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Allowable Costs Under Uniform Guidance

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Agenda

- ❑ Uniform Guidance - Overview
- ❑ Allowable Costs

Uniform Guidance Overview

Who Uses Uniform Guidance?

Nonfederal Entity

Auditors

Federal Agencies

Uniform Guidance (UG)

- ❑ **Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards**
- ❑ **How to Access the UG**
 - [Electronic Code of Federal Regulations \(e-CFR\)](#) version

2CFR Frequently Asked Questions

- ❑ Published May 3, 2021
- ❑ 146 Questions and Answers
- ❑ https://www.cfo.gov/assets/files/2CFR-FrequentlyAskedQuestions_2021050321.pdf

Proposed Rules for Uniform Guidance

- ❑ Issued October 5, 2023, in the Federal Register
- ❑ 10 years since original Uniform Guidance
- ❑ [Link to draft](#) 2 CFR Parts 1, 25, 175, 180, 182, 183, 184, 200
- ❑ [Unofficial redline version](#)
- ❑ Effective date: unknown

Proposed Rules for Uniform Guidance

- ❑ Issued October 5, 2023, in the Federal Register
- ❑ Draft changes
 - \$1,000,000 Single Audit Threshold
 - A/B Threshold still \$750,000
 - De minimis indirect cost rate increase 10% - 15%
 - Supplies increase from \$5,000 to \$10,000
 - Removes abuse as a finding to be reported

Uniform Guidance for Federal Awards Contents

- ❑ Subpart A - Acronyms and Definitions 200.xx
- ❑ Subpart B - General Provisions 200.1xx
- ❑ Subpart C - Pre-Federal Award Requirements and Contents of Federal Award 200.2xx
- ❑ Subpart D – Post-Federal Award Requirements 200.3xx
- ❑ **Subpart E - Cost Principles 200.4xx**
- ❑ Subpart F - Audit Requirements 200.5xx
- ❑ Appendix I – XII Various Appendix

Uniform Guidance for Federal Awards Appendix

- ❑ Appendix III – Indirect Costs Identification and Assignment, and Rate Determination for Institutions of Higher Education
- ❑ Appendix IV – Indirect Costs Identification and Assignment, and Rate Determination for Nonprofit Organizations
- ❑ Appendix V – State/Local Government-wide Central Service Cost Allocation Plans
- ❑ Appendix VI – Public Assistance Cost Allocation Plans
- ❑ Appendix VII – States and Local Government and Indian Tribe Indirect Cost Proposals

Key Definitions

- ❑ *Expenditures* means charges made by a non-Federal entity to a project or program for which a Federal award was received.
 - (1) The charges may be reported on a cash or accrual basis, as long as the methodology is disclosed and is consistently applied.

Key Definitions

- ❑ *Disallowed costs mean those charges to a Federal award that the Federal awarding agency or pass-through entity determines to be unallowable, in accordance with the applicable Federal statutes, regulations, or the terms and conditions of the Federal award*

Key Definitions

- ❑ *Improper payment* means:
 - (1) Any payment that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other *legally applicable* requirements.

Key Definitions

- ❑ *Questioned cost* means a cost that is questioned by the auditor because of an audit finding:
 - (1) Which resulted from a violation or possible violation of a statute, regulation, or the terms and conditions of a Federal award, including for funds used to match Federal funds;
 - (2) Where the costs, at the time of the audit, are not supported by adequate documentation; or
 - (3) Where the costs incurred appear unreasonable and do not reflect the actions a prudent person would take in the circumstances.
- 4) Questioned costs are not an improper payment until reviewed and confirmed to be improper as defined in OMB Circular A-123 appendix C. (See also the definition of *Improper payment* in this section).

