



ADMINISTRATIVE POLICIES

SECTION:	Financial Management – Section 400	POLICY #:	431
TITLE:	Federal Awards - Allowable Costs	PROCEDURE #:	N/A
		ORDER #:	N/A
DEPT:	Finance	DIVISION:	N/A
ADOPTED:	6/2015	REVIEWED:	N/A
		REVISIED:	N/A

PURPOSE: To establish policies and procedures over the allowable costs of Federal Awards, including those passed through from the State of Oregon or other granting organizations.

AUTHORITY: The Marion County Board of Commissioners may establish rules and regulations in reference to managing the interest and business of the county under ORS 203.010, 203.035, 203.111, and 203.230.

APPLICABILITY: Department heads, elected officials and other employees who administer Federal Awards.

GENERAL POLICY: All Federal Awards are subject to the established requirements as set forth by the federal government in the Uniform Guidance for Federal Awards (Uniform Guidance) and other laws and regulations as required by the Federal Award Agreement and the granting agency.

DEFINITIONS: See policy #430, Federal Awards – Administration and Definitions, for definitions of Federal Award, Federal Award Agreement, and Federal Financial Assistance.

1. **Responsibilities:**
Every department head, elected official, employee or agent of the county (public official) who has authority to receive or expend Federal Financial Assistance is responsible for compliance with the policy. Each is responsible for ensuring that costs associated with Federal Awards are allowable in accordance with the purpose of the Federal Award Agreement and in compliance with all applicable laws and regulations.

1.1. **Allowable Costs** – The total cost of a Federal Award is the sum of the allowable direct and allocable indirect costs, less any applicable credits. Costs must meet the following criteria to be allowable under Federal Awards:

- a. Be necessary and reasonable for the performance of the Federal Award and be allocable (chargeable or assignable) to that Federal Award in accordance with the relative benefits received.

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- b. Conform to any limitations or exclusions set forth in the Uniform Guidance or in the Federal Award Agreement as to type or amount of cost items.
- c. Be consistent with policies and procedures that apply uniformly to both federally financed and other activities of the county.
- d. Be given 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.
- e. Be determined in accordance with generally accepted accounting principles (GAAP).
- f. 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.
- g. Be adequately documented.
- h. Comply with the general cost provisions of the Uniform Guidance, 2 CFR Section 200.420. Examples of unallowable costs include, but are not limited to: alcohol, bad debts, contributions and donations, entertainment costs, goods and services for personal use, lobbying, organization costs associated with incorporation fees, and selling and marketing costs (except for prior approval of federal awarding agency).
- i. Receive prior written approval for certain items of cost as outlined in the Uniform Guidance, 2 CFR Section 200.407.

1.2. **Classification of Costs** – All costs associated with Federal Awards shall be classified as direct or indirect costs. All allowable costs should be included in the budget or the financial plan of the Federal Award Agreement. Disallowed costs will not be charged to the Federal Award.

- a. **Direct Costs** – Those costs that can be identified specifically with a particular cost objective or that can be directly assigned to such activities easily and with a high degree of accuracy. Examples include, but are not limited to: payroll costs of employees who work directly on the Federal Award, materials and other expenses incurred in direct relation to administering the Federal Award, and subrecipient expenses.
- b. **Indirect Costs** – Those costs incurred for a common or joint purpose benefitting more than one cost objective and/or not readily assignable to the cost objective benefitted. For example, administrative costs charged to the grant based on a cost allocation plan or approved indirect cost rate would be considered indirect costs.
- c. **Disallowed Costs** - Those costs that the federal awarding agency or pass-through entity determines to be unallowable, in accordance with applicable federal statutes, regulations, and terms and conditions of the Federal Award. To determine whether a cost is allowed or disallowed, refer to: 1) the Federal Award Agreement and 2) section 200.420-475 General Provisions for Selected Items of Cost under the Uniform Guidance for Federal Awards. If unable to determine whether the cost is allowed or disallowed, contact the federal awarding agency or granting agency administering the Federal Award for further clarification.

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1.3. **Administrative Charges on Federal Awards** – Administrative charges must be allocated as a reimbursable cost or in-kind cost to maintain consistency in the application of administrative charges.

- a. Departments will include administrative charges in the grant application in accordance with the county's approved cost allocation plan and/or indirect cost rate.
- b. Administrative charges will be included in the budget of the Federal Award approved by the awarding agency.
- c. If the Federal Award Agreement prohibits administrative charges or has a cap on those types of costs, the department will be responsible for including those costs as an in-kind match against the Federal Award.
- d. The Chief Administrative Officer and Board of Commissioners may grant an exception to the allocation of administrative charges to a federal award.

2. Exceptions:

Other than the exception noted in Section 1.3(d), there are no exceptions to this policy.

3. Implementation:

The Chief Financial Officer and the Chief Accountant are authorized to implement this policy, and authorized to record corrections or adjustments if costs are determined disallowed or in violation of this policy.

4. Periodic Review:

This policy will be reviewed by the Chief Financial Officer at least every three years.

5. Resources:

The following are additional resources in relation to this policy:

- a. Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Title 2, Code of Federal Regulations, Part 200 (2 CFR 200))
- b. Office of Management and Budget (OMB) Circular A-87, Cost Principles for State, Local and Indian Tribal Governments (2 CFR 225)
- c. OMB Circular A-102, Grants and Cooperative Agreements With State and Local Governments
- d. OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations