 CFR 200 Subpart E cost principles contains the criteria for charging costs to a federal award. True or false? Right, very good.

So the next one. The necessary and reasonableness standards form the foundation for cost allowability. That's true. The standards for documentation include performance information. That's true. A salary and bonus restrictions no longer apply under the new cost principles. That is false. Salary and bonus restrictions do apply.

Requests for approval must be submitted not less than 45 days before requested action occurs. That is false. It must be submitted not less than 30 days before the action – requested action occurs. Prior approval authority is delegated to the governor for all grants to a state. That is false. Only for the formula funds, formula grants to the state is the prior approval delegated. For all direct grants from the state discretionary they must come in for prior approval.

Subrecipients of discretionary grantees request prior approval directly from the DOL grant officer. That is false. The recipient goes through their pass-through entity that then submits the request to DOL. Any non-federal entity may charge the de minimis rate of 10 percent of modified total direct costs in lieu of a negotiated rate. That is false. There are certain conditions that must be applied before they can elect to charge the 10 percent de minimis rate.

OK, so now I am going to turn it over to Chanel who is going to cover the selected items of cost.

CHANEL CASTANEDA: Thanks. Thank you, Nancy. Good afternoon, everyone. My name is Chanel Castaneda, I am in the office of grants managements in the National office.

So Nancy did a great job of just going over the general cost principles that all of our grantees are expected to follow. In addition to the general cost principles in the Uniform Guidance, there are also selected items of cost where the Uniform Guidance specifically identifies which costs are allowable, allowable with condition, and unallowable. So let's go through some of the new ones under the Uniform Guidance.

The first one is – oh I'm sorry, excuse me. Some considerations for selected items of cost that we have to keep in mind is, whether the cost is treated as indirect or direct cost. It still has to keep in consideration whether that particular item cost is allowable or unallowable. In addition, even though the Uniform Guidance may not specifically identify an item of cost that you may incur at your grant organization does not mean that it is allowable.

So silence does not mean allowability in the Uniform Guidance. We just ask that if there is not a selective item of cost that is not identified in the Uniform Guidance, please apply the general cost principles that Nancy went over – necessary, reasonable, allocable, as well as the additional standards that are outlined in the Uniform Guidance as well as WIOA.

OK. In the selected item of cost, like I said, each of these costs are either allowable, allowable with conditions which means additional standards must be met in order for it to be either approved by the grant officer or can be incurred by the grant, and then there's just some costs that are just straight unallowable. Such as, entertainment costs, fines and penalties, and bad debts. So let's go through the first one.

The first are advisory councils. Advisory councils are generally unallowable costs unless the following conditions are met; if they're authorized by statue, if they're authorized by the federal agency, and then one directive they are allocable as an indirect cost. Some of our grants, such as WIOA, allows for state workforce council as allowable. However, the cost of a non-profit board of directors would not be allowable as it is not authorized by statute or by the federal agency.

Another item of caution, advertising. The term advertising means the cost of any media as well as all the administrative costs related to it, which includes magazines, newspapers, radio and television, direct mailing, exhibits, electronic or computer transmittals then, in order to advertise their organization.

The only allowable advertising cost are only allowable if they meet the following criteria: if they allow for the recruitment of personnel that are required by the non-federal entity for performance of a federal award, if it is for the procurement of a good or service in order to meet the federal award, if the advertising is surrounded around the disposal of scrap or surplus materials which were acquired during the performance of a federal grant, and advertising is allowable if it is for program outreach and other specific purposes necessary to meet the requirements of the federal award.

So advertising, once again, is only allowable if it's recruitment, for procurement, disposal, and program outreach. And if you're unsure whether it meets the criteria under advertising, please reach out to your federal project officer.

Next is public relations. And we know there is a fine line between advertising and public relations. Public relations is defined as any community relations, any activities dedicated to maintaining the image of a non-federal entity or promoting favorable relations with a community or public at large. This is only allowable when it is required when communicating specific award activities and accomplishments and for a general liaison with governments or news media.

Then, only are these costs to keep the public informed on matters of public concern are allowable. Just also remember that specific unallowable costs include items such as; memorabilia, key chains, cups, mousepads. We generally think of anything that is any item purchased or organizational recognition, meaning you were just putting public relations or advertising your organization rather our grant is generally unallowable. And once again, reach out to your federal project officers if you have additional information in regards to public relations.

Next is capital assets. Capital assets are any tangible or intangible costs that are capitalized in accordance with GAAP, the generally accepted accounting principles. These include costs for equipment, real property which is both land and buildings, major renovations that increase the material value of the asset, as well as intellectual property such as software.

These are generally – these items are allowable but they're allowable with condition. Some of our grantees, if they were to purchase a capital asset such as our discretionary grantees, we need prior officer – prior grant officer approval prior to the purchase of that capital asset.

Next is equipment. Equipment is defined in the Uniform Guidance as any tangible personal property having a use life of more than one year, and a prior unit cost equaling $5,000. Generally, like I said for our grantees, if you are a discretionary grantee or a state grantee with a discretionary grant, you would need prior written approval from the grant officer prior to the purchase of this piece of equipment.

And just remember, Nancy reiterated this before, but including that item, that piece of equipment in your budget or your statement work does not constitute prior written approval. You would need separate prior written approval from a grant officer.

Next is intellectual property. This is – when we talk about intellectual property, this is in regard to patents and payments of royalty. If federal dollars were used in order to develop or create any intellectual property, then this falls under the creative commons license.

In the uniform – DOL's exception at 2 CFR 2900.13 states that if a piece of intellectual property was developed using grant funds, then this allows for any sub – then the grantee must allow for subsequent users to copy, distribute, transmit, and adapt the copywrited work and requires that our grantees put it in a platform in order for others to use for free.

However, 2 CFR 200.448 is talking about payments and patents of royalties that are developed outside of grant funds; however, would like to be purchased. These purchasing of patents or payments of royalties are generally unallowable. However, some royalties are considered allowable as well. And so, you want to refer to 2 CFR 200.448 when dealing with patents and royalties.

Next is, and this is in regards to conference costs surrounding child care. This is separate from child care for supportive services. Generally for a conference, we do allow our grant monies to be used in order search for and obtain child care. That is allowable. However, in a conference the actual providing is unallowable. And like I said, this is separate from child care for supportive services. You want to look to your own supportive services policy in regards to child care to see if it is allowable or unallowable.

Collection of improper payments. This is new in the Uniform Guidance. The Uniform Guidance now requires our grantees to put in effort in order to collect improper payment. So the cost to collect these improper payments is allowable either as direct or indirect costs. And this is – we just wanted to point out this is a new item under the Uniform Guidance.

Next is contingency provisions. Generally contingency provisions are unallowable to our grants. However to deal with the exception at 2 CFR 2900.18 allows for contingency provisions in regards to record retention and the request or transfer of records for record retention purposes. But generally, outside of that, contingency provisions are unallowable to our grant.

Conferences are allowable costs to our grant as long as it's the primary purpose is the dissemination of technical information by the non-federal entity. Some types of allowable costs include facilities, speaker fees, local transportation, and other incidentals used in order – unless they're restricted by the terms of the federal award. Just remember the general cost principles apply. If you are to have a conference, just make sure the costs are reasonable, necessary, and allocable to our grant.

Next are fines and penalties. Fines and penalties are defined as any violation of any federal, state, or local law; and these are unallowable to our grant as well as any cost related to a fine or penalty. Let's take the example of a DUI charge.

For example, if there are costs related – if your participant has court costs related to a DUI charge, those court case fees would be considered unallowable to our grant because they relate to a violation of the federal law. Another example are bank fees for non-sufficient fees – or non-sufficient funds. These are considered unallowable as well because this is a penalty for having unsufficient (sic) or non-sufficient funds in someone's bank account. So these would be considered unallowable to our grant.

Employee health and welfare costs are allowable with condition. These certain costs are only allowable providing they meet the following conditions; that they relate to the improvement of working conditions, employer/employee relations, employee health, and employee performance. And they are incurred in accordance with documented policies and they must be allocated to the appropriate activities of the grant.

