

District of Columbia Office on Aging
Financial and Compliance Management Guide

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I. INTRODUCTION

The District of Columbia Office on Aging (DCOoA) is responsible for providing various direct services to the elderly residents of the District of Columbia who are sixty years of age or older. The agency's goal is to improve the quality of life of older Washingtonians by advocating on their behalf and by promoting the development of a comprehensive and coordinated system of health and social services. The DCOoA receives both federal and District funds. The DCOoA sub-grants the funds to public and non-profit community-based organizations, which actually provide the services to the elderly. The services funded by the DCOoA include, but are not limited to, nutrition, transportation, legal assistance, adult day care, in-home health care, respite care, case management, recreation, counseling, and information and referral services.

It is the responsibility of the recipient organization to properly direct and control all program and administrative matters related to an award. Each organization should appoint an individual to be responsible for the organization's fiscal integrity, financial functions, and compliance with DCOoA financial and reporting requirements.

The DCOoA requires all grant award recipients to have an annual financial audit conducted by a licensed certified public accountant. The audit must be conducted in accordance with generally accepted auditing standards and Office of Management and Budget (OMB) Circulars A-110, A-122, and A-133. Compliance with the OMB Circular requirements still applies even if the organization's federal award expenses are less than \$500,000.

Each organization should be knowledgeable of the audit process and the standards required for an independent certified public accountant to complete the required audit reports in a timely and efficient manner. This Guide will assist in gaining an understanding of those requirements.

The independent auditors should have access to this Guide prior to commencing their audit engagement. It is suggested that it be included with any request for auditing services or bids.

II. THE AWARD PROCESS

A. GRANT APPLICATION

Application forms for an award, instructions, and deadlines for submission are obtained from the DCOoA. An application must include:

- A program abstract that summarizes the objectives of the program, and detailed explanations of the objectives, if needed.
- A report on the results accomplished with previous awards, if any.
- A listing of the members of the Board, Executive Committee, and/or advisory council members.
- Position Descriptions and Areas of Responsibility.
- A Budget Narrative that identifies:
 - The total cost of the proposed program
 - The costs to be funded by DCOoA and other funding sources
 - Service units
 - Unit cost of each service unit
 - Non Service unit costs

Awards are made to private non-profit organizations, institutions of higher education, and other governmental agencies. Private non-profit organizations must submit proof of its non-profit status. Any of the following documents is acceptable:

- A reference to the organization's listing in the IRS most recent list of tax-exempt organization described in §501(c)(3) of the IRS code;
- A copy of a valid IRS tax exemption certificate;
- A certified copy of a Certificate of Incorporation or similar document establishing the non-profit status.
- Any of the above documents from a parent organization and a statement signed by the parent organization indicating that the local group is an affiliate.

DCOoA requires that all recipients contribute a portion of the total cost of their program. This cost-sharing or matching requirement is stated in the award agreement. The specific contribution is computed as a percentage of the total cost of the organization's program.

Cost sharing or matching is discussed in further detail in OMB Circular A-110. Generally, it may be satisfied by:

- Incurring allowable costs covered by non-Federal grants or by cash donations from non-Federal third parties;
- Identifying the value of third-party in-kind contributions applicable to the award or budget period.

These matching costs may not be satisfied by:

- Costs covered by another Federal grant, unless there is a legislative intent that such costs may be used;
- General revenue sharing funds from a government agency;
- Costs or contributions counted towards other Federal cost-sharing or matching requirements;
- Costs financed by general program income.

In completing the budget information on the application form, an organization should provide a single set of figures covering the total program cost, including estimates of DCOoA funds needed to support its program and reasonable assurance that matching requirements from non-Federal resources will be received. All anticipated matching funds, regardless of the amount or the source, should be clearly stated and documented in the application. Continuing support will be based on the availability of funds, satisfactory progress by the organization, and a determination that continued funding is in the best interest of the DCOoA.

B. GRANT AWARD NOTIFICATION

Recipients are notified of an award through a Notification of Grant Award (NGA). The NGA identifies the grant period, the source of the grant funds, the approved budget by service units and costs, DCOoA's share of program costs, the recipient's required matching funds, and other terms and conditions of the grant award. An example of a NGA is in the Appendix as Exhibit A.

All DCOoA awards are “cost reimbursable” in nature. Recipients are reimbursed for costs incurred under the grant based on the number of units of services provided by the recipient each reporting period. Each NGA lists the recipient’s reimbursable units of services and rates that are used to calculate the reimbursable costs. Some grant costs are not reimbursable through DCOoA’s units of service concept. These non-service unit costs are reimbursable through a monthly (M-1) process. In the M-1 process, recipients are reimbursed directly for costs incurred based on the monthly submission of invoices or other documentation to the DCOoA. The specific costs reimbursable through the M-1 process are also identified in the NGA.

Although not stated in the NGA, recipients are also required to comply with other applicable provisions and requirements.

- 45 CFR Part 74
- *The Older Americans Act of 1965*, and related similar provisions in the laws and regulations of D.C. which provide financial and care benefits to older citizens;
- *Title VI of the Civil Rights Act of 1964*, which provides that no person shall be excluded from participation on the basis of race color or national origin;
- *Title VII of the Civil Rights Act of 1964*, which provides equal employment opportunities;
- *§504 of the Rehabilitation Act of 1973*, which provides equal access for handicapped individuals;
- *The American with Disabilities Act*, which extends both the Civil Rights Act and §504 of the Rehabilitation Act.
- *The Controlled Substance Act*, 21 U.S.C. 812, which requires a drug free workplace;
- *The Hatch Act*, which regulates the political activity of certain employees;
- *Federal and District laws regarding the filing of annual tax returns*;
- *D.C. Municipal Regulations*.

C. POST AWARD CHANGES

Post-award changes and budget revisions that affect the DCOoA's share of the program costs require prior approval from the DCOoA. These changes and revisions must be submitted in writing, and cannot be implemented without the written approval of DCOoA. If DCOoA has not responded within 30 days of a request, the recipient should receive a notification of the agency's expected decision date. If the changes and revisions are approved by DCOoA, a revised NGA will be issued.

The changes that require prior approval are:

- Budget changes All forecasted overall budget changes, regardless of the amount, must be approved in advance. If the variance is more than 10%, then a revised budget and accompanying narrative justifying the proposed change must be submitted.
- Programmatic Changes All key changes in personnel and changes to the scope or objectives of the program must be approved in advance because these changes may result in significant alterations to the direction of the program, the type of services delivered, the number of people served, or the training provided.

III. AUDIT REQUIREMENTS

A. AUDIT PURPOSE

Recipients are required to use independent auditors who are licensed as certified public accountants in the District of Columbia to conduct their financial audits. An annual audit enables DCOoA to determine whether:

- An organization has established a Board of Directors that actively participates in the financial oversight of the organization.
- An organization has established and maintained an accounting system and good bookkeeping practices;
- A sufficient number of transactions have been tested to ensure a high confidence level in the audit results, and to identify a possible need to increase monitoring due to risk factors and prior year results.
- Funds have been earned on a cost reimbursed basis and in accordance with the terms of an organization's award;
- Claimed costs are allowable and allocated as required by the terms of an organization's award;
- An organization's assets are safeguarded against waste, fraud, and inefficiency;
- An organization's systems of internal control promote reliance on the financial records;
- An organization has complied with all District and Federal laws, rules, and regulations.

B. AUDIT SCOPE

The scope of an audit must include sufficient transaction testing to enable an auditor to render an opinion on the fairness of the financial statements and compliance with all District and Federal requirements. The audit must be conducted in accordance with:

- Generally accepted auditing standards (GAAS)
- Government Auditing Standards (GAS)

- OMB Circulars A-133, A-122, and A-110.
- DCOoA Financial and Compliance Management Guide.

C. AUDIT REPORTS

Recipient's audit reports must include the following:

- An audit opinion on the financial statements
- A report on internal control over financial reporting and on compliance and other matters;
- A report on compliance with requirements applicable to each major program and on internal control over compliance;
- Statement of Financial Position;
- Statement of Activities;
- Statement of Cash Flows;
- Statement of Functional Expenses (if voluntary or welfare organization)
- Notes to the financial statements;
- Schedule of Expenditures of Federal Awards (if federal funds are received);
- Schedule of Findings and Questioned Costs; and
- Summary Schedule of Prior Year Audit Findings
- Management Report, if provided by auditor
- Supplemental Schedules of DCOoA Grant

D. SUPPLEMENTAL SCHEDULES OF DCOoA GRANT

Recipients must prepare and submit certain audited supplemental schedules of the DCOoA grant with its financial statements. The supplemental schedules should include a schedule of service statistics, schedule of service costs, and schedule of recommended disallowed costs (if applicable). The schedule of service statistics summarizes the number of service units provided by category during the grant period. The recipient's auditor should review supporting documentation for a selected number of the service

units. Service units that can not be supported by adequate documentation, such as sign in/out sheets, logs, and etc. should be included in the audit adjustments column and deducted from the un-audited units of service column. The schedule of service costs summarizes the grant costs by service category, DCOoA and local share of the costs, and the DCOoA and local unit cost. The recipient's auditor should review supporting documentation for the costs charged to the grant to determine whether the costs are allowable under the grant and OMB Circular A-122 cost principles. Any costs determined to be unallowable should be included on the schedule of recommended disallowed costs. The formats of these reports are found in the Appendix as Exhibit B.

E. AUDIT FISCAL YEAR

Some recipient's fiscal year ends are different from the DCOoA grant period. If this exists, a recipient can use the results of their audit to fulfill DCOoA audit requirements provided that:

- The recipient's audit reports conform to this Guide;
- The other audit is reconciled in the reports on supplementary data and is adjusted to include the DCOoA award period of performance;
- Supplemental reports are issued to conform to the DCOoA grant period which ends on September 30th.

F. AUDIT FUNDING

When the amount of the award is \$500,000 or more, the full cost of the audit may be charged to the federal funds. This change became effective for all fiscal years ending December 31, 2003 or later. When the amount of the award is less than \$500,000, the audit costs must be charged to the District funds.

G. AUDIT REPORT SUBMISSION

Audit reports must be completed and submitted by the 31st day of the sixth month following the end of the program or award year. The end of an award year is usually September 30th, which means that the report is due by March 31st. The DCOoA must be informed no later than January 15th of any delays that would cause the report to be submitted later than March 31st. Failure to submit the required reports by March 31st may result in immediate suspension of an award.

IV. RECIPIENT TASKS AND RESPONSIBILITIES

A. PRE-AUDIT TASKS

An organization will be responsible for the following pre-audit tasks:

- Reviewing its accounting system balances at the beginning of the year and ascertain that they conform to the ending balances from the organization's prior year audited financial statements. If not in agreement, make sure all adjustments recommended by the auditors in the prior year have been entered in the books;
- Reviewing this Financial Management Guide and resolve any questions with the District of Columbia Office on Aging;
- Establishing selection criteria in order to select the best proposal and auditing firm;
- Contacting and requesting bids for audit services from several independent Certified Public Accountant firms who are licensed in the District of Columbia and who perform audits. As part of this request, a copy of this Financial Management Guide should be provided.
- Reviewing all proposals and making a selection. Cost alone should not be the only factor in making a selection. Previous similar experience, reputation, and staffing capabilities should also be considered. Once an auditor has been selected, the organization may be requested to authorize the predecessor auditor to communicate with the new auditor and obtain all relevant information.
- Closing its books as soon as possible after September 30th. In order to do this, the organization must notify its contractors and vendors to submit their invoices in a timely manner. The books should be closed on or about October 20th.

B. AUDIT PERIOD TASKS

- Compiling and organizing all of its financial information as quickly as possible.
- Making available the cash receipts records, including records that support all deposits. These records should match the cash receipts entries in the general ledger.

- Making available the cash disbursements records, including all paid vendor invoices and cancelled checks. These records should match the cash disbursed entries in the general ledger.
- Ascertaining that all accounts receivable and accounts payable information has supporting documentation, is in good alphabetical order, and is easily accessible.
- Reconciling all bank accounts up to the date of the closing.
- Making available all payroll records, including timesheets, tax forms, payroll records, quarterly payroll reports, and year-end payroll reports.
- Ascertaining that all adjusting entries have supporting documentation.
- Ascertaining that records that establish the year-to-date service units have adequate supporting documentation.
- Obtaining copies of all documents required to establish the non-profit status of the organization, and all documents representing minutes of board meetings.
- Preparing a Preliminary Statement of Financial Condition, Trial Balance, and other schedules that may be requested by the auditor.
- Providing all documents and schedules as requested by the auditor.

C. POST AUDIT TASKS

- Reviewing the auditor's report for clarity and completeness.
- Meeting with the auditor to discuss the draft report and resolve any remaining issues.
- Reviewing the findings, conclusions, and recommendations in the auditor's final reports and management letter and preparing responses, if appropriate.
- Establishing corrective action as required by the audit findings, including a written action plan and establishing deadlines for compliance.
- Submitting copies of the Audit Report and Management Comment Letter to the DCOoA.