Cost Principles –

Subpart E

Section 200.4XX, OMB Cost Principles

- ☐ **Consolidated Cost Principles into single document:**
 - OMB Circular A-21 – Educational Institutions
 - OMB Circular A-87 - State, Local, and Indian Tribal Governments
 - OMB Circular A-122 – Nonprofit Organizations

- ☐ **Health and Human Services at 45 CFR Part 74 Appendix E - Hospitals were not incorporated**

Part 200 —

Uniform Guidance for Federal Awards

Subpart E - Cost Principles 400.xx

- General Provisions
- Basic Considerations
 - Composition of costs
 - Factors affecting allowability of costs
 - Reasonable costs
 - Allocable costs
 - Applicable credits
 - Prior written approval
 - Limitation on allowable costs
 - Special considerations
 - Collection of unallowable costs
 - Adjustment of previously negotiated ICR containing unallowable costs

Part 200 —

Uniform Guidance for Federal Awards

Subpart E - Cost Principles 400.xx (cont.)

- Direct and Indirect (F&A) Costs
 - Classification of costs
 - Direct costs
 - Indirect (F&A) costs
 - Required certifications
- Special Considerations for States, Local Governments, and Indian Tribes
- Special considerations for institutions of Higher Education
- **General Provisions for Selected Items of Costs**

Subpart E, Cost Principles - Basic

- ❑ §200.402 Composition of Costs
 - The total cost of a Federal award is the sum of the allowable direct and allocable indirect costs less any applicable credits

Subpart E, Cost Principles - Basic

- ❑ §200.403 Factors affecting allowability of costs
 - Be necessary and reasonable
 - Conform to any limitations or exclusions
 - Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-federal entity
 - Be accorded consistent treatment

Subpart E, Cost Principles - Basic

- ❑ §200.403 Factors affecting allowability of costs (cont.)
 - Be determined in accordance with GAAP, except, for state and local governments and Indian tribes only, as otherwise provided for in this part
 - Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period
 - Be adequately documented
 - Cost must be incurred during the approved budget period. The federal awarding agency is authorized, at its discretion, to waive prior written approvals to carry forward unobligated balances to subsequent budget periods pursuant to §200.308(e)(3).

Subpart E, Cost Principles - Basic

- ❑ §200.404 Reasonable costs
 - A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost.

Subpart E, Cost Principles - Basic

- ❑ §200.405 Allocable costs
 - Benefits both the Federal award and other work of the non-Federal entity and can be distributed in proportions that may be approximated using reasonable methods
 - Any costs allocable to a particular Federal award under these principles may not be charged to other Federal awards to overcome fund deficiencies

Subpart E, Cost Principles - Basic

- ❑ §200.407 Prior Written approval
 - Real Property
 - Fixed amount subawards
 - Certain items of costs may be difficult to determine
 - Entertainment costs
 - Exchange rates

Subpart E, Cost Principles – Direct & Indirect

□ §200.413 Direct Costs

- Are those costs that can be identified specifically with a particular final cost objective
- Salaries of administrative and clerical staff normally can be treated as indirect (F&A) costs
- Costs are not also recovered as indirect costs
- Any direct cost of minor amount may be treated as an indirect cost
- Any unallowable costs for purposes of computing charges to federal awards must be treated as direct costs for purposes of determining indirect costs

Subpart E, Cost Principles – Direct & Indirect

□ §200.414 Indirect Costs

- Requirements for development and submission of indirect (F&A) cost rate proposals and cost allocation plans are contained in Appendices III-VII
- Federal agencies and pass-through entities will have to accept a non-federal entity's negotiated indirect cost rate
 - Unless a statute or regulation allows for an exception
 - For non-federal entities that do not have a current (change in 2020) negotiated rate, de minimis rate of 10% of **modified total direct costs** may be used indefinitely

Subpart E, Cost Principles – Direct & Indirect

- ❑ §200.414 Indirect Costs (cont.)
 - No documentation is required to justify the 10% de minimis rate
 - May not be double charged or inconsistently charged

Subpart E, Cost Principles – Direct & Indirect

- ❑ §200.415 Required Certifications
 - Annual and final fiscal reports or vouchers requesting payment
 - Sign report expenditures....are true, complete and accurate
 - Cost allocation plan or indirect (F&A) cost rate proposal