We take an example of bottled water. If your area or the building is found to have unsafe or questionable water quality, then grant funds may be used in order to purchase or lease a water – bottled water dispensing machine because it improves the working conditions of the grant. But however, things like morale costs, such as holiday picnics or holiday parties are eliminated and are unallowable to our grant.

Entertainment costs are limited as far as the allowability to our grant. These include any cost of entertainment or diversion as well as any social activities which are generally unallowable. However, like I said, there are limited exceptions for this.

If the grantee has entertainment costs and they could show that it has a programmatic purpose and they either received authorized approval by the federal awarding agency or they are either authorized within their approved budget, these costs could potentially be allowable to our grant. But once again, please reach out to your FPO in regards to entertainment costs because sometimes they do cost (a lie ?) to be unallowable. It all depends on how if you could demonstrate that these costs have a programmatic purpose to our grant.

Next is lobbying. Lobbying is an unallowable cost. This includes any action that may be designed to influence or obtain grants or design or to influence or give special consideration to any acting – consideration to acting on an award or regulatory matter. So if you do meet members of Congress or the House (sic), please be aware that this – you cannot use the grant's time in order to discuss matters with that individual.

Participant support costs. In the Uniform Guidance participant support costs are unallowable or allowable with prior written approval of the federal awarding agency. However, DOL's exception published at 2 CFR 2900.19 allow these costs to be incurred to meet a program requirement and that prior written authority of the federal agency has been given. Because we know that because of the nature of our grant, there are going to be participant support costs incurred for our grant.

All right, here is – we'll just do one knowledge check question and then we'll move on because we're running out of time. So true or false, advertising costs include electronic media. OK. Looks like we have true. Correct. That is correct. Advertising costs include electronic media. Here are the answers to the next – to the set of questions.

Conference costs include the cost of meeting space. That is true. DOL requires a creative commons license for intellectual property developed with grant funds. That is true. The collection of improper payment is unallowable. That is false. That – these costs to collect improper payments are allowable to our grant.

And the cost of providing child care services for attendees at a conference is allowable. That is false. The cost to search for child care services for attendees at a sponsored – grantee sponsored conference is allowable. However, the actual cost of providing child care is unallowable.

OK. Here are just – you may have heard, we do have a new core monitoring guide out there. Just make sure it's dated October of 2018, but here are the applicable indicators in regard to cost principles surrounding cost principles in the core monitoring guide. And then we also have a SMART checklist.

If you are looking to update your policies and procedures in regard to cost principles, here is a nice handy dandy, checklist to make sure you've met all the basic requirements under the Uniform Guidance. And then here is just the module overview of what we went over. And here are some resources in re- – here's just some resources that are out there as well as some links. You see WIOA administrative provisions as well as the SCSEP provisions.

And the Uniform Guidance provisions as well as DOL's exceptions surrounding cost principles. And then here are some additional web resources that we have out there. And then we just want to remind everyone about the grant's management tool box. And then we will take a minute, we'll look at the questions.

Let's take a minute for a break and then we'll go through the Q&A portion of this presentation.

All right. Thanks everyone for your questions. So we're going to take some of these questions. Here, the first question is someone had asked, "The requirement for out of school use is 75 percent unless you have a waiver." Is that correct, Nancy?

MS. TAYLOR: That's correct. And I apologize because I was just thinking about in regions five we have a few waivers flagged. I thought about the 50 percent waiver that has been granted but it is 75 percent.

MS. CASTANEDA: OK. Thank you. Next question is, "Will you be covering our requirements to choosing the de minimis rate? You said certain conditions must be met in order to be able to charge 10 percent de minimis rate. Could you explain what those certain conditions are?"

MS. TAYLOR: So I'll just cover the basic because we have another module that's coming up, the cost allocation plans and indirect costs; which we'll go more into detail on the de minimis rate; however, the basic conditions to apply for de minimis rate are that you cannot have had an approved indirect cost rate before. So if you have never received a negotiated indirect cost rate, you may be eligible to apply the de minimis rate.