- Scheduling a post-audit conference, if required, for the auditor with the DCOoA.
- Entering all audit adjustments into the accounting system and posting to the appropriate year-end accounts.

V. ACCOUNTING PROCEDURES

A. BUDGET

When applying for a DCOoA grant, an organization is required to submit an application to DCOoA. As part of the application process, an organization is required to develop a detailed budget that illustrates its financial plan for the upcoming award year and to provide appropriate documentation for all anticipated matching funds. This budget must follow a specific format prescribed by the DCOoA and costs must be categorized in the same manner that will be used in reporting them on its quarterly and annual reports. A sample of this budget is included in the Appendix as Exhibit C. The most efficient means of producing this budget is to use an electronic spreadsheet format available through DCOoA. This Budget Template is in the Appendix under Exhibit C.

The template is designed to make it easy to enter projected financial data and have the budget come out correctly. This template identifies the activities allowable under all DCOoA programs and allows the entry data that is pertinent to the organization. For a budget, data must be entered in the cells that are identified for data entry and let the report summarize according to the formulas.

Locked cells (green): These are the fixed reimbursement rates established by the organization's award and cannot be changed once they have been entered.

Locked cells (blue): All cells that make calculation are marked in blue, are locked, and cannot have data entered into them.

Cost Per Unit (Yellow): The number of projected units must be identified so that a cost per unit can be calculated. These are the rates that the organization and the DCOoA will agree upon at the beginning of a grant for both the total cost per unit, and the DCOoA cost per unit. These "cost per unit" calculations will be used on the quarterly reports.

Financial Data (white): The rest of the data will come from the financial projections, both for the projected costs and for the in-kind contributions. If there are no entries in certain lines, leave them blank.

Other requirements for the budget may be identified by DCOoA during the negotiation process. The organization will be held accountable for the representations made in its budget, and its financial plan should be followed to the greatest extent possible.

- Schedule B-1: Cost and Reimbursement Rate Per Service Unit. A summary level budget showing the projected number of services units to be provided in each allowable activity for the year; the total budgeted costs for each allowable activity; the local share; and the

DCOoA share. The planned service units are entered on this form, but all other numbers roll forward from Schedule B-2.

These amounts are used to calculate a total cost per unit, and the reimbursement rate per unit. The activity categories in the budget and in all supporting schedules must match the activity categories allowable under DCOoA guidelines.

- Schedule B-2: Budget Summary by Service. A summary level budget showing a summary of projected local cash and local in-kind contributions; the total budget; and calculating the projected DCOoA share of costs in each allowable activity for the year. All entries on this schedule are rolled forward from Schedules B-3, B-4, and B-5.
- Schedule B-3: Cost Summary by Service. A summary level budget showing detailed amounts to be spent in certain categories in each allowable activity for the year. All entries on this schedule are rolled forward from Schedules B-6, B-7, B-8, B-9, B-10, B-11, and B-12. Each of these schedules requires supporting data and calculations.

The supporting schedules are:

Schedule B-6:	Personnel
Schedule B-7:	Travel
Schedule B-8:	Occupancy
Schedule B-9:	Communications
Schedule B-10:	Supplies/Equipment
Schedule B-11:	Indirect/Overhead
Schedule B-12:	Other Direct

- Schedule B-4: Local Share (Cash) Summary by Service. A detail level budget showing projected participant contributions for a grant; other contributions; private grants; and other cash donations to be made in each allowable activity for the year. The total of these contributions rolls up to Schedule B-2.
- Schedule B-5: Local Share (In-Kind) Summary by Service. A detail level budget showing projected in-kind contributions for a grant for labor; travel; occupancy; communications; supplies/equipment; and other types of in-kind donations to be made in each allowable activity for the year. The total of these contributions rolls up to Schedule B-2.

For volunteered time, an organization must have records to support the way rates were established for each volunteer's time.

- Schedule B-6: Personnel Budget by Service. A detail level budget showing projected personnel expenses, including fringe benefits, that summarizes B-6A, B-6B, B-6C.

B. SETTING UP THE ACCOUNTS AND RECORDKEEPING SYSTEMS

All organizations must have a financial management system that provides an accurate, current, and reliable collection of financial information regarding the assets, liabilities, revenue, and expenses of the organization.

The following suggestions are not to be construed as requirements, but as topics for discussion with an internal accounting staff or outside accounting firm, should it be perceived that there is a need to upgrade or change existing systems or procedures. A checklist for Internal Controls has also been included in the Appendix as Exhibit D as a guideline for developing an organization's internal controls.

Choosing a System

A well designed electronic accounting and bookkeeping system provides reliability, ease in computing balances, and ease in producing reports.

For instance, Quickbooks is a common package used by many small groups; and Peachtree, Access, and other modular programs are used in larger organizations.

These electronic accounting systems usually have a budget component that allows the budget to be identified in each income or cost category, and by cost center, and compare the actual costs to the budgeted costs throughout the year. It is recommended that an organization take advantage of this component.

By using a chart of accounts organized by approved activities, and by using cost centers, most of the issues that organizations encounter in producing the reports required by DCOoA will be eliminated or minimized.

Designing the Chart of Accounts

In setting up an accounting system, or revamping it, an organization must first design a "chart of accounts" that reflects its assets, liabilities, the sources of program funds, and the associated costs incurred by the organization. This chart of accounts should reflect the way that the organization reports the operation of these programs to the DCOoA and other funding sources. These accounts and cost centers are used to create the structure for a general ledger, which is the primary tool used to collect financial data. If the organization is unfamiliar with setting up a chart of accounts or cost centers, or with a general ledger, it should consult a professional in the accounting field for assistance.

If the chart of accounts is designed correctly, the individual totals for the accounts will summarize and will produce a total cost for each of the allowable activities; the indirect costs; and the unallowable costs. All of these accounts will be summarized on reports that represent the total organizational expenses and budget for the year. If constructed in this manner, the accounting reports will match the structure of the budget, and will also provide the data needed to compute the cost per unit.

The chart of accounts must have these general types of accounts:

Assets: Asset accounts represent the cash, inventory, equipment, receivables, and other items of value that the organization owns.

For instance, when large items of equipment or buildings are purchased, the cost of these items must be treated as assets, and they are depreciated over a number of years in order to recoup the total outlay. If the organization makes equipment purchases and it is agreed that the full amount can be expensed in one year, then the cost of that equipment is charged as a cost against the award and is not set up on its books as an asset.

Liabilities: Liability accounts represent the debts and obligations that the organization owes, such as the mortgage on a building, or debts to vendors.

Net Fund Balances: This account represents the net value of the organization.

Revenue and Expenses associated with Allowable Activities: The chart of accounts should be organized to reflect the allowable activities as identified in the organization's approved budget.

As much as possible, the separate accounts should only be at the level of detail necessary to meet reporting requirements or to make management decisions. Detail beyond these requirements makes it difficult to work with the accounting system and creates more possibilities for error.

Revenue and Expenses associated with Indirect Costs: After all of the direct costs associated with an award and activities have been identified, another section should be created called Indirect Costs. All approved costs that fall into the indirect category should be listed here.

Revenue and Expenses that are Unallowable Costs: The last general category should be for costs that the organization incurs, but which are not allowable as either Direct or Indirect Costs.

Designing the Cost Centers

In addition, the chart of accounts should identify "cost centers". Cost centers identify the various sources of funds, and the related costs that are chargeable against those funds.

For instance, one cost center would be DCOoA; another cost center would be a secondary source of funds such as a private grant; and each funding source would be set up as other cost centers. All of these cost centers would summarize for a report showing the total funds and total costs for the organization.

Quickbooks uses 'class' codes to identify cost centers, and other systems use specific numbers or names for cost centers.

Each source of funds, and each individual cost that is funded by that source, has an account number or unique cost center code that ties them together. When using cost centers, all entries into the funding and cost accounts must have a cost center code. By using cost centers, reports are easy to produce that identify only the funding and costs chargeable to that cost center.

Entering The Budget

Once accounts and cost centers have been established, the amounts from the budget should be entered. The budgeted sources of funds and estimated costs should be identified exactly as they appear in the approved budget from the award. When it is expected that amounts in a category will be spent on a fairly consist basis, the yearly budgeted amount should be broken down into twelve units and entered into the budget for each month. If it is expected that an amount will only be spent in certain months, the budget entry should only be in those months. Establishing a breakdown of the budget for each month is important because the organization is required to report a variance of more than 10% as soon as possible after it is ascertained.

Before relying on the budget entries, run reports to make sure that the budget entered into the accounting system matches the approved budget in all categories and all cost centers.

C. CASH RECEIPTS

All cash and checks received by an organization must be accounted for and recorded in the accounting records. Cash received from DCOoA can be co-mingled with cash from other sources, but cannot be used to pay expenses attributable to other programs. If co-mingling occurs, care should be taken to ensure that all sources and uses of funds can be traced.

Making Deposits: All cash and checks should be deposited into a bank account as soon as possible and then maintained in a secure location. All cash donation or contribution records must have sufficient detail so that the donor can identify.

Entry into the Accounting System: Each deposit should be recorded in the accounting system as soon as possible after the deposit is made. For each entry, the source of the funds and the cost center must be identified. Checks and cash are either reported directly as revenue, or they are reported as cash collected on revenue that has already been accrued. In some instances, a refund of funds already spent may be received, such as a reimbursement for an expense that has been overpaid.

If the funds are contributions toward matching requirements, then it is recorded as revenue; if it is a true reimbursement, it must be charged to the same account where the original expense was charged. If the check is in payment of income that has already been accrued, then the check must be identified as a payment on a receivables account. The account number from the Chart of Accounts should be written on the deposit records showing to which account the funds are being charged.

Accruing Revenue: Revenue should be accrued based on the number of units actually provided to the program participants, rather than waiting until a cash reimbursement is received. This means that an entry is made in the General Ledger each month based on a month-end record keeping of units provided.

For instance, if 1500 unit of congregate meals has been provided at a planned rate of \$2.74 according to the billing to DCOoA, then \$4,110 should be accrued as earned revenue. This entry indicates that this amount has been billed to DCOoA.

When the funds are received, an entry is made reducing the amount owed by DCOoA.

Reconciliation: The deposits on the bank statement should be reconciled each month as soon as possible after it comes in, and the reconciliation should be performed by someone other than the employee who makes the deposits. All records relating to a reconciliation should be kept for at least three years. Any discrepancies discovered in the reconciliation should be investigated promptly.

Monthly Review: On a monthly basis, the cash that has been received for each cost center and/or all amounts billed should be reviewed, and compared with the budgeted amount that had been anticipated in that month, and year-to-date. If the financial reports have been set up properly, they will show this information. If the revenue varies by more than 10% from the budgeted amount, this situation must be reported to the DCOoA.

Filing of Deposit Records: Cash receipts records, along with copies of all checks received should be kept in batches by month that match the deposits and bank statements.

D. CASH DISBURSEMENTS

All payments made by an organization should be made by check, except for very small petty cash expenditures. All expenditures, including petty cash, must be accounted for and recorded in the accounting records. Cash payments made on behalf of a DCOoA award can come from a general bank account, but cannot be used to pay expenses attributable to other programs. If co-mingling occurs, care should be taken to ensure that all sources and uses of funds can be traced.

A small petty cash fund can be maintained, but it should be under the control of one person, and the funds should be accounted for and replenished each month. To account for these funds, a check is written for the exact amount of the receipts and the expenses are distributed to the correct accounts.

Writing Checks: All costs should be paid for with a check, and checks should not be written without an invoice or other supporting documentation. All disbursement should be approved by someone other than the person responsible for the accounting. For significant amounts, the check should be signed by two responsible employees. A copy of the check or the tear-off portion of a voucher check should be attached to the invoice or other supporting documents to show that it has been paid.

Entry into the Accounting System: Each check should be recorded in the accounting system either simultaneously as it is written, or as soon as possible after it is written. A single check can pay for a number of invoices, or it can pay for items that are charged to a number of different accounts or cost centers. For each check or for each entry on the check, the account number and the cost center should be identified. The amount is either reported as a cost; reported as the purchase of a new asset; or it is reported as a payment on liabilities that have already been accrued.

If the amount is a cost and the liability has not been accrued, it is charged to the cost account that most accurately describes the expense. If the check is for a new asset that must be depreciated, it is charged to an asset account. If the check is in payment of a cost that has already been accrued, then the amount must be identified as a payment on a liability account. The account number from the Chart of Accounts should be written on the check or invoice showing to which account the funds are being charged.

Accruing Expenses: Unpaid invoices and other bills should be kept separate from paid invoices and should be reviewed on a regular schedule. Unpaid obligations should be accrued if they have not been paid by the end of a month. This means that an entry is made in the general ledger each month based on the unpaid bills at the end of a month. When the obligation is paid the following month, the check is charged against the liability instead of the cost account.

Reconciliation: The disbursements on the bank statement should be reconciled each month as soon as possible after the bank statement comes in. The reconciliation should be performed by someone other than the employee who writes the checks. Canceled checks should be kept in numerical order, including voided checks. Checks that have not cleared after three months should be voided and reissued if necessary. Any discrepancies discovered in the reconciliation should be investigated promptly.

Monthly Review: On a monthly basis, the expenses that have been incurred for each cost center should be reviewed and/or all outstanding liabilities, and compare them with the budgeted amounts that had been anticipated spending both in that month, and year-to-date. If the financial reports have been set up properly, they will show this information. If the costs vary by more than 10% from the budgeted amount, this situation must be reported to the DCOoA.

Filing of Cash Disbursements Records: After payment, all paid invoices and other obligations should be marked paid and immediately filed in individual folders for each vendor when it is a regular vendor, or in a Miscellaneous Vendors file. At the end of each fiscal year, new vendor files should be made and all vendor files should be stored in a manner where they can be easily accessed.

E. PAYROLL

Payroll should be handled by personnel who are familiar with the rules and regulations for payroll processing and reporting; who function in an administrative capacity; and who can be bonded.

Most organizations keep a separate bank account for their payroll to minimize the risk of misappropriation through unauthorized changes to payroll checks. In these situations, the amount needed to cover the payroll and related taxes is transferred into the account each time a payroll is run.

Timesheets for Employees: Timesheets for all paid employees must be detailed enough to show the amount of time spent on each activity and the total hours worked. Timesheets should also show time taken for annual or sick leave, or other uses of time other than allowable activities. Timesheets should always be signed by the employee, approved by his or her supervisor in writing. Payment should never be made without a signed and approved timesheet. In most situations, timesheets are kept together in the records according to the payroll date and not filed in the individual employee's file.

Regular Payroll: It is usually cost effective to use an outside payroll service or the separate electronic payroll module available with an accounting software system. Both of these methods create reliability that the most up-to-date tax rules are being followed and payroll tax deposits are being timely made. Normally, payroll is run every two weeks, or on the 15th and the end of the month, and payroll reports are provided on both a detailed and a summary level. Payroll services routinely provide Federal and State payroll tax reports and make appropriate payments on a timely basis. All payroll reports must be retained for at least three years.

The organization is responsible for monitoring the performance of either its payroll service or the accounting software to ensure that these requirements are being met.

Entry into the Accounting System: Each time a payroll is run, the summary totals should be entered into the accounting system, and the cost should be distributed to the appropriate accounts and cost centers based on the employee's timesheet. If the payroll is entered each time, the cost distribution can be traced to each payroll. At the same time that the payroll is entered and distributed, the related fringe benefit rate should also be entered and distributed using the same percentages.

Cost Center Allocations: The allocation of time to cost centers should represent the actual work performed by an employee. If an employee actually performs work that should be charged to one activity, it cannot arbitrarily be charged to another activity just to fit into a category that has available funds. All allocations should be traceable back to the actual timesheets.

Accruing Payroll: In some situations, the payroll entry will not correspond with the financial month-end or year-end. In these situations, it may be necessary to estimate the amount of personnel cost that should be charged in order to make the financial reports more accurate. If this accrual is made, it must be based on actual and detailed records, and supported by documentation. When payroll is accrued in one month, it must be reversed in the following month to avoid duplication.

Reconciliation: If a separate payroll bank account is kept, the account should be reconciled each month as soon as possible after the bank statements come in. The reconciliation should be performed by someone other than the employee who runs the payroll. Any discrepancies discovered in the reconciliation should be investigated promptly. Any payroll checks that have not been cashed for more than a month should be investigated and voided if necessary.

Each year, quarterly and annual payroll reports must be made to the Federal and State governments based on a calendar year. The detailed general ledger salary expense records should be reconciled with the payroll tax reports.

Monthly Review: On a monthly basis, the payroll that has been paid for each cost center should be reviewed, and compared with the budgeted amount that had been anticipated in that month and year-to-date. If the financial reports have been set up properly, they will show this information. If the payroll varies by more than 10% from the budgeted amount, this situation must be reported to the DCOoA.

Files for Employees: A file should be kept for all employees in a secure location. This means that the file should be locked and should only be accessible to those who require the information. The file should contain all documents pertinent to the person's employment, such as records to support all payroll deductions.

VI. COMPLIANCE REQUIREMENTS APPLICABLE TO DCOoA GRANT

This discussion is a guideline, but not a complete listing, of compliance requirements applicable to the DCOoA grant.

A. UNITS OF SERVICE

Units of service provided to participants should be reported twice a month on a roster report to DCOoA's contractor who compiles the data and submits a bill to DCOoA. DCOoA uses the billing invoice to reimburse the recipient for costs incurred under the grant up to the maximum allowable units of service stated in the grant award. The billing invoices received from DCOoA should be reconciled to the number of units of services reported in the recipient's roster report. Any noted discrepancies should be put in writing and forwarded to the DCOoA contractor for resolution. Discrepancies that remain unresolved should be communicated in writing to DCOoA.

A client intake form must be completed and maintained on each participant who receives services and must be updated and revised accordingly on an annual basis. The units of service provided to participants must be supported by verifiable documentation. Failure to maintain supporting documentation for units of services or to complete or update client intake forms on an annual basis may result in potential cost disallowances.

Located at Exhibit K are suggested formats for documenting the different types of services provided to participants. Except for case management, counseling, and transportation services, daily sign-in sheets must be maintained for each type of service provided and must be initialed or signed by the participant. The daily sign in sheets must also be reviewed and signed by a supervisor or manager. Case management and counseling services must be documented in the participant's file and should include a description of the services provided, service dates, total daily service hours, and the initials or signature of the person who provided the service. Transportation services must be documented on a log sheet and signed by the driver or volunteer who provided the service. The log must include at minimum the participant's name, address, origin, destination, and the transportation dates.

B. BUDGET REVISIONS

Once an organization's budget has been approved, an organization is required to abide by this budget and all identified rates. If an organization anticipates changes in its overall budget or any specific program costs by more than 10% during the year, it must be reported to the DCOoA in writing along with a revised budget. Any changes in personnel positions, payroll costs or in the overall grant scope or objective must also be reported to DCOoA in writing. Budget revisions not reported to DCOoA may result in potential cost disallowances.

C. RECORD RETENTION REQUIREMENTS

OMB Circular A-110 requires that all programmatic and financial records related to a grant award be retained for a minimum of three years from the date of the submission of the final report for the award year. In some specific situations, the retention requirement is longer. Failure to maintain the program documentation for the minimum requirement may result in potential cost disallowances.

D. FINANCIAL SYSTEM REQUIREMENTS

A separate cost center must be established in the organization's accounting records to track the transactions of the DCOoA grant. Within the accounting records, there should be separate accounts for the DCOoA grant revenue, participant contributions, matching funds, and various cost categories. The cost categories should coincide with the organization's budget.

E. PARTICIPANT CONTRIBUTIONS

Contributions received from participants are considered program income and must be recorded and tracked separately in the organization's accounting records and used specifically towards providing services to the participants. These contributions must also be reported to DCOoA in the quarterly financial reports.

F. ALLOWABLE COSTS

Under OMB Circular A-122, costs must be adequately documented and allocable to the DCOoA grant to be considered an allowable cost. More specifically, payroll costs must be supported by employee timesheets that shows the total hours worked on the grant. The timesheets must identify the DCOoA grant either by project code(s) or name. Nonpayroll costs must be supported by an invoice or other supporting documentation that substantiates the costs and cancelled checks. If common indirect costs of the organization such as electricity, telephone, rent, leases, and etc are charged to the grant, it must be allocated based on some equitable allocation method that is representative of the benefits received by the DCOoA grant. Some commonly used equitable allocation bases used to allocate indirect costs are personnel costs and square footages.

G. MATCHING

Matching funds provided by an organization can be in the form of cash or in-kind contributions. An organization's match must be met within the grant period and be related to the accomplishment of the DCOoA grant program objectives. Matching sources cannot be from other federal programs and must be supported by adequate documentation.

Daily sign-in sheets must be kept for all volunteers who contribute time towards the grant, and must be in sufficient detail to show the total hours worked. A recommended format is in the Appendix as Exhibit J. These sign-in sheets must be signed by the volunteer and approved by his or her supervisor in writing. The sign in sheets must also be recorded in the accounting records using hourly rates that are consistent with those paid for similar work in the labor market.

Sufficient records must be kept to support the fair market value assigned to other donated goods and services. Donated space from organizations must be supported by signed written occupancy agreement. These agreements must include at minimum the site location, square footage occupied, and the fair market value of the square footage. The occupancy agreements must be renewed on an annual basis.

Matching funds that are not in accordance with above requirements or the stipulated amount in the grant agreement may result in potential cost disallowances.

H. CAPITAL EQUIPMENT

Unless approved in advance, the D.C. Office on Aging funds will not be used to acquire or lease capital equipment. Capital equipment is defined as any item with an acquisition cost or value of \$500 or more and a useful life of over one year.

I. FINANCIAL REPORTING

On a quarterly basis, an organization is required to report certain financial data for the quarter and cumulative for the year, to the DCOoA. These reports must be based on the results obtained from the organization's accounting system, or a crosswalk should be maintained whereby the use of the accounting data can be traced to the requirements of these reports. The reports are:

- Schedule Q-1/Y-1: Data on the number of service units actually provided in each allowable activity in the quarter; the total cost of these units; the split between the local share and the DCOoA share; and calculations of the cost per unit. The number of service units must match the totals for the same period kept by DCOoA contractor.
- Schedule Q-2/Y-2: Summary data on funds spent on each service in each allowable activity in the quarter; the breakdown between local cash, local in-kind contributions; and the DCOoA share. These totals come from the Q-3/Y-3 through Q-5/Y-5 reports and roll forward to the Q-1/Y-1 reports.
- Schedule Q-3/Y-3: Detail data on funds spent on each service broken down by Personnel, Travel, Occupancy, Communications, Supplies/Equipment, Other Direct, and with an applied Indirect Rate. These totals roll forward to the Q-2/Y-2 reports.

- Schedule Q-4/Y-4: Detail data on funds received from local contributions, other contributions, private grants, and other grants. These totals roll forward to the Q-2/Y-2 report.
- Schedule Q-5/Y-5: Detail data on local in-kind contributions of labor, travel, occupancy, and other donations. These totals roll forward to the Q-2/Y-2 report.

A sample of these reports is in the Appendix as Exhibit L. The most efficient means of producing this report is to use an electronic spreadsheet format available through DCOoA with separate columns for each of the four quarter, which becomes the Q-reports. The columns will total across into a year-to-date column, which becomes the Y-reports.

Working with the Quarterly Report Template: The template is designed to make it easy to enter the data from the financial records and have the reports come out correctly. For the Q-Reports, data must be entered in the cells that are identified for data entry for each quarter and let the report summarize it. The quarterly totals will be automatically added to the year-end totals to produce a Y-1 Report.

Locked cells (blue): All cells that make calculation or calculate year-to-date totals are marked in blue, are locked, and cannot have data entered into them.

Cost Per Unit (Yellow): At the beginning of the year, the “cost per unit” that is in the approved budget and the NCA must be identified. These are the rates that the organization and the DCOoA agreed upon at the beginning of the grant for both the total cost per unit, and the DCOoA cost per unit. On Schedule Q-1, enter these amounts in each column marked in yellow under the correct allowable activity. All cost per unit amounts must remain the same for each quarter and the year-end report. The Y-1 report will automatically pick up the amounts entered in the yellow cells.

Service Units Delivered (green): Each quarter, the quarter-to-date records of service units provided must be obtained. These figures are transferred to Schedule Q-1 in the column marked “Service Units Delivered” which is identified in green. The Y-1 report will automatically pick up the amounts entered in the green cells.

Financial Data (white): The rest of the data will come from the accounting records. If the chart of accounts is designed with the same categories as the DCOoA budget, the balance of this report will not be difficult to prepare. If entries are not made into certain lines, leave them blank.

Preparing Data for Entry: Do not include year-to-date data in any of the entries because it is calculated automatically. Before beginning the preparation of the quarterly report, make sure all cash receipts, cash disbursements, payroll, and month-end entries have been made, and the bank accounts have been reconciled. Make sure that all entries for donated time and services have been entered. Also make sure that all allocations of fringe benefits, occupancy costs, indirect costs, and any other approved allocation have been applied.

When the accounting records are up-to-date, print out revenue and cost reports from the accounting system that show the quarter-to-date and the year-to-date totals in all categories. These reports should be printed for each cost center, and for the organization as a whole. Review these reports carefully, and make any identified corrections.

Beginning with Schedules Q-4 and Q-5, enter the local share of cash and donated time and services for the quarter in the designated columns under the correct allowable activity. The general ledger should have separate accounts for these items, and on the financial reports. Make sure that no unallowable costs are included in this report. Before moving on to the next item, check the year-to-date columns on the Y-4 and Y-5 reports to be sure that the year-to-date calculation matches the year-to-date amounts on the financial reports generated by the accounting system.

Once the local share items have been entered, enter the total costs on Schedule Q-3. These costs must be distributed as Personnel; Travel; Occupancy; Communications; Supplies/Equipment; Other Direct Costs; and Indirect Overhead. The general ledger should have separate accounts for these items, and the financial reports should have separate line items. Before moving on to the next item, check the year-to-date columns on the Y-3 report to be sure that the year-to-date calculation matches the year-to-date amounts on the financial reports.

Once these amounts are transferred to the template, the report should total each column and it should transfer the totals to the Schedule Q-2 and to the Schedule Q-1. Before finalizing the report, check the year-to-date columns on the Y-2 and Y-1 reports to be sure that the year-to-date calculation matches the year-to-date amounts on the financial reports.

Using the "Print Area" selection capability on the spreadsheet, select the quarter that is being reporting, and print out the appropriate section of each schedule. For year-end reports, select the summary report for each schedule.

VII. OMB CIRCULAR A-133 COMPLIANCE REQUIREMENTS

A. MATRIX OF COMPLIANCE REQUIREMENTS

The compliance matrix published in connection with the OMB Circular A-133 is reproduced at the end of this chapter so that requirements applying to the organization's award can be determined, and is effective for all audits of fiscal years beginning after June 30, 2002. This matrix is revised by OMB periodically. The matrix identifies Federal programs and the applicable Federal agency and CFDA number of selected programs. The matrix also identifies the fourteen types of compliance requirements that may apply to an award. The organization's auditor should obtain a copy of OMB Circular A-133 and examine in detail its suggested audit procedures for each requirement.

In the matrix, each of the boxes contains either a "Y" for yes, or a blank shaded space if not applicable. Even if the box indicates a "Y", it may not apply to the organization's particular program because the program does not have activity that would make it subject to the condition. For instance, if the requirement for Real Property Acquisition/Relocation Assistance is marked "Y", it would not apply if an organization did not acquire real property covered by the Uniform Relocation Assistance and Real Property Acquisition Policies Act. The organization's auditor should use professional judgment when determining which compliance requirements marked with a "Y" need to be tested at an organization.

In order to determine which compliance requirements are applicable to an organization's program, the CFDA number must be identified from the grant award. Once the CFDA number is located on the chart, follow the line across to identify all of the compliance requirements applicable to that program. The balance of this chapter will explain each of these compliance requirements.

The organization and its auditor should recognize that changes are made periodically to these requirements. Because of this, the auditor should perform reasonable procedures to ensure compliance with the most recent changes in these requirements. For program-specific audits performed in accordance with a federal agency's program-specific audit guide, the auditor must follow a program-specific audit guide. In all situations, the auditor should consult the most recent compliance requirements that could have a direct and material effect on the program.

B. COMPLIANCE REQUIREMENTS

A summary of the fourteen compliance requirements from the OMB Compliance Supplement are presented below to assist the organization and its auditor in determining the compliance requirements applicable to the DCOoA grant and other federal programs.

In addition to the compliance testing, the auditor must also obtain understanding of the organization's internal controls over each applicable compliance requirement.

1. ACTIVITIES ALLOWED OR UNALLOWED

The specific requirements for activities allowed or unallowed are unique to each Federal program and are found in the award agreement.

Under the DCOoA program, the following activities are generally allowed: Advocacy, Case Management, Comprehensive Assessment, Congregate Meals, Counseling, Geriatric Day Care, Health Promotion, Heavy Housecleaning, Home-Delivered Meals, Home Health, Homemaker, Legal Services, Literacy, Nutrition Counseling, Nutrition Education, Recreation and Socialization, Transportation and Escort, Transportation of Home-Delivered Meals, Transportation to Sites and Activities, Weekend Congregate Meals, Weekend Home Delivered Meals, and Wellness: Health Promotion. Each of these topics is discussed in more detail in the Appendix as Exhibit E.

2. ALLOWABLE COSTS/COST PRINCIPLES

The specific requirements for determining allowable direct costs and indirect costs applicable to the organization's situation are found in OMB Circular A-122, "Cost Principles for Non-Profit Organizations." A copy of the OMB Circular A-122 cost principles is in the Appendix as Exhibit F.

The general criteria affecting allowability of all costs are that the cost must be:

- Reasonable and Necessary for the administration of the award;
- Allocable to the award according to the benefit received;
- Treated consistently as all other similar costs;
- Conforming to laws, regulations and sponsored agreements;
- Net of all offsets such as discounts, rebates, and recoveries;
- Not be included as 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 determined in accordance with generally accepted accounting principles (GAAP)
- Properly documented.

Indirect costs are those costs that benefit common activities and cannot be readily assigned as a direct cost to a program. In order to recover indirect costs, organizations must prepare indirect cost rate proposals in accordance with the guidelines provided in OMB Circular A-122. These indirect cost proposals are used to either establish predetermined or fixed indirect cost rates or to establish or finalize provisional rates.

3. CASH MANAGEMENT

When entities are funded on a reimbursement basis, program costs must be paid for by the entity funds before reimbursement is requested from the Federal government. When funds are advanced, recipients must follow procedures to minimize the time elapsing between the transfer of funds from the U.S Treasury and disbursement. When advance payment procedures are used, recipients must establish similar procedures for subrecipients.

4. DAVIS-BACON ACT

When required by the Davis-Bacon Act, the Department of Labor's (DOL) government-wide implementation of the Davis-Bacon Act, or by Federal program legislation, all laborers and mechanics employed by contractors or subcontractors to work on construction contracts in excess of \$2,000 financed by Federal assistance funds must be paid wages not less than those established for the locality of the project (prevailing wage rates by the DOL).

5. ELIGIBILITY

The specific requirements for eligibility are unique to each Federal program and are found in the laws, regulations, and the provision of contract or grant agreement pertaining to the program.

6. EQUIPMENT AND REAL PROPERTY MANAGEMENT

Title to equipment acquired by a non-Federal entity with Federal awards vests with the non-Federal entity. Equipment means tangible nonexpendable property, including exempt property, charged directly to the award having a useful life of more than one year and an acquisition cost of \$5,000 or more per unit. However, consistent with a non-Federal entity's policy, lower limits may be established. Title to real property acquired by non-Federal entities with Federal awards also vests with the non-Federal entity. Real property shall be used for the originally authorized purposes as long as needed for that purpose.

7. MATCHING, LEVEL OF EFFORT, AND EARMARKING

The specific requirements for Matching, Level of Effort, and Earmarking are unique to each federal program and are found in the laws, regulations, and the provisions of contract or grant agreements pertaining to the program.

Matching, Level of Effort, and Earmarking are defined as:

Matching or cost-sharing, includes requirements to provide contributions (usually non-Federal) of a specified amount or percentage to match Federal awards. Matching may be in the form of allowable incurred or in-kind contributions (including third party contributions). The basic criteria for acceptable matching can be found in OMB Circular A-110.

Level of Effort includes requirements for (a) a specific level of service be provided from period to period; (b) a specified level of expenditures from non-Federal or Federal sources for specified activities to be maintained from period to period, and (c) Federal funds to supplement and not supplant non-Federal funding sources.

Earmarking includes requirements that specify the minimum and/or maximum amount or percentage of the program's funding that must/may be used for specified activities, including funds provided to subrecipients. Earmarking may also be specified in relation to the types of participants covered.

8. PERIOD OF AVAILABILITY OF FEDERAL FUNDS

Federal awards may specify a time period during which the organization may use the Federal funds. When a funding period is specified, a non-Federal entity may charge to the award only costs resulting from obligations incurred during the funding period any pre-award costs authorized by the Federal awarding agency.

9. PROCUREMENT, SUSPENSION AND DEBARMENT

Procurement: Recipients of federal awards must use procurement procedures that conform to applicable Federal laws and regulations and standards identified in OMB Circular A-110.

Suspension and Debarment: Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred.

10. PROGRAM INCOME

Program income is gross income that is directly generated by the federally-funded program during the award period. If authorized by Federal regulations or the grant agreement, costs incident to the generation of program income may be deducted from gross income to determine program income.

Program income includes, but is not limited to, income from:

- Fees for services performed;
- The use or rental of real or personal property acquired with award funds;
- The sale of commodities or items fabricated under an award;
- Payments of principal and interest on loans made with grant funds.

Program income does not include:

- Interest on grant funds
- Rebates, credits, discounts, refunds, etc.
- Proceeds from the sale of equipment or real property
- Interest earned on advances

11. REAL PROPERTY ACQUISITION AND RELOCATION ASSISTANCE

The Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended, provides for uniform and equitable treatment of persons displaced by Federally- assisted programs from their homes, businesses, and farms. Federal requirements govern the determination of payments for replacement housing assistance, rental assistance, and down payment assistance for individuals displaced by federally funded projects. The regulations also cover the payment of moving-related expenses and reestablishment expenses incurred by displaced businesses and farm operations.

12. REPORTING

Financial Reporting. Recipients should use the standard financial reporting forms or such forms as may be authorized by OMB. Each recipient must report program outlays and program income on a cash or accrual basis, as prescribed by the Federal awarding agency.

Performance Reporting. Recipients shall submit performance reports at least annually but not more frequently than quarterly. Performance reports generally contain for each award, brief information on each of the following: (a) a comparison of actual accomplishments with the goals and objectives established for the period; (b) reasons why established goals were not met, if appropriate; and (c) other pertinent information including, when appropriate, analysis, and explanation of cost overruns or high unit costs.

Special Reporting. Non-Federal entities may be required to submit other reporting which may be used by the Federal agency for such purposes as allocating program funding.

13. SUBRECIPIENT MONITORING

A pass-through entity is responsible for:

- *Award Identification* – At the time of the award, identifying to the subrecipient the Federal award information (e.g., CDFA title and number, award name, name of federal agency, and applicable compliance requirements.
- *During-the-Award Monitoring* – Monitoring the subrecipient’s use of federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.
- *Subrecipient Audits* – (1) Ensuring that subrecipients expending \$500,000 for fiscal years ending December 31, 2003 or more in Federal awards during the subrecipient’s fiscal year have met the audit requirements of OMB Circular A-133 and that the required audits are completed within nine months of the end of the subrecipient’s audit period; (2) issuing a management decision on audit findings within six months after receipt of the subrecipient’s audit report; and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings.
- *Pass-Through Entity Impact* – Evaluating the impact of subrecipient activities on the pass-through entity’s ability to comply with federal regulations.

14. SPECIAL TESTS AND PROVISIONS

The specific requirements for Special Tests and Provisions are unique to each federal program and are found in the laws and regulations, and the provisions of contract or grant agreements pertaining to the program.

VIII. APPENDIX

EXHIBIT A – NOTICE OF GRANT AWARD SAMPLE

EXHIBIT B – SUPPLEMENTAL SCHEDULES OF DCOoA GRANT FORMAT

EXHIBIT C – BUDGET DOCUMENTS

EXHIBIT D – INTERNAL CONTROL CHECKLIST

EXHIBIT E – ACTIVITIES ALLOWED OR UNALLOWED

EXHIBIT F – OMB CIRCULAR A-122

EXHIBIT G – OMB CIRCULAR A-110

EXHIBIT H – OMB CIRCULAR A-133

EXHIBIT I – OMB CIRCULAR A-133 COMPLIANCE MATRIX

EXHIBIT J– VOLUNTEER SIGN IN/OUT SHEET FORMAT

EXHIBIT K– UNITS OF SERVICE DOCUMENTATION FORMATS

EXHIBIT L– QUARTERLY REPORTS FORMAT

DISTRICT OF COLUMBIA OFFICE ON AGING

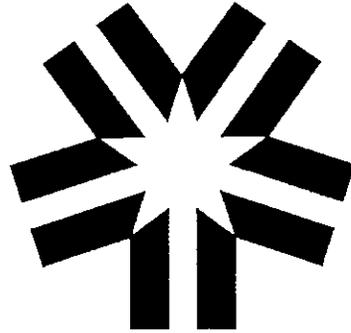


EXHIBIT A

NOTICE OF GRANT AWARD

Financial and Compliance Management Guide

**DISTRICT OF COLUMBIA
OFFICE ON AGING
NOTIFICATION OF GRANT AWARD**

1. PROJECT IDENTIFICATION NO.:	2. APPROVED PROJECT PERIOD:	BEGINNING	ENDING																							
3. TYPE OF ACTION: <input type="checkbox"/> NEW/CONTINUATION <input type="checkbox"/> REVISION # _____ <input type="checkbox"/> SUPPLEMENT # _____ REINSTATEMENT OF: <input type="checkbox"/> SUSPENDED PROJECT <input type="checkbox"/> TERMINATED PROJECT	4. SOURCE OF FUNDS																									
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TOTAL	\$ _____	\$ _____																								
5. NAME AND ADDRESS OF PROJECT:	6. NAME AND ADDRESS OF GRANTEE:																									
7. APPROVED BUDGET FOR ALL SERVICES: COST CATEGORIES: PERSONNEL \$ _____ TRAVEL \$ _____ OCCUPANCY \$ _____ 0 COMMUNICATIONS \$ _____ 0 SUPPLIES/EQUIPMENT \$ _____ 0 INDIRECT/OVERHEAD \$ _____ 0 OTHER DIRECTS \$ _____ ESTIMATED COST \$ _____	8. COMPUTATION OF COST: 1. ESTIMATED TOTAL COST \$ _____ 2. GRANTEE SHARE \$ _____ 3. OFFICE ON AGING SHARE \$ _____ OFFICE ON AGING SHARE WILL BE: (A) FUNDS PREVIOUSLY AWARDED IN FY 2005 \$ _____ (B) FUNDS UNEARNED IN PRIOR PROJECT YEARS \$ _____ (C) NEW OBLIGATIONAL AUTHORITY HEREIN AWARDED \$ _____																									
	9. THE OFFICE ON AGING SHARE OF THE GRANT WILL BE FUNDED ON THE FOLLOWING BASIS: (1) UP TO _____ UNITS OF _____ SERVICE, @ \$ _____ PER UNIT, FOR A TOTAL SERVICE REIMBURSEMENT OF NOT MORE THAN \$ _____ (2) UP TO _____ UNITS OF _____ SERVICE, @ \$ _____ PER UNIT, FOR A TOTAL SERVICE REIMBURSEMENT OF NOT MORE THAN \$ _____ (3) UP TO _____ UNITS OF _____ SERVICE, @ \$ _____ PER UNIT, FOR A TOTAL SERVICE REIMBURSEMENT OF NOT MORE THAN \$ _____ (4) UP TO _____ UNITS OF _____ SERVICE, @ \$ _____ PER UNIT, FOR A TOTAL SERVICE REIMBURSEMENT OF NOT MORE THAN \$ _____ (5) UP TO _____ UNITS OF _____ SERVICE, @ \$ _____ PER UNIT, FOR A TOTAL SERVICE REIMBURSEMENT OF NOT MORE THAN \$ _____ (6) UP TO _____ UNITS OF _____ SERVICE, @ \$ _____ PER UNIT, FOR A TOTAL SERVICE REIMBURSEMENT OF NOT MORE THAN \$ _____ (7) UP TO _____ UNITS OF _____ SERVICE, @ \$ _____ PER UNIT, FOR A TOTAL SERVICE REIMBURSEMENT OF NOT MORE THAN \$ _____ (8) UP TO _____ UNITS OF _____ SERVICE, @ \$ _____ PER UNIT, FOR A TOTAL SERVICE REIMBURSEMENT OF NOT MORE THAN \$ _____ (9) UP TO _____ UNITS OF _____ SERVICE, @ \$ _____ PER UNIT, FOR A TOTAL SERVICE REIMBURSEMENT OF NOT MORE THAN \$ _____ (10) UP TO _____ UNITS OF _____ SERVICE, @ \$ _____ PER UNIT, FOR A TOTAL SERVICE REIMBURSEMENT OF NOT MORE THAN \$ _____ (11) UP TO _____ UNITS OF _____ SERVICE, @ \$ _____ PER UNIT, FOR A TOTAL SERVICE REIMBURSEMENT OF NOT MORE THAN \$ _____ (12) UP TO _____ UNITS OF _____ SERVICE, @ \$ _____ PER UNIT, FOR A TOTAL SERVICE REIMBURSEMENT OF NOT MORE THAN \$ _____ (13) _____ SERVICE, TO BE PROVIDED ON A NON-UNIT BASIS, FOR A TOTAL AMOUNT NOT TO EXCEED \$ _____ (14) _____ SERVICE, TO BE PROVIDED ON A NON-UNIT BASIS, FOR A TOTAL AMOUNT NOT TO EXCEED \$ _____ (15) _____ SERVICE, TO BE PROVIDED ON A NON-UNIT BASIS, FOR A TOTAL AMOUNT NOT TO EXCEED \$ _____ (16) _____ SERVICE, TO BE PROVIDED ON A NON-UNIT BASIS, FOR A TOTAL AMOUNT NOT TO EXCEED \$ _____ (17) _____ A-1 33 AUDIT FEE FOR AGENCIES RECEIVING LESS THAN \$300,000 IN FEDERAL FUNDS FROM ALL SOURCES.																									
NAME AND TITLE OF AUTHORIZING OFFICIAL	SIGNATURE	DATE OF ISSUANCE																								

ON BEHALF OF THE _____, I AGREE TO OPERATE THIS PROGRAM IN ACCORDANCE WITH THE RULES AND REGULATIONS OF THE DISTRICT OF COLUMBIA GOVERNMENT, THE DEPARTMENT OF HEALTH AND HUMAN SERVICES, THE FOLLOWING GENERAL CONDITIONS, AND ANY OTHER TERMS AND CONDITIONS ATTACHED TO THIS NOTIFICATION OF GRANT AWARD.

1. UNLESS REVISED, THE AMOUNT ON LINE 3 OF BLOCK 8 WILL CONSTITUTE A CEILING FOR D.C. OFFICE ON AGING PARTICIPATION IN THE APPROVED BUDGET FOR ALL SERVICES.
2. THE DISTRICT SHARE OF THE PROJECT COST IS EARNED ONLY WHEN THE COST IS ACCRUED AND THE NON-DISTRICT SHARE OF THE COST HAS BEEN CONTRIBUTED. RECEIPT OF DISTRICT FUNDS (EITHER THROUGH ADVANCE OR REIMBURSEMENT) DOES NOT CONSTITUTE EARNINGS OF THESE FUNDS.
3. UNLESS APPROVED IN ADVANCE, THE D.C. OFFICE ON AGING FUNDS WILL NOT BE USED TO ACQUIRE OR LEASE CAPITAL EQUIPMENT. CAPITAL EQUIPMENT IS DEFINED AS ANY ITEM WITH AN ACQUISITION COST OR VALUE OF \$500 OR MORE AND A USEFUL LIFE OF OVER ONE YEAR.
4. IF THE ACTUAL TOTAL PROJECT COST IS LESS THAN THE AMOUNT ON LINE 1 OF BLOCK 8, THE GRANTEE SHARE WILL MEET % AND THE DISTRICT SHARE WILL MEET % OF THE ACTUAL COST FOR THE PROJECT YEAR.
5. THE FILLING OF ANY NEW OR VACANT POSITIONS FUNDED, IN WHOLE OR IN PART, BY D.C. OFFICE ON AGING FUNDS REQUIRES ADVANCE WRITTEN APPROVAL BY THE OFFICE ON AGING.
6. EACH GRANTEE RECEIVING FUNDS FROM THE OFFICE ON AGING WILL INCLUDE ON ALL STATIONERY, PUBLICITY MATERIAL, AND RELATED WRITTEN MEDIA COMMUNICATIONS THE FOLLOWING IDENTIFIER:



PART OF THE SENIOR SERVICE NETWORK
SUPPORTED BY THE D.C. OFFICE ON AGING

THIS IDENTIFIER WILL BE SHOWN IN A PROMINENT POSITION ON ALL GRANTEE PRINTED MATERIAL.

THE LOGO SHOWN ABOVE WILL BE PRINTED ON ALL ORIGINALS IN PMS REFLEX BLUE. VEHICLES WHOSE ACQUISITION AND/OR OPERATING COSTS ARE OR HAVE BEEN FUNDED, IN WHOLE OR IN PART, BY THE D.C. OFFICE ON AGING, SHALL HAVE THE ABOVE IDENTIFIER PLACED IN A CONSPICUOUS LOCATION ON THE VEHICLE.

7. ANNUAL AUDITS MUST BE IN COMPLIANCE WITH OMB CIRCULAR A-133 AND THE D.C. OFFICE ON AGING AUDIT GUIDELINES. THE AUDIT REPORT, FOR THE YEAR ENDED SEPTEMBER 30, MUST BE RECEIVED IN THE D.C. OFFICE ON AGING BY CLOSE OF BUSINESS MARCH 31ST, OR FUNDING WILL BE SUSPENDED FOR THE THIRD QUARTER. THE AUDIT REPORT MUST COVER THE GRANT PERIOD OCTOBER 1 - SEPTEMBER 30.
8. ADDITIONAL CONDITIONS ARE ATTACHED

SIGNED _____
TITLE _____
DATE _____

DISTRICT OF COLUMBIA OFFICE ON AGING

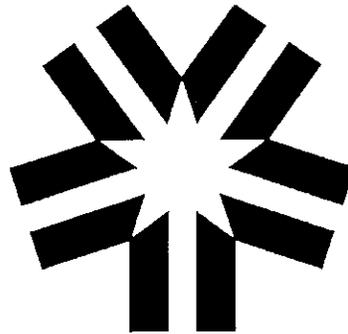


EXHIBIT B

**SUPPLEMENTAL SCHEDULES OF
DCOOA GRANT FORMAT**

Financial and Compliance Management Guide

AGENCY, INC.
SUPPLEMENTAL SCHEDULE OF SERVICE STATISTICS
FOR THE YEAR ENDED SEPTEMBER 30, 200X

<u>Service Category</u>	<u>Unaudited Units of Service</u>	<u>Audit Adjustments</u>	<u>Audited Units of Service</u>
Congregate Meals	-	-	-
Counseling	-	-	-
Health Promotion	-	-	-
Nutrition Counseling	-	-	-
Nutrition Education	-	-	-
Recreation/Socialization	-	-	-
Weekend Home Delivered Meals	-	-	-
Transportation to Sites and Activities	-	-	-
Weekday Home Delivered Meals	-	-	-
Transportation of Home Delivered Meals	-	-	-
Literacy	-	-	-
Total	<u>-</u>	<u>-</u>	<u>-</u>

Note:

Units of service statistics should be reconciled and an independent count from subgrantee records should be completed by the auditor.

AGENCY, INC.
SUPPLEMENTAL SCHEDULE OF RECOMMENDED DISALLOWED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 200X

<u>Service Category</u>	<u>Cost Incurred</u>	<u>Recommended Disallowed Cost</u>	<u>Reason for Disallowance</u>
Congregate Meals	\$ -	\$ -	
Counseling	-	-	
Health Promotion	-	-	
Nutrition Counseling	-	-	
Nutrition Education	-	-	
Recreation/Socialization	-	-	
Weekend Home Delivered Meals	-	-	
Transportation to Sites and Activities	-	-	
Weekday Home Delivered Meals	-	-	
Transportation of Home Delivered Meals	-	-	
Literacy	-	-	
	<u>\$ -</u>	<u>\$ -</u>	

DISTRICT OF COLUMBIA OFFICE ON AGING

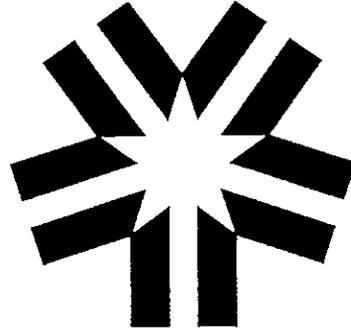


EXHIBIT C

BUDGET DOCUMENT

Financial and Compliance Management Guide

**SCHEDULE B - 1
BUDGETED COST AND REIMBURSEMENT RATE
PER SERVICE UNIT**

AGENCY: (INSERT AGENCY)

SERVICES	YEAR OF OCTOBER - SEPTEMBER (INSET YEAR)					
	1	2	3	4	5	6
PLANNED SERVICE UNITS	TOTAL BUDGET from B-2	LOCAL SHARE from B-2	DCOoA SHARE from B-2	COST PER UNIT column 2/1	DCOaA SHARE column 4/1	DCOaA SHARE column 4/1
ENTER SERVICES						
CONGREGATE MEALS	10,000.00	39,200	92,280	13.15	923	923
COUNSELING	1,000.00	6,420	3,400	6.42	340	340
HEALTH PROMOTION	1,500.00	6,420	3,400	4.28	227	227
LITERACY	10.00	1,668	1,848	436.75	184.75	184.75
NUTRITION COUNSELING	500.00	6,420	3,400	12.84	680	680
NUTRITION EDUCATION	50.00	6,420	3,400	128.40	6800	6800
RECREATION/SOCIALIZATION	1,000.00	22,840	15,820	22.84	1582	1582
WEEKEND MEALS	500.00	6,420	3,400	12.84	680	680
TRANSPORTATION SERVICES						
TRANS. OF HOME DEL. MEALS	500.00	16,960	8,440	33.92	1688	1688
TRANSPORTATION & ESCORT	500.00	7,435	3,520	14.27	723	723
TRANS. TO SITES & ACTIVITIES	500.00	7,435	3,520	14.27	723	723
SUPPORT SERVICES						
ADVOCACY	50.00	22,268	6,620	445.36	312.96	312.96
COMPREHENSIVE ASSESSMENT	50.00	22,268	6,620	445.36	312.96	312.96
CASE MANAGEMENT	50.00	22,268	6,620	445.36	312.96	312.96
LEGAL SERVICES	10.00	22,268	6,620	2,226.80	1,561.80	1,561.80
IN-HOME SERVICES						
HOME DELIVERED MEALS-WEEKDAYS	500.00	5,948	2,620	11.70	646	646
HOME DELIVERED MEALS-WEEKENDS	100.00	5,948	2,620	58.48	32.28	32.28
HOME HEALTH	50.00	5,948	2,620	116.96	64.56	64.56
HOMEMAKER	50.00	5,948	2,620	116.96	64.56	64.56
MINOR HOME REPAIR	10.00	5,948	2,620	584.80	322.80	322.80
EXTENDED CARE						
GERIATRIC DAY CARE	50.00	22,268	6,620	445.36	312.96	312.96
NON-UNIT SERVICES						
(INSERT IF APPROPRIATE)						
COST TOTALS		362,598	125,600	246,998		

**SCHEDULE B -2
BUDGETED SUMMARY OF ALL FUNDS RECEIVED
BY SERVICE PROVIDED**

SERVICES	FOR THE YEAR OCTOBER - SEPTEMBER (INSERT YEAR)				
	1	2	3	4	5
	LOCAL CASH	LOCAL IN-KIND	TOTAL LOCAL SHARE	TOTAL BUDGET	DCOA SHARE OF BUDGET
	from B-4	from B-5	columns 1+2	from B-3	columns 4-3
ENTER SERVICES					
CONGREGATE MEALS	2,500	36,700	39,200	131,480	92,280
COUNSELING	1,120	1,900	3,020	6,420	3,400
HEALTH PROMOTION	1,120	1,900	3,020	6,420	3,400
LITERACY	1,120	1,400	2,520	4,368	1,848
NUTRITION COUNSELING	1,120	1,900	3,020	6,420	3,400
NUTRITION EDUCATION	1,120	1,900	3,020	6,420	3,400
RECREATION/SOCIALIZATION	1,120	5,900	7,020	22,840	15,820
WEEKEND MEALS	1,120	1,900	3,020	6,420	3,400
TRANSPORTATION SERVICES					
TRANS. OF HOME DEL. MEALS	1,120	7,400	8,520	16,960	8,440
TRANSPORTATION & ESCORT	1,120	2,400	3,520	7,135	3,615
TRANS. TO SITES & ACTIVITIES	1,120	2,400	3,520	7,135	3,615
SUPPORT SERVICES					
ADVOCACY	1,120	5,500	6,620	22,268	13,648
COMPREHENSIVE ASSESSMENT	1,120	5,500	6,620	22,268	13,648
CASE MANAGEMENT	1,120	5,500	6,620	22,268	13,648
LEGAL SERVICES	1,120	5,500	6,620	22,268	13,648
IN-HOME SERVICES					
HOME DELIVERED MEALS-WEEKDAYS	1,120	1,500	2,620	5,848	3,228
HOME DELIVERED MEALS-WEEKENDS	1,120	1,500	2,620	5,848	3,228
HOME HEALTH	1,120	1,500	2,620	5,848	3,228
HOMEMAKER	1,120	1,500	2,620	5,848	3,228
MINOR HOME REPAIR	1,120	1,500	2,620	5,848	3,228
EXTENDED CARE					
GERIATRIC DAY CARE	1,120	5,500	6,620	22,268	13,648
NON-UNIT SERVICES					
(INSERT IF APPROPRIATE)	24,900	100,700	125,600	362,598	13,848

**SCHEDULE B -3
BUDGETED COST SUMMARY
BY SERVICE PROVIDED**

AGENCY: (INSERT AGENCY)

SERVICES	FOR THE YEAR OCT - SEPTEMBER (INSERT YEAR)							
	1	2	3	4	5	6	7	8
	PERSONNEL	TRAVEL	OCCU- PANCY	COMMUNI- CATIONS	SUPPLIES/ EQUIPMENT	OTHER DIRECT	OVERHEAD FACTOR	TOTAL COST
	from B-6	from B-7	from B-8	from B-9	from B-10	from B-11	from B-12	columns 1-7
ENTER SERVICES								
CONGREGATE MEALS	3,100	925	30,200	900	30,100	85,100	3,255	131,430
COUNSELING	1,500	363	1,200	900	1,100	1,200	158	6,420
HEALTH PROMOTION	1,500	363	1,200	900	1,100	1,200	158	6,420
LITERACY	1,000	363	700	900	600	700	105	4,368
NUTRITION COUNSELING	1,500	363	1,200	900	1,100	1,200	158	6,420
NUTRITION EDUCATION	1,500	363	1,200	900	1,100	1,200	158	6,420
RECREATION/SOCIALIZATION	5,500	363	5,200	900	5,100	5,200	573	22,840
WEEKEND MEALS	1,500	363	1,200	900	1,100	1,200	158	6,420
TRANSPORTATION SERVICES								
TRANS. OF HOME DEL. MEALS	7,000	1,825	2,200	900	2,100	2,200	735	16,960
TRANSPORTATION & ESCORT	2,000	525	1,200	900	1,100	1,200	210	7,135
TRANS. TO SITES & ACTIVITIES	2,000	525	1,200	900	1,100	1,200	210	7,135
SUPPORT SERVICES								
ADVOCACY	5,100	233	5,200	900	5,100	5,200	536	22,268
COMPREHENSIVE ASSESSMENT	5,100	233	5,200	900	5,100	5,200	536	22,268
CASE MANAGEMENT	5,100	233	5,200	900	5,100	5,200	536	22,268
LEGAL SERVICES	5,100	233	5,200	900	5,100	5,200	536	22,268
IN-HOME SERVICES								
HOME DELIVERED MEALS-WEEKDAYS	1,100	233	1,200	900	1,100	1,200	116	5,848
HOME DELIVERED MEALS-WEEKENDS	1,100	233	1,200	900	1,100	1,200	116	5,848
HOME HEALTH	1,100	233	1,200	900	1,100	1,200	116	5,848
HOMEMAKER	1,100	233	1,200	900	1,100	1,200	116	5,848
MINOR HOME REPAIR	1,100	233	1,200	900	1,100	1,200	116	5,848
EXTENDED CARE								
GERIATRIC DAY CARE	5,100	233	5,200	900	5,100	5,200	536	22,268
NON-UNIT SERVICES								
(INSERT IF APPROPRIATE)	87,900	8,663	78,700	18,200	76,600	83,600	9,135	362,598

**SCHEDULE B -5
BUDGETED LOCAL IN-KIND FUNDS
BY SERVICE PROVIDED**

AGENCY: (INSERT AGENCY)

SERVICES	FOR THE YEAR OCTOBER - DECEMBER (INSERT YEAR)							
	1	2	3	4	5	6	7	8
	IN-KIND LABOR from B-5(A)	IN-KIND TRAVEL from B-5(A)	IN-KIND OCCUPANCY from B-5(A)	IN-KIND COMMUNI- CATIONS from B-5(A)	IN-KIND SUPPLIES/ EQUIP from B-5(A)	OTHER IN-KIND AMOUNT	NAME	TOTAL COST columns 1-6
ENTER SERVICES								
CONGREGATE MEALS	30,000	1,000	5,000	500	100	100	GENEROUS	36,700
COUNSELING	1,000	500	100	100	100	100	GENEROUS	1,900
HEALTH PROMOTION	1,000	500	100	100	100	100	GENEROUS	1,900
LITERACY	500	500	100	100	100	100	GENEROUS	1,400
NUTRITION COUNSELING	1,000	500	100	100	100	100	GENEROUS	1,900
NUTRITION EDUCATION	1,000	500	100	100	100	100	GENEROUS	1,900
RECREATION/SOCIALIZATION	5,000	500	100	100	100	100	GENEROUS	5,900
WEEKEND MEALS	1,000	500	100	100	100	100	GENEROUS	1,900
TRANSPORTATION SERVICES								
TRANS. OF HOME DEL. MEALS	2,000	5,000	100	100	100	100	GENEROUS	7,400
TRANSPORTATION & ESCORT	1,000	1,000	100	100	100	100	GENEROUS	2,400
TRANS. TO SITES & ACTIVITIES	1,000	1,000	100	100	100	100	GENEROUS	2,400
SUPPORT SERVICES								
ADVOCACY	5,000	100	100	100	100	100	GENEROUS	5,500
COMPREHENSIVE ASSESSMENT	5,000	100	100	100	100	100	GENEROUS	5,500
CASE MANAGEMENT	5,000	100	100	100	100	100	GENEROUS	5,500
LEGAL SERVICES	5,000	100	100	100	100	100	GENEROUS	5,500
IN-HOME SERVICES								
HOME DELIVERED MEALS-WEEKDAYS	1,000	100	100	100	100	100	GENEROUS	1,500
HOME DELIVERED MEALS-WEEKENDS	1,000	100	100	100	100	100	GENEROUS	1,500
HOME HEALTH	1,000	100	100	100	100	100	GENEROUS	1,500
HOMEMAKER	1,000	100	100	100	100	100	GENEROUS	1,500
MINOR HOME REPAIR	1,000	100	100	100	100	100	GENEROUS	1,500
EXTENDED CARE								
GERIATRIC DAY CARE	5,000	100	100	100	100	100	GENEROUS	5,500
NON-UNIT SERVICES								
(INSERT IF APPROPRIATE)	74,500	12,500	7,000	2,500	2,100	2,100		100,700

SCHEDULE B-5(A)
SUPPORTING DATA FOR SCHEDULE B-5

AGENCY: (INSERT AGENCY)

FOR THE YEAR OCTOBER - DECEMBER (INSERT YEAR)

IN-KIND LABOR: POSITION	NAME	RATE	HOURS PER YR	TOTAL VALUE	ACTIVITY LINE	DC RESIDENT YES NO	60+ YES NO	MINORITY YES NO	SEX M F
INSERT LINES AS NEEDED									
TOTAL IN-KIND LABOR: MUST EQUAL LINE 37, COLUMN 1									

IN-KIND TRAVEL:

TYPE OF TRAVEL	NAME	RATE	UNITS PER YR	TOTAL VALUE	ACTIVITY LINE
INSERT LINES AS NEEDED					
TOTAL IN-KIND TRAVEL: MUST EQUAL LINE 37, COLUMN 2					

IN-KIND OCCUPANCY:

TYPE OF OCCUPANCY	NAME	RATE	SQ. FOOTAGE	TOTAL VALUE	ACTIVITY LINE
INSERT LINES AS NEEDED					
TOTAL IN-KIND OCCUPANCY: MUST EQUAL LINE 37, COLUMN 3					

IN-KIND COMMUNICATIONS:

TYPE OF COMMUNICATIONS:	NAME	RATE	UNITS PER YR	TOTAL VALUE	ACTIVITY LINE
INSERT LINES AS NEEDED					
TOTAL IN-KIND COMMUNICATIONS: MUST EQUAL LINE 37, COLUMN 4					

IN-KIND SUPPLIES/EQUIPMENT:

TYPE OF SUPPLIES OR EQUIPMENT	NAME	RATE	UNITS PER YR	TOTAL VALUE	ACTIVITY LINE
INSERT LINES AS NEEDED					
TOTAL IN-KIND SUPPLIES/EQUIPMENT: MUST EQUAL LINE 37, COLUMN 5					

**SCHEDULE B -6
BUDGETED PERSONNEL SERVICES
BY SERVICE PROVIDED**

AGENCY: (ADD AGENCY)

FOR THE YEAR OCTOBER - DECEMBER (INSERT YEAR)			
	1	2	3
SERVICES	TOTAL LABOR	TOTAL FRINGE BENEFITS	TOTAL PERSONNEL COST
SEE BREAKDOWN BELOW	from B-6(A)	from B-6(A)	columns 1 & 2
ENTER SERVICES			
CONGREGATE MEALS	30,000	1,000	31,000
COUNSELING	1,000	500	1,500
HEALTH PROMOTION	1,000	500	1,500
LITERACY	500	500	1,000
NUTRITION COUNSELING	1,000	500	1,500
NUTRITION EDUCATION	1,000	500	1,500
RECREATION/SOCIALIZATION	5,000	500	5,500
WEEKEND MEALS	1,000	500	1,500
TRANSPORTATION SERVICES			
TRANS. OF HOME DEL. MEALS	2,000	5,000	7,000
TRANSPORTATION & ESCORT	1,000	1,000	2,000
TRANS. TO SITES & ACTIVITIES	1,000	1,000	2,000
SUPPORT SERVICES			
ADVOCACY	5,000	100	5,100
COMPREHENSIVE ASSESSMENT	5,000	100	5,100
CASE MANAGEMENT	5,000	100	5,100
LEGAL SERVICES	5,000	100	5,100
IN-HOME SERVICES			
HOME DELIVERED MEALS-WEEKDAYS	1,000	100	1,100
HOME DELIVERED MEALS-WEEKENDS	1,000	100	1,100
HOME HEALTH	1,000	100	1,100
HOMEMAKER	1,000	100	1,100
MINOR HOME REPAIR	1,000	100	1,100
EXTENDED CARE			
GERIATRIC DAY CARE	5,000	100	5,100
NON-UNIT SERVICES			
(INSERT IF APPLICABLE)			
	74,500	12,500	87,000