Subpart E, Cost Principles

Special Consideration for States, Local Gov't & Indian Tribes

- ❑ §200.416 Cost Allocation Plans and Indirect Cost Proposals
 - If certain services are provided to operating agencies on a centralized basis there needs to be a process whereby central service costs can be identified and assigned to benefitted activities on a reasonable and consistent basis. The central service cost allocation plan provides that process

Subpart E, Cost Principles

Special Consideration for States, Local Gov't & Indian Tribes

- ❑ §200.416 Cost Allocation Plans and Indirect Cost Proposals (cont.)
 - Individual operating agencies, normally charge Federal awards for indirect costs through an indirect cost rate.
 - A separate indirect cost rate proposal for each operating agency is usually necessary to claim indirect costs under Federal awards
 - The indirect costs originating in each department or agency carrying out Federal awards
 - The costs of central governmental services distributed through the central service cost allocation plan and not otherwise treated as direct costs
 - Appendix V, VI and VII apply to this part

Subpart E, Cost Principles

Special Consideration for States, Local Gov't & Indian Tribes

❑ §200.417 Interagency Service

- The cost of services provided by one agency to another within the governmental unit may include allowable direct costs plus a pro-rated share of indirect costs.
- A standard indirect cost allowance equal to ten percent of the direct salary and wage cost providing the service (excluding overtime, shift premiums, fringe benefits) may be used in lieu of determining the actual indirect costs.
- These services do not include centralized services included in central service cost allocation plans.

General Provisions for Selected Items of Cost

- ❑ §200.420 Considerations for Selected Items of Cost
 - These principles apply, whether or not, a particular item of cost is properly treated as direct or indirect cost.
 - Failure to mention a particular item of cost is not intended to imply that it is either allowable or unallowable.
 - In case of a discrepancy between the provisions of the specific Federal Award and UG provisions, the Federal award governs.

General Provisions For Selected Items of Costs 200.4xx

- ☐ 421 Advertising and public relations
- ☐ 422 Advisory councils
- ☐ 423 Alcoholic beverages
- ☐ 424 Alumni(ae) activities
- ☐ 425 Audit services
- ☐ 426 Bad debts
- ☐ 427 Bonding costs
- ☐ 428 Collection of improper payments
- ☐ 429 Commencement and convocation costs
- ☐ 430 Compensation – personal services
- ☐ 431 Compensation – fringe benefits
- ☐ 432 Conferences
- ☐ 433 Contingency provisions
- ☐ 434 Contributions and donations
- ☐ 435 Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringements

General Provisions For Selected Items of Costs 200.4xx

- ☐ 436 Depreciation
- ☐ 437 Employee health and welfare costs
- ☐ 438 Entertainment costs
- ☐ 439 Equipment and other capital expenditures
- ☐ 440 Exchange rates
- ☐ 441 Fines, penalties, damages and other settlements
- ☐ 442 Fund raising and investment management costs
- ☐ 443 Gains and losses on disposition of depreciable assets
- ☐ 444 General costs of government
- ☐ 445 Goods and services for personal use
- ☐ 446 Idle facilities and idle capacity
- ☐ 447 Insurance and indemnification
- ☐ 448 Intellectual property
- ☐ 449 Interest
- ☐ 450 Lobbying
- ☐ 451 Losses on other awards or contracts
- ☐ 452 Maintenance and repair costs

General Provisions For Selected Items of Costs 200.4xx

- ☐ 453 Materials and supplies costs, including costs of computing devices
- ☐ 454 Memberships, subscriptions, and professional activity costs
- ☐ 455 Organization costs
- ☐ 456 Participant support costs
- ☐ 457 Plant and security costs
- ☐ 458 Pre-award costs
- ☐ 459 Professional service costs
- ☐ 460 Proposal costs
- ☐ 461 Publication and printing costs
- ☐ 462 Rearrangement and reconversion costs
- ☐ 463 Recruiting costs
- ☐ 464 Relocation costs of employees
- ☐ 465 Rental costs of real property and equipment
- ☐ 466 Scholarships and student aid costs
- ☐ 467 Selling and marketing costs
- ☐ 468 Specialized service facilities
- ☐ 469 Student activity costs