MS. CASTANEDA: OK. But like Nancy said, there is a cost allocation in indirect cost module that will be presented and we'll speak specifically in regards to the de minimis rate. OK.

MS. TAYLOR: OK.

MS. CASTANEDA: All right. Next one is – says, "Hi. Are employee recognition awards for length of service allowable, such as plaques?" Generally, these costs are unallowable but please speak to your FPO. If you can demonstrate that there is a programmatic purpose behind it and it improves employer or employee relationships then they could potentially be allowable. But once again, please talk to your federal project officer in regards to those costs.

MS. TAYLOR: It's a fine line.

MS. CASTANEDA: Yes. OK. There's a question – talking with the House and Senate is considered lobbying. The cost associated with that discussion is considered unallowable even if this discussion is centered around WIOA. Generally, lobbying costs are unallowable.

If you do speak to a member of your – member of the Senate or House, even if it is discussing WIOA, please don't do it on grant time just because it's hard to demonstrate your federal project officers as well as to DOL ETA that you were not taking that time to promote your grant or to promote your – to promote a potential grant that's coming out. In this case, you want to be conservative.

If you're going to discuss any activities, grant activities or WIOA with a member or Senate or the House, please do it on non-grant time. But, if you're just going to just discuss general matters, if you could demonstrate to your FPO that these general matters are just general matters and not in regards to any grants or any grant work or anything like that, and then that is fine during the grant's time.

However, if you are planning to discuss anything related to WIOA, I always say just veer on the side of conservativism because it would have to be – it would be onus would have to be on you as the entity to demonstrate you are not discussing any potential grants that are coming out or potential awarding of grants.

All right. Someone asked, "Hi. I only found the core monitoring guide for August of 2018. Is this the latest version? And if not, where can I find the latest one? Correct. The August of 2018 is the latest and final version of the core monitoring guide. There was mistakenly a (sic) earlier release of a (sic) earlier version; however, that did not go through the proper channels.

So the August of 2018 version is the latest version that is out there and the one you should be using. For those that are unaware, you can find the updated core monitoring guide on DOLETA, d-o-l-e-t-a.gov/Grants. You could find a lot of sources – resources there as well as the core monitoring guide.

All right. Question – next question is, "Did the law change from $1,000 to $5,000 for equipment or has it always been a $5,000 cap?" The law did not change. Excuse me. Take a step back. The recognition of equipment has always been $5,000.

MS. TAYLOR: However, if you're a subrecipient or a pass-through entity, you may have a lower threshold. They may have a lower threshold and if they do have a lower threshold, then you have to abide by that threshold.

MS. CASTANEDA: Yeah, for recognizing equipment.

MS. TAYLOR: Right.

MS. CASTANEDA: You would follow your own policies and procedures in the recognition of equipment, but for our purposes, for the Uniform Guidance is a per unit cost of $5,000 or more. OK.

MS. TAYLOR: Number nine.

MS. CASTANEDA: OK. Sorry, we're just – there's a lot of questions coming in so we're just trying to make sure we see some of the questions.

OK. Here's a question. "For a reimbursement based grant, are items charged on a credit card during grant period one in September but are not paid – but paid for during the following month which is October during grant two period, after the grant period?" It sounds like someone's asking if they have two grants and they have – if some items pertaining to grant number one are charged on a credit card; however, are paid during the second grant's start, where does the cost apply? Hopefully I'm interpreting that question correct.

Cost should be chargeable to the grant that receives the relative benefit, regardless when you receive that bill. For example, if you have a use bill grant, and if these costs are related to use bill grant number one, those costs should be charged to that grant. Regardless when you receive the credit card bill, the invoice, or anything like that. You should accrue for those charges because those – an activity has already incurred. It should be accrued for use bill grant number one.

If you have a second grant, let's say use bill grant number two and you purchase items that could benefit both grants, then you need to allocate those costs appropriately between the two grants based on relative benefit received. For example, let's say you purchase a vehicle and you got prior written approval; however, you used 50 percent of that vehicle's time to use bill grant number one and 50 percent of that time to use bill grant number two.

Half those costs that are incurred would be allocated 50 percent to use bill grant number one and 50 percent to use bill grant number two. The receiving of invoices and credit cards has no significance on whether you charge it to grant number one or grant number two. It is when that activity has occurred, then you would accrue those costs appropriately. Recognize the liability of those grant activities.

MS. TAYLOR: And just to add to what Chanel has just said, for – and this is maybe take another stand on it too, if the cost that was incurred for grant number one charged on the credit card and then the bill came when grant number two in October has started. If grant number two did not start until October then you cannot charge the cost that was incurred in September to the grant number two that didn't start until October.

MS. CASTANEDA: Yes. So hopefully we interpreted that person's question correctly. OK.

Here is a question. "Is there a scenario in which outreach items can include cups, pens, pads, etc.?" We get this question a lot. Like I said, please talk to your federal project officer because every scenario is different. But generally, if these items, these memorabilia only advertise your organization and not our grant, that is unallowable because you're not promoting our grant.

And then the other question is, if a brochure that is providing information about our grant, if that could provide more information than a cup or a pen, which is the better efficient use of our grant funds? The brochure. The brochure provides more information about our grant, it provides maybe contact information, what kind of services our grant provides, and it is a reasonable cost to our grant.

However, a pen, a cup, a Frisbee, t-shirts, how much information can that provide in regards to a brochure? Once again, please do your due diligence. Think of the prudent person theory. If a advertising or promoting through a cup and pen could be better achieved through a brochure, that is much more efficient, effective use of our grant funds.

OK. We have a new – a couple questions. Sorry, there's a couple questions. We want to make sure we're –

MS. TAYLOR: Can you give an example of how –

MS. CASTANEDA: I'm sorry, what question number?

MS. TAYLOR: Number 15.

MS. CASTANEDA: OK. Someone asked, "Can you give an example of how a search for child care could be submitted as an expense?" OK. Remember, this is child care – the search for child care in regards to conference costs.

If you're having – if your organization is – if your state, if your local area is going to have a conference, the cost related to the search for child care is allowable. However, the cost to provide that child care during the conference for your participants or for your attendees of the conference is unallowable. That was around the discussion of the search for child care, is in the context of a conference.

MS. TAYLOR: And I think it's basically the staff, if your staff is attending a conference and they need to search for child care so that they can attend that conference, then it's basically their staff time. For some reason, this particular item was included in the house principles. I don't know, maybe it's something that it came up. It's basic staff time that we're saying.

MS. CASTANEDA: Yes.

MS. TAYLOR: That's covered and chargeable to the grant as you would allocate it out to the grant.

MS. CASTANEDA: Yes. Thank you, Nancy. Someone is asking, "Is paying for car insurance allowable?" Please look at the Uniform Guidance but there must be (suspicion ?) insurance coverage for any items, any piece of equipment purchased through grant funds. If you purchase the car through grant funds, we expect that there be suspicious insurance surrounding that car and that could be an allowable cost to our grant.

MS. TAYLOR: And if you're speaking of this as a supportive service for a participant, then you need to have supportive services in place that identify whether or not you're going to cover car insurance for that participant.

It has to be a reasonable and it has to be for a purpose of them participating in a grant funded activity. In addition to that, you may want to have a policy in place for needs related payment. It could be a support service activity but there has to be policies in place to support it.

MS. CASTANEDA: OK. Thank you, Nancy. Someone asked, "Can you give an example of an allocable cost please?" We had used that example of use bill grant number one and use bill grant number two, OK. Let's use another example.

Let's say you have a case manager that is working – this case manager sees adult, and DW, and youth participants. The case manager would demonstrate through their time sheet that they spent time on adult – on – excuse me. When they're identifying on their time sheet, they would identify how much time that they spent with adult participants, how much time they spent on DW participants, and how much time that they spent on youth participants. That is an example of allocating a case manager's time in accordance with relative – to the relative benefit of a grant. In this case the grant is the adult grant, DW grant, and youth grants. OK.