OVERHEAD SALARIES: 50,000 1,000 51,000

TOTAL SALARY EXPENSE: 124,500 13,500 138,000

**SCHEDULE B-7
BUDGETED TRAVEL
BY SERVICE PROVIDED**

AGENCY: \N\INSERT NAME\

		FOR THE YEAR OCTOBER - DECEMBER (INSERT YEAR)						
1	2	3	4	5	6	7	8	
ALLOWABLE CENTS PER MILE	ESTIMATED MILES	MILEAGE COST (1 x 2)	FARES	AMOUNT	OTHER IN-KIND EXPLANATION	TOTAL TRAVEL columns 3-5		
ENTER SERVICES								
0.325	1,000	325	500	100		925		
0.325	500	163	100	100		363		
0.325	500	163	100	100		363		
0.325	500	163	100	100		363		
0.325	500	163	100	100		363		
0.325	500	163	100	100		363		
0.325	500	163	100	100		363		
0.325	500	163	100	100		363		
TRANSPORTATION SERVICES								
0.325	5,000	1,625	100	100		1,825		
0.325	1,000	325	100	100		525		
SUPPORT SERVICES								
0.325	100	33	100	100		233		
0.325	100	33	100	100		233		
0.325	100	33	100	100		233		
IN-HOME SERVICES								
0.325	100	33	100	100		233		
0.325	100	33	100	100		233		
0.325	100	33	100	100		233		
0.325	100	33	100	100		233		
0.325	100	33	100	100		233		
0.325	100	33	100	100		233		
NON-UNIT SERVICES								
(INSERT AS APPROPRIATE)								
	2,500	806	2,500	2,100		8,663		

**SCHEDULE B - 8
BUDGETED OCCUPANCY
BY SERVICE PROVIDED**

AGENCY: (INSERT AGENCY)

SERVICES	FOR THE YEAR OCTOBER - DECEMBER (INSERT YEAR)				
	1	2	3	4	5
	RENT COST	UTILITY COST	AMOUNT	OTHER IN-KIND EXPLANATION	TOTAL COST
					columns 1-3
ENTER SERVICES					
CONGREGATE MEALS	30,000	100	100		30,200
COUNSELING	1,000	100	100		1,200
HEALTH PROMOTION	1,000	100	100		1,200
LITERACY	500	100	100		700
NUTRITION COUNSELING	1,000	100	100		1,200
NUTRITION EDUCATION	1,000	100	100		1,200
RECREATION/SOCIALIZATION	5,000	100	100		5,200
WEEKEND MEALS	1,000	100	100		1,200
TRANSPORTATION SERVICES					
TRANS. OF HOME DEL. MEALS	2,000	100	100		2,200
TRANSPORTATION & ESCORT	1,000	100	100		1,200
TRANS. TO SITES & ACTIVITIES	1,000	100	100		1,200
SUPPORT SERVICES					
ADVOCACY	5,000	100	100		5,200
COMPREHENSIVE ASSESSMENT	5,000	100	100		5,200
CASE MANAGEMENT	5,000	100	100		5,200
LEGAL SERVICES	5,000	100	100		5,200
IN-HOME SERVICES					
HOME DELIVERED MEALS-WEEKDAYS	1,000	100	100		1,200
HOME DELIVERED MEALS-WEEKENDS	1,000	100	100		1,200
HOME HEALTH	1,000	100	100		1,200
HOMEMAKER	1,000	100	100		1,200
MINOR HOME REPAIR	1,000	100	100		1,200
EXTENDED CARE					
GERIATRIC DAY CARE	5,000	100	100		5,200
	74,500	2,100	2,100		78,700

**SCHEDULE B - 9
BUDGETED COMMUNICATIONS
BY SERVICE PROVIDED**

SERVICES	FOR THE YEAR OCTOBER - DECEMBER (INSERT YEAR)						TOTAL COMMUNICATION COMMUNICATION columns 1-6
	1	2	3	4	6	7	
TELEPHONE	COPIES	POSTAGE	DELIVERY	AMOUNT	EXPLANATION		
ENTER SERVICES							
CONGREGATE MEALS	500	100	100	100	100	9000	
COUNSELING	500	100	100	100	100	9000	
HEALTH PROMOTION	500	100	100	100	100	9000	
LITERACY	500	100	100	100	100	9000	
NUTRITION COUNSELING	500	100	100	100	100	9000	
NUTRITION EDUCATION	500	100	100	100	100	9000	
RECREATION/SOCIALIZATION	500	100	100	100	100	9000	
WEEKEND MEALS	500	100	100	100	100	9000	
TRANSPORTATION SERVICES							
TRANS. OF HOME DEL. MEALS	500	100	100	100	100	9000	
TRANSPORTATION & ESCORT	500	100	100	100	100	9000	
TRANS. TO SITES & ACTIVITIES	500	100	100	100	100	9000	
SUPPORT SERVICES							
ADVOCACY	500	100	100	100	100	9000	
COMPREHENSIVE ASSESSMENT	500	100	100	100	100	9000	
CASE MANAGEMENT	500	100	100	100	100	9000	
LEGAL SERVICES	500	100	100	100	100	9000	
IN-HOME SERVICES							
HOME DELIVERED MEALS-WEEKDAYS	500	100	100	100	100	9000	
HOME DELIVERED MEALS-WEEKENDS	500	100	100	100	100	9000	
HOME HEALTH	500	100	100	100	100	9000	
HOMEMAKER	500	100	100	100	100	9000	
MINOR HOME REPAIR	500	100	100	100	100	9000	
EXTENDED CARE							
GERIATRIC DAY CARE	500	100	100	100	100	9000	
NON-UNIT SERVICES							
(INSERT AS APPLICABLE)							
	10,500	2,100	2,100	2,100	2,100	18,900	

**SCHEDULE B -10
BUDGETED CONSUMABLE SUPPLIES AND EQUIPMENT
BY SERVICE PROVIDED**

SERVICES	FOR THE YEAR OCTOBER - DECEMBER (INSERT YEAR)				
	1	2	3	4	5
AGENCY: (INSERT AGENCY)					
	CONSUMABLE SUPPLIES		EQUIPMENT		TOTAL SUPPLIES AND EQUIPMENT
	AMOUNT	EXPLANATION	AMOUNT	EXPLANATION	columns 1 & 3
ENTER SERVICES					
CONGREGATE MEALS	30,000		100		30,100
COUNSELING	1,000		100		1,100
HEALTH PROMOTION	1,000		100		1,100
LITERACY	500		100		600
NUTRITION COUNSELING	1,000		100		1,100
NUTRITION EDUCATION	1,000		100		1,100
RECREATION/SOCIALIZATION	5,000		100		5,100
WEEKEND MEALS	1,000		100		1,100
TRANSPORTATION SERVICES					
TRANS. OF HOME DEL. MEALS	2,000		100		2,100
TRANSPORTATION & ESCORT	1,000		100		1,100
TRANS. TO SITES & ACTIVITIES	1,000		100		1,100
SUPPORT SERVICES					
ADVOCACY	5,000		100		5,100
COMPREHENSIVE ASSESSMENT	5,000		100		5,100
CASE MANAGEMENT	5,000		100		5,100
LEGAL SERVICES	5,000		100		5,100
IN-HOME SERVICES					
HOME DELIVERED MEALS-WEEKDAYS	1,000		100		1,100
HOME DELIVERED MEALS-WEEKENDS	1,000		100		1,100
HOME HEALTH	1,000		100		1,100
HOMEMAKER	1,000		100		1,100
MINOR HOME REPAIR	1,000		100		1,100
EXTENDED CARE					
GERIATRIC DAY CARE	5,000		100		5,100
NON-UNIT SERVICES					
(INSERT AS APPLICABLE)	74,500		2,100		76,600

SUPPLIES INCLUDES:
 THE COST OF PROVIDING MEALS, BOTH WEEKEND AND WEEKDAY
 SUPPLIES USED IN RECREATIONAL AND SOCIAL ACTIVITIES
 SUPPLIES USED IN HOMECARE

**SCHEDULE B - 11
BUDGETED OTHER DIRECT COSTS
BY SERVICE PROVIDED**

AGENCY: (INSERT AGENCY)

SERVICES	FOR THE YEAR OCTOBER - DECEMBER (INSERT YEAR)						
	1	2	3	4	5	6	7
	ITEM EXPLANATION (REQUIRED)		AMOUNT	ITEM EXPLANATION (REQUIRED)		AMOUNT	EXPLANATION (REQUIRED)
ENTER SERVICES							
CONGREGATE MEALS	30,000		5,000		100		35,000
COUNSELING	1,000		100		100		1,200
HEALTH PROMOTION	1,000		100		100		1,200
LITERACY	500		100		100		700
NUTRITION COUNSELING	1,000		100		100		1,200
NUTRITION EDUCATION	1,000		100		100		1,200
RECREATION/SOCIALIZATION	5,000		100		100		5,200
WEEKEND MEALS	1,000		100		100		1,200
TRANSPORTATION SERVICES							
TRANS. OF HOME DEL. MEALS	2,000		100		100		2,200
TRANSPORTATION & ESCORT	1,000		100		100		1,200
TRANS. TO SITES & ACTIVITIES	1,000		100		100		1,200
SUPPORT SERVICES							
ADVOCACY	5,000		100		100		5,200
COMPREHENSIVE ASSESSMENT	5,000		100		100		5,200
CASE MANAGEMENT	5,000		100		100		5,200
LEGAL SERVICES	5,000		100		100		5,200
IN-HOME SERVICES							
HOME DELIVERED MEALS-WEEKDAYS	1,000		100		100		1,200
HOME DELIVERED MEALS-WEEKENDS	1,000		100		100		1,200
HOME HEALTH	1,000		100		100		1,200
HOMEMAKER	1,000		100		100		1,200
MINOR HOME REPAIR	1,000		100		100		1,200
EXTENDED CARE							
GERIATRIC DAY CARE	5,000		100		100		5,200
NON-JUNIT SERVICES							
(INSERT AS APPLICABLE)							
	77,500		7,000		2,100		86,600

USE FOR:
 CONSULTING FEES PAID FOR RESPITE CARE, OUTSIDE TUTORING, NUTRITIONIST, OR OTHER SPECIALIST
 FEES PAID FOR HOMEMAKER, OR MINOR HOME REPAIR SERVICES
 STAFF DEVELOPMENT EXPENSES
 FEES PAID FOR LEGAL OR ADVOCACY SERVICES

**SCHEDULE B -12
BUDGETED OVERHEAD RATE
BY SEERVICE PROVIDED**

AGENCY:

SERVICES	FOR THE YEAR OCTOBER - DECEMBER (INSERT YEAR)		
	1	2	3
	DIRECT PERSONAL COST FROM SCHEDULE B-6	INDIRECT RATE	TOTAL INDIRECT OR OVERHEAD
			(1 x 2)
ENTER SERVICES			
CONGREGATE MEALS	31,000	10.5%	3,255
COUNSELING	1,500	10.5%	158
HEALTH PROMOTION	1,500	10.5%	158
LITERACY	1,000	10.5%	105
NUTRITION COUNSELING	1,500	10.5%	158
NUTRITION EDUCATION	1,500	10.5%	158
RECREATION/SOCIALIZATION	5,500	10.5%	578
WEEKEND MEALS	1,500	10.5%	158
TRANSPORTATION SERVICES			
TRANS. OF HOME DEL. MEALS	7,000	10.5%	735
TRANSPORTATION & ESCORT	2,000	10.5%	210
TRANS. TO SITES & ACTIVITIES	2,000	10.5%	210
SUPPORT SERVICES			
ADVOCACY	5,100	10.5%	536
COMPREHENSIVE ASSESSMENT	5,100	10.5%	536
CASE MANAGEMENT	5,100	10.5%	536
LEGAL SERVICES	5,100	10.5%	536
IN-HOME SERVICES			
HOME DELIVERED MEALS-WEEKDAYS	1,100	10.5%	116
HOME DELIVERED MEALS-WEEKENDS	1,100	10.5%	116
HOME HEALTH	1,100	10.5%	116
HOMEMAKER	1,100	10.5%	116
MINOR HOME REPAIR	1,100	10.5%	116
EXTENDED CARE			
GERIATIC DAY CARE	5,100	10.5%	536
NON-UNIT SERVICES (INSERT AS APPLICABLE)			
	87,000		9,135

APPROVED INDIRECT/OVERHEAD INCLUDES:

- Overhead portion of salaries and fringe benefits
- building maintenance and repairs when these are shared
- advertising for staff or other administrative functions
- indirect communication charges
- some depreciation charges
- some insurance and indemnification charges
- some professional services, such as accounting or legal

PART 2 - MATRIX OF COMPLIANCE REQUIREMENTS

INTRODUCTION

This Part identifies the compliance requirements that are applicable to the programs included in this Supplement. Because Part 4 (Agency Program Requirements) and Part 5 (Clusters of Programs) do not include guidance for all types of compliance requirements that pertain to the program, (see introduction to Part 4 for additional information), the auditor should use this Part to identify the types of compliance requirements that are applicable. The boxes for each type of compliance requirement will either contain a "Y" (for "yes" if the type of compliance requirement may apply) or be shaded (if the program normally does not have activity subject to this type of compliance requirement).