General Provisions For Selected Items of Costs 200.4xx

- ☐ 470 Taxes (including Value Added Taxes)
- ☐ 471 Telecommunication costs and video surveillance costs
- ☐ 472 Termination costs
- ☐ 473 Training and education costs
- ☐ 474 Transportation costs
- ☐ 475 Travel
- ☐ 476 Trustees



Selected Items of Costs 200.4xx

- ❑ 423 Alcoholic beverages – unallowable
- ❑ 425 Audit services
 - A reasonably proportionate share of the costs of audits required by, and performed in accordance with, the Single Audit Act
- ❑ 426 Bad debts - unallowable

430 Compensation – Personal Services

- ❑ 3 ½ pages of guidance
- ❑ Fringe benefits addressed in 200.431
- ❑ All remuneration, paid currently or accrued
- ❑ Is reasonable for the services rendered and conforms to the established written policy applied consistently to both Federal and non-Federal activities
- ❑ Incentive compensation based on cost reduction, efficient performance, safety awards, etc., is allowable to the extent overall compensation is determined to be reasonable

Standards for Documentation - 430

- ❑ Charges for salaries and wages must be based on records that accurately reflect the work performed. The records must:
 - Be supported by a system of internal control
 - Be incorporated into the official records of the non-federal entity
 - Reasonably reflect the total activity for which the employee is compensated, not exceeding 100% of compensated activities
 - Support the distribution of the employee's salary if employee works on more than one Federal award, Federal and non-federal, indirect and direct, etc.

Standards for Documentation - 430

- ❑ Charges for salaries and wages (cont.).
- ❑ Budget estimates alone do not qualify as support, but may be used for interim accounting purposes, provided that
 - The system for establishing the estimates produces reasonable approximations of the activity actually performed;
 - Significant changes in the corresponding work activity are identified and entered into the records in a timely manner
 - The non-Federal entity's system of internal controls includes processes to review after-the-fact interim charges made to a Federal award based on budget estimates. All necessary adjustment must be made such that the final amount charged is **accurate, allowable and properly allocated**

Standards for Documentation - 430

- ❑ Charges for salaries and wages (cont.).
- ❑ For states, local governments and Indian tribes, substitute processes or systems for allocating salaries and wages may be used in place of or in addition to the records described if approved by the cognizant agency for indirect cost.
 - **Appendix VII F.1**
 - the cognizant agency is the Federal agency with the largest dollar value of direct Federal awards with a governmental unit or component, as appropriate. Once designated as the cognizant agency for indirect costs, the Federal agency must remain so for a period of five years.
 - In addition, the following Federal agencies continue to be responsible for the indicated governmental entities: (ex: States – HHS, School districts – Education)

431 Compensation- Fringe Benefits

- ❑ Fringe benefits include, but are not limited to, the costs of leave, employee insurance, pensions, and unemployment benefit plans.
- ❑ Allowed provided that the benefits are reasonable and are required by:
 - Law
 - Non-federal entity- employee agreement
 - Non-federal entity established policy

431 Compensation- Fringe Benefits

- ❑ Leave allowable if
 - Provided under established written leave policies
 - Costs are equitably allocated
 - Accounting basis (cash or accrual) selected is consistently followed

- ❑ Fringe benefits – employer contributions or expenses for social security, life, health....
 - Established under written policies
 - Properly allocated
 - Charged as direct or indirect costs in accordance with policy

431 Compensation- Fringe Benefits

- ❑ Automobiles
 - Costs that are related to personal use by employees (including to and from work) is unallowable as fringe benefit or indirect costs regardless of whether the cost is reported as taxable income to the employees.