Let's see. There is a question in regards – "Is paying a customer's mortgage allowable?" Like Nancy said, please look to your supportive services policies and procedures. You should – the WIOA requires that before you can give out supportive services, you must have written supportive services policies procedures in place and that you would look to them to identify if such costs are allowable. But also, I would ask – (inaudible) – if you are (state rep ?) or ETA. OK.

Let me see. Sorry, we're just looking at all of the questions. We're just trying to make sure we answer a variety of questions because some of these are quite repeating. OK.

MS. TAYLOR: Let me take this. Answer.

MS. CASTANEDA: Here. Someone asked the question, "Can you give an example of when it would be OK to shift costs?"

MS. TAYLOR: WIOA guidance allows the transfer of costs between the adult and dislocated worker program 100 percent. So if you've received patients for both funded programs, if you find that you are using more activities in the adult program than in the dislocated worker program, you have been authorized to shift those costs over. And if an individual has to be eligible for both programs you can split the cost between the two programs.

MS. CASTANEDA: Good. Thank you, Nancy. Here's a question. "Are sponsorships associated with a conference allowable? Can WIOA pay for a sponsorship of a conference? For example, $1,000 for Gold's sponsorship which includes outreach too." Because we don't know the direct relative benefit for sponsoring a conference and if the conference is related to grant activities it's hard to answer this question without getting all the details. But I would advise this person to talk to their federal project officer in regards and give them all the details because it's hard just based on this question alone to answer this question.

MS. TAYLOR: And it sounds like it may be part of an indirect because it may benefit more than just the WIOA program.

MS. CASTANEDA: OK. Someone asked, "If gift cards are not allowable, what could be used for an incentive? Is it written in the grant?" It is written into the grant to give incentives. Just like support costs, you want to make sure if you're giving incentives, you have a policy and procedure in place in regards to incentives.

Depending on the type of participants you're trying to target, I would suggest that sometimes gift cards could potentially be allowable. We're just stating gift cards in regards to entertainment costs are unallowable on the slides. But if your organization has incentive policies and procedures in place that allow for gift cards to incentivize your participants in attending classes or attending an achieving milestones because remember, incentives can't just be tied to attendance.

There has to be milestones attached to any benefit or incentives, or any other cost to incentivize a participant in order to achieve their individual training plan. Just make sure if you do have incentive policies and procedures in place that they be tied to milestones and not just attendance.

Gift cards may potentially be used in order to incentivize our participants in order to achieve milestones in their individual training plans. Look to your policies and procedures, make sure that if you do allow for gift cards that they are tied to milestones and that you train your case managers as well as any other staff that is in the decision making process on awarding incentives to our participants. That you train staff so that this benefit that you are giving to the participant is applied to consistently amongst our grant participants.

MS. TAYLOR: And I would just like to add that the gift cards should be for an allowable cost. So if – you would not give a gift card to a sporting event because that's an entertainment activity. That is an unallowable cost to the grant.

The gift card should be something that is allowable cost to the grant, such as gas card, something that would help the participant attend training or attend employment, of clothing that would help the participant. Just make sure that whatever the gift card is for, it is an allowable cost for the grant because when we look at your invoices we want to see that it's allowable.

MS. CASTANEDA: OK. Thank you, Nancy. And then we will take one more question. Someone asked, are stipends allowable? Stipends are generally allowable to our grant but please look to your program regulations as well as your grant terms and conditions to see if there are any restrictions to the use of stipends.

But just like supportive services and incentives, you must have a stipend policy and procedure in place and to make sure that the individuals who are making – are in the decision making process in regards to stipends are trained so that it could be consistently applied. And then make sure your case notes demonstrate when a stipend is used and if that person – what is the justification for the stipend.

But generally, stipends are allowable but look to your program regulations as well as the grant's terms and conditions to see if there are any special restrictions in regards to stipends.

But also make sure if you're giving stipends to our grant participants, you educate them if there are any tax implications surrounding giving your participants a stipend that they are aware of the tax implications when awarding stipends to our participants.

All right. It is 2:30 p.m. We will now turn it over to Grace who will close out this webinar.

MS. MCCALL: All right. Excellent. Thank you very much.

(END)