Even though a "Y" indicates that the compliance requirement applies to the Federal program, it may not apply at a particular non-Federal entity, either because that entity does not have activity subject to that type of compliance requirement or the activity could not have a material effect on a major program. For example, even though Real Property Acquisition/Relocation Assistance may apply to a particular program, it would not apply to a non-Federal entity that did not acquire real property covered by the Uniform Relocation Assistance and Real Property Acquisition Policies Act. Similarly, a "Y" may be included under "Procurement;" however, the audit would not be expected to address this type of compliance requirement if the non-Federal entity charges only small amounts of purchases to a major program. The auditor should exercise professional judgment when determining which compliance requirements marked "Y" need to be tested at a particular non-Federal entity.

When a "Y" is present on the matrix and the auditor determines that the requirement should be tested at the non-Federal entity, the auditor should use Part 3, Compliance Requirements, and Part 4 (or 5), if applicable, in planning and performing the tests of compliance. For example, if a program entry in the matrix includes a "Y" in the Program Income column, Part 3 provides a general description of the compliance requirement. Part 3 also provides the audit objective and the suggested audit procedures for testing program income. Part 4 (or 5) may also include specific information on program income criteria pertaining to the program, such as restrictions on how program income may be used. Part 6, Internal Control, may be useful in assessing control risk and designing tests of internal control with respect to each applicable compliance requirement.

When a compliance requirement is shaded in the matrix, it normally does not apply to the program. However, if specific information comes to the auditor's attention (e.g., during the normal review of the grant agreement or discussions with management) that provides evidence that a compliance requirement shaded in the matrix could have a material effect on a major program, the auditor would be expected to test the requirement. This circumstance should arise infrequently.

Types of Compliance Requirements														
CFDA	A. Activities Allowed or Unallowed	B. Allowable Costs/Cost Principles	C. Cash Management	D. Davis-Bacon Act	E. Eligibility	F. Equipment and Real Property Management	G. Matching Level of Effort, Earmarking	H. Period of Availability of Federal Funds	I. Procurement and Suspension and Debarment	J. Program Income	K. Real Property Acquisition/Relocation Assistance	L. Reporting	M. Subrecipient Monitoring	N. Special Tests and Provisions
02 - United States Agency for International Development (USAID)														
02.001*	Y	Y	Y			Y		Y	Y	Y		Y		Y
10 - United States Department of Agriculture (USDA)														
10.001*	Y	Y	Y			Y		Y	Y	Y		Y		Y
10.500	Y	Y	Y			Y	Y	Y	Y	Y		Y		
10.551														
10.561	Y	Y	Y		Sec Part 4	Y	Y	Y	Y			Y	Y	Y
10.553														
10.555														
10.556														
10.559	Y	Y	Y		Y	Y	Y	Y	Y	Y		Y	Y	Y
10.557	Y	Y	Y		Y	Y		Y	Y	Y		Y	Y	Y
10.558	Y	Y	Y		Y	Y	Y	Y	Y			Y	Y	Y
10.566	Y	Y	Y		Y	Y	Y	Y	Y			Y		Y
10.568	Y	Y	Y		Y	Y	Y	Y	Y			Y	Y	Y
10.569														
10.665	Y	Y	Y											
10.666	Y	Y	Y	Y			Y	Y	Y			Y		
10.760	Y	Y	Y			Y	Y	Y	Y			Y		
10.766	Y	Y	Y	Y		Y	Y	Y	Y			Y		
11 - Department of Commerce (DOC)														
11.300														
11.307	Y	Y	Y	Y		Y	Y	Y	Y	Y	Y	Y	Y	Y
12 - Department of Defense (DoD)														
12.401	Y	Y	Y	Y		Y	Y	Y	Y	Y	Y	Y	Y	Y

Types of Compliance Requirements														
CFDA	A. Activities Allowed or Unallowed	B. Allowable Costs/ Cost Principles	C. Cash Management	D. Davis-Bacon Act	E. Eligibility	F. Equipment and Real Property Management	G. Matching Level of Effort, Earmarking	H. Period of Availability of Federal Funds	I. Procurement and Suspension and Debarment	J. Program Income	K. Real Property Acquisition/ Relocation Assistance	L. Reporting	M. Subrecipient Monitoring	N. Special Tests and Provisions
14 - Department of Housing and Urban Development (HUD)														
14.157	Y	Y	Y	Y	Y	Y			Y		Y			Y
14.181	Y	Y	Y	Y	Y	Y			Y		Y			Y
14.182														
14.195														
14.249														
14.856			Y		Y	Y						Y	Y	Y
14.218														
14.219	Y	Y	Y	Y		Y	Y	Y	Y	Y	Y	Y	Y	Y
14.228	Y	Y	Y	Y		Y	Y	Y	Y	Y	Y	Y	Y	Y
14.231	Y	Y	Y			Y	Y	Y	Y	Y	Y	Y	Y	Y
14.235	Y	Y	Y		Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
14.238	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
14.239	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
14.241	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
14.850					Y	Y			Y			Y		Y
14.854	Y	Y	Y	Y		Y			Y			Y		Y
14.862	Y	Y	Y			Y	Y	Y	Y	Y	Y	Y	Y	Y
14.867	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
14.871	Y	Y	Y		Y							Y	Y	Y
14.872	Y	Y	Y	Y		Y		Y	Y		Y	Y		Y
15 - Department of the Interior (DOI)														
15.021	Y	Y				Y		Y	Y	Y		Y		Y
15.022	Y	Y		Y		Y		Y	Y	Y			Y	Y
15.030	Y	Y				Y		Y	Y	Y		Y		Y
15.042	Y	Y				Y		Y	Y	Y				Y

DISTRICT OF COLUMBIA OFFICE ON AGING

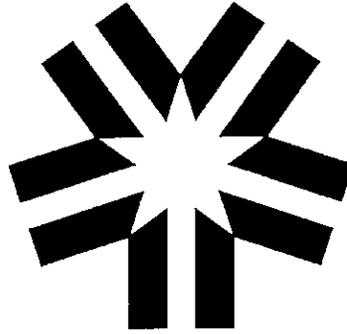


EXHIBIT D

INTERNAL CONTROL CHECKLIST

Financial and Compliance Management Guide

EXHIBIT D

INTERNAL CONTROL CHECKLIST

This checklist for internal control is provided as a suggested guide in assessing the adequacy of your organization's business management capabilities. The checklist is not all inclusive, but can serve as a resource for ongoing evaluation, as necessary.

1. Budgets

- (a) Has your organization received any supplemental budget allocations in the current year? If so, have they been incorporated into a revised Budget?
- (b) Has your organization determined the allowability, allocability, and reasonableness of your costs? Have these determinations been approved by an officer in your organization? Have these determinations been approved by DCOoA?
- (c) If budget costs have been transferred between Federally funded and non-Federal projects since your last award, are the transfers justified and documented?
- (d) Has prior approval been received for all costs requiring approval?
- (e) Are budgeted costs periodically compared with actual costs for both Federal and non-Federal programs?
- (f) Are immediate actions taken when budget comparisons are not within a range of acceptable variances?
- (g) Are budget controls in place to prevent incurring obligations in excess of total funds available for a Federally funded program or for a cost item within that program?

2. Cash Received

- (a) Are your organization's cash receipts policies and procedures in writing?
- (b) Is there more than a three-day lapse between receiving an advance of award funds and the payment of related expenditures?
- (c) All are cash receipts immediately recorded in the accounting system?
- (d) Are all cash receipts records properly controlled and safeguarded?

- (e) Are all monies received in a fiduciary capacity controlled and accounted for?
- (f) Are employees specifically prohibited from having custody of any of the organization's unrecorded cash or negotiable documents while they are on the premises?
- (g) Are validated duplicate deposit slips obtained for each deposit?

3. Purchasing

- (a) Are your organization's purchasing policies and procedures in writing?
- (b) Is the purchasing function separate from the accounting function? If not, is the responsibility for purchasing assigned to someone other than the person who handles the accounting and banking records?
- (c) Are there limits set on the purchasing authority of the person who makes most routine purchases?
- (d) Are pre-numbered purchase orders used, and are the numbers accounted for in a register? Are missing numbers accounted for?
- (e) Is access to the main file of vendor records limited to employees who are authorized to work with vendors and/or make changes in their account information?
- (f) Does your organization obtain competitive bids, and if so, are there written bidding procedures?
- (g) Does your organization conduct price or cost analysis on purchases, or a lease vs. purchase analysis, prior to signing a major contract?
- (h) Does your organization use small or minority business as vendors?
- (i) When signing contracts with vendors where the total cost is more than \$100,000, has all language required under Federal law been included? Has the vendor certified that he/she/it is not suspended or disbarred from doing business with the Federal Procurement Program?
- (j) Have you received permission from DCOoA to obtain goods or services through sole source purchasing?

- (k) If capital equipment is purchased, has your organization certified to the DCOoA that no similar equipment is on hand or available?
- (l) Are any payments made prior to receiving goods or services?
- (m) Is there a separation of responsibility between the person who ordered the goods from the one who signed the receiving report? Does a copy of the receiving report go directly to the accounting department when goods are received?
- (n) Are claims made to vendors when shipments are receiving short of all items ordered or damaged merchandise?
- (o) Are vendor invoices delivered directly to the accounting department?
- (p) Are invoices checked against purchase orders and receiving reports by the accounting department prior to payment? Is the checking specific enough to identify errors in pricing, extensions, freight charges, discounts, etc.?
- (q) Are account codes checked prior to finalizing the payment request?
- (r) Are files maintained so that all records related to a purchase can be easily obtained?
- (s) Are outstanding purchase orders reviewed periodically to ensure knowledge of outstanding obligations?
- (t) Are employees prohibited from making purchases from vendors using the organization's name and account?
- (u) Is a postage meter used for all organization mailing?
- (v) Are controls established over the use of duplicating machines and office supplies?

4. Cash Disbursed

- (a) Are your organization's cash disbursement policies and procedures in writing?
- (b) Are all vouchers and/or supporting documents approved by a responsible department head prior to processing?
- (c) Are vouchers and/or supporting documents identified by award number, date incurred, and expense classification when presented for payment?

- (d) Are supporting documents marked to show they have been paid to prevent them from being used again?
- (e) When checks are submitted for signature, do the supporting documents accompany the check?
- (f) Is there a specific prohibition from issuing a check only on verbal authority?
- (g) Is the signing of checks in advance, or without supporting documents, specifically prohibited?
- (h) Are blank checks kept securely and dispensed only in controlled situations?
- (i) Are two signatures required on all checks over a certain amount/
- (j) Is the practice of drawing checks payable to "cash," "petty cash," or "bearer" prohibited?
- (k) Do the individuals who sign checks have any access to the accounting records or petty cash?
- (l) If a facsimile signature plate is used for disbursements, is the plate under adequate security and control?
- (m) Are all petty cash disbursements documented in ink and cancelled when paid?
- (n) Is the maximum amount of a petty cash disbursement limited to a reasonable amount?
- (o) Is the petty cash fund limited so that reimbursement must be made at least once a month?
- (p) Is petty cash kept locked at all times, and under the control of one person?
- (q) Are employee loans prohibited?
- (r) Are employee travel advances or other business advances accounted for promptly?

5. Bank Accounts

- (a) Do you have any separate or special purpose bank accounts? Are the controls over these accounts the same as all other bank accounts?

- (b) Are the bank statements received directly and unopened by the person who performs the reconciliation? Is this person someone other than the one who makes deposits and/or disbursements?
- (c) Are all of the bank statements reconciled monthly?
- (d) Are cancelled checks examined for any changes, and for endorsements, at the time of the reconciliation?
- (e) Is the sequence of check numbers accounted for when the bank account is reconciled?
- (f) Are voided check properly mutilated and retained to account for the check numbers?

6. Personnel Management

- (a) Is an up-to-date organizational chart in use?
- (b) Do the positions:
 - (1) Differentiate between levels of responsibility and complexity of work?
 - (2) Require position descriptions and job titles?
 - (3) Identify position requirements?
 - (4) Call for periodic reviews and updated position descriptions?
 - (5) Divide duties among employees responsible for the procurement, approval, verification and disbursement functions for expenses?
- (c) Do the recruitment and selection procedures:
 - (1) Provide for the announcement of vacancies to staff as well as other sources within the industry and to the public?
 - (2) Establish spending controls as provided in the budget?
 - (3) Enable a comparison of salary requirements for the job candidates with the budget?
 - (4) Establish procedures for interviews, reference checks and final selection by the appropriate person in the organization?
 - (5) Evaluate the compliance with Title VI of the Civil Rights Act of 1964?
- (d) Is the position compensation based on:
 - (1) Job requirements?
 - (2) A comparison with similar positions in the local job market?

- (3) A periodic review of the pay scale for the position?
 - (4) Fringe benefits that are comparable to other similar organizations?
- (e) Does the performance rating system:
- (1) Establish performance standards?
 - (2) Require a periodic rating?