431 Compensation- Fringe Benefits

□ Insurance

- Provisions for a reserve under a self-insurance program for unemployment or worker's compensation are allowable to the extent.....
- Costs of insurance on lives of trustees, officers, or other employees are allowable only to extent that it represents additional compensation. Unallowable if non-Federal entity is named as beneficiary.

431 Compensation- Fringe Benefits

- ❑ Pension Plan Costs
 - Reasonable
 - Not discriminatory
 - Pay-as-you-go method – actual payments to retirees
 - Actuarial cost method – funded for that year within six months after year-end
- ❑ Post-retirement health
 - Pay-as-you-go method – actual payments to retirees
 - Actuarial cost method – funded for that year within six months after year-end
- ❑ Severance pay
 - Required by law or agreement
 - Excess of normal severances unallowable

Selected Items of Costs 200.4xx

- ❑ 432 Conferences – allowable with restrictions
- ❑ 433 Contingency provisions – Unallowable with exceptions
- ❑ 436 Depreciation
 - Buildings, capital improvements, equipment, and software projects
 - Straight-line method (with exceptions)
 - Not allowed on any assets that have outlived their depreciable lives
 - Supported by adequate records and physical inventories taken at least once every two years

Selected Items of Costs 200.4xx

- ❑ 437 Employee health and welfare costs
 - Improvement of working conditions allowable
 - Losses resulting from operating food services limitations
- ❑ 438 Entertainment costs– Unallowable with exceptions
- ❑ 439 Equipment and other capital expenditures
 - Unallowable as direct charges, except with the prior written approval
- ❑ 443 Gains and losses on disposition of depreciable assets – Allowable with restrictions

Equipment and Other Capital Expenditures (200.439)

- ❑ Capital expenditures for equipment, buildings and land are unallowable as direct charges (they will be depreciated)
- ❑ Capital expenditures for special purpose equipment are allowable as direct costs with a unit cost of \$5,000 or more with prior written approval of the Federal awarding agency or PTE.
- ❑ Lesser of \$5,000 or entity capitalization threshold
- ❑ Revisit entity capitalization policy if below \$5,000

Selected Items of Costs 200.4xx

- ❑ 445 Goods or services for personal use
 - Unallowable regardless of whether reported as taxable income to employee
 - Housing is allowable with restrictions
- ❑ 447 Insurance and indemnification – Allowable with restrictions
- ❑ 449 Interest
 - Interest of borrowed capital, temporary use of endowment funds, or use of own funds is unallowable
 - Capital assets – costs capitalized in accordance with GAAP with restrictions

Selected Items of Costs 200.4xx

- ❑ 450 Lobbying
 - Cost of certain influencing activities associated with obtaining grants, contracts, or loans is unallowable
 - Additional restrictions and exceptions for IHE and NPO
- ❑ 452 Maintenance and repair costs
 - Allowable for maintenance, janitorial, security, upkeep
 - Improvements which add to permanent value or prolong intended life are capital expenditures

Selected Items of Costs 200.4xx

- ❑ 454 Memberships, subscriptions, and professional activity costs
 - Business, technical and professional organizations memberships and subscriptions – allowable
 - Membership in any civic or community organization – allowable with prior approval
 - Membership in any country club or social or dining club – unallowable
 - Membership in organizations whose primary purpose is lobbying - unallowable

Selected Items of Costs 200.4xx

- ❑ 459 Professional service costs - Allowable subject to certain factors
 - Service is required
 - Whether the service can be performed more economically by direct employment rather than contracting
 - Qualification of the individual or concern rendering the service
 - Adequacy of the contractual agreement for the service
 - Retainer fees must be supported by evidence of bona fide services available or rendered

Selected Items of Costs 200.4xx

- ❑ 463 Recruiting costs - Allowable with restrictions
- ❑ 464 Relocation costs of employees – Allowable with restrictions
 - Existing employee or upon recruitment of a new employee
 - Unallowable
 - Loss on sale of a former home
 - Continuing mortgage principal and interest payments on a home being sold
 - Income taxes paid by an employee related to reimbursed relocation costs

Selected Items of Costs 200.4xx

- ❑ 465 Rental costs of real property and equipment
 - Allowable to the extent that the rates are reasonable in light of certain factors
 - Costs under “less-than-arm’s length” leases allowable only up to the amount as if owned the property (depreciation, maintenance, taxes and insurance)
 - Capital leases as if purchased
 - Rental or lease payments are allowable under lease contracts where the non-federal entity is required to recognize an intangible right-to-use lease asset (per GASB) or right of use operating lease asset (per FASB) for purposes of financial reporting in accordance with GAAP.

Selected Items of Costs 200.4xx

☐ 470 Taxes

- State, local governments and Indian tribes - taxes that are legally required to pay are allowable
- NPO and IHE
 - Taxes that are legally required to pay – allowable
 - Taxes from which exemptions are available – unallowable
 - Federal income taxes - unallowable

Selected Items of Costs 200.4xx

- ❑ 471 Telecommunication costs and video surveillance costs
 - Allowable except for equipment or services described in 200.216
Prohibition on certain telecommunications and video surveillance services or equipment by Huawei Technologies Company or ZTE Corporation (or any subsidiary or affiliate of such entities)

- ❑ 472 Termination costs – allowable with restrictions
 - Loss of useful value of special tooling, machinery, equipment
 - Rental costs under unexpired leases
 - Settlement expenses (accounting, legal, storage)

Selected Items of Costs 200.4xx

- ❑ 473 Training and education costs - Allowable for employee development
- ❑ 474 Transportation costs
 - Costs incurred for freight, express, cartage, postage and other transportation services for goods purchased or delivered
 - Allowable with restrictions
- ❑ 474 Travel costs
 - May be charged on actual cost basis, on a per diem, or mileage basis
 - In accordance with written travel policies
 - Lodging – reasonable and participation of the individual is necessary
 - Commercial air travel

Using the Compliance Supplement

[Link to Compliance Supplement](#)

Part 3-B- 1-48 Allowable Costs/Cost Principles

A-87 – States, local governments, and Indian tribes

A-21 – Institutions of Higher Education

A-122 – Nonprofit Organizations

Using the Compliance Supplement

- Basic Guidelines
 - Be necessary and reasonable and be allocable under the principles in 2 CFR Part 200, Subpart E (UG)
 - Conform to any limitations or exclusions set forth in UG or in the federal award as to types or amount of cost items
 - Be consistent with policies and procedures that apply uniformly to both federally financed and other activities of the non-federal entity
 - Be accorded consistent treatment. A cost may not be assigned to a federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the federal award as an indirect cost

Using the Compliance Supplement

- Basic Guidelines (cont.)
 - Be determined in accordance with generally accepted accounting principles (GAAP), except for state and local governments and Indian tribes only as otherwise provided for in UG
 - Not be included as a cost or used to meet cost-sharing or matching requirements of any other federally financed program in either the current or a prior period
 - Be adequately documented

Using the Compliance Supplement

- Selected Items of Cost – Exhibit 1

Selected Cost Item	Uniform Guidance General Reference	Items of Cost Requiring Prior Approval	States, Local Governments, Indian Tribes	Institutions of Higher Education	Nonprofit Organizations	Items of Cost not Treated the Same Across Non-Federal Entities
Advertising and public relations costs	§200.421		Allowable with restrictions	Allowable with restrictions	Allowable with restrictions	
Advisory councils	§200.422		Allowable with restrictions	Allowable with restrictions	Allowable with restrictions	
Alcoholic beverages	§200.423		Unallowable	Unallowable	Unallowable	
Alumni/ae activities	§200.424		Not specifically addressed	Unallowable	Not specifically addressed	X
Audit services	§200.425		Allowable with restrictions	Allowable with restrictions	Allowable with restrictions	
Bad debts	§200.426		Unallowable	Unallowable	Unallowable	
Bonding costs	§200.427		Allowable with	Allowable	Allowable	

Using the Compliance Supplement

- Indirect Cost Rate
 - De Minimis Indirect Cost Rate
 - Determine that the rate is applied to the appropriate base amount
 - Determine that the rate is used consistently
 - For a non-federal entity conducting a single function, which is predominately funded by federal awards, determine whether use of the de minimis indirect cost rate resulted in the non-federal entity double-charging or inconsistently charging costs as both direct and indirect

Note: Not required to test actual underlying indirect costs

Using the Compliance Supplement

States, Local Governments, and Indian Tribes

CS- Cognizant Agency for Indirect Costs

- ❑ For indirect cost rates and departmental indirect cost allocation plans, the cognizant agency is generally the federal agency with the largest value of DIRECT federal awards.
- ❑ For central service cost allocation plans, the cognizant agency is the federal agency with the largest dollar value of TOTAL federal awards.
- ❑ Once designated as the cognizant agency for indirect costs, the federal agency remains so for a period of five years.
- ❑ UG Appendix V lists certain assigned Cognizant Agency
 - HHS for states

Audit Objective - Direct Costs

- ❑ Obtain an understanding of internal control, assess risk, and test internal control
- ❑ Determine that direct charges were for allowable costs and unallowable costs determined to be direct costs were included in the allocation base for the purpose of computing an indirect cost rate

Audit Objective - Indirect Costs

- ❑ Obtain an understanding of internal control, assess risk, and test internal control

Audit Objective - Indirect Costs

- ❑ Determine whether the governmental unit complied with the provisions of 2 CFR Part 200 as follows:
 - Charges to cost pools used in calculating indirect cost rates were for allowable costs
 - The methods for allocating are in accordance with the cost principles and produce an equitable and consistent distribution costs

Audit Objective - Indirect Costs

- ❑ Determine whether the governmental unit complied with the provisions of 2 CFR Part 200 as follows:
 - Indirect cost rates were applied in accordance with negotiated indirect cost rate agreements (ICRA)
 - For state/local departments or agencies that do not have to submit an ICRP to the cognizant agency for indirect costs (those that receive less than \$35 million in direct federal awards), indirect cost rates were applied in accordance with the ICRP maintained on file.

Audit Objective – Government-Wide Central Service Costs

- ❑ Obtain an understanding of internal control, assess risk, and test internal control
- ❑ Determine whether the governmental unit complied with the provisions of 2 CFR Part 200 as follows:
 - Charges to cost pools allocated to federal awards were for allowable costs
 - The methods of allocating the costs are in accordance with the cost principles and produce an equitable and consistent distribution of costs
 - Cost allocations were in accordance with central service CAPs approved by the cognizant agency or where such plans are not subject to approval, in accordance with the plan on file

But There is More In UG audits

- ❑ Just because the cost is allowable under Subpart E-Cost Principles and the Federal Award there is more

PROCUREMENT

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- ❑ Various Appendix
 - **Appendix II – Contract Provisions**

Subpart D, Procurement Standards

§200.317-.327

- ❑ 200.317 Procurement by states
- ❑ 200.318 General procurement standards
- ❑ 200.319 Competition
- ❑ 200.320 Methods of procurement to be followed
- ❑ 200.321 Contracting with small and minority, businesses, women's business enterprises and labor surplus area firms
- ❑ 200.322 Domestic preference for procurements
- ❑ 300.323 Procurement of recovered materials
- ❑ 200.324 Contract cost and price
- ❑ 200.325 Federal awarding agency or pass-through entity review
- ❑ 200.326 Bonding requirements
- ❑ 200.327 Contract provisions

But There is More In UG audits

- ❑ Just because the cost is allowable under Subpart E-Cost Principles and the Federal Award and was properly procured

SUSPENSION AND DEBARMENT

Cost Principles - RECAP

Be allowable per UG and the federal award

Be necessary and reasonable

Conform to any limitations or exclusions

Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-federal entity

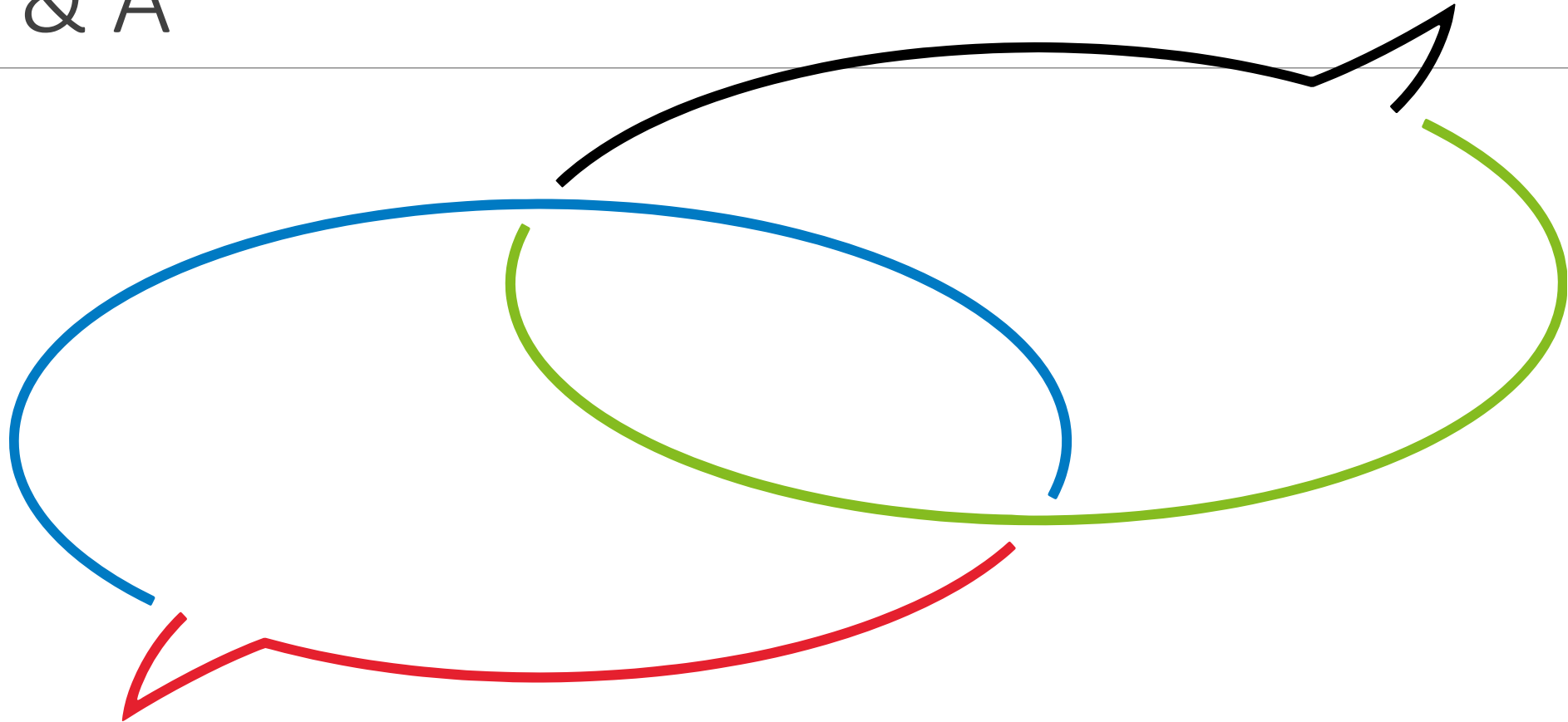
Be accorded consistent treatment

Be adequately documented

Be properly procured

No contracting with or making subawards to parties that are suspended or debarred

Q & A



Thank- you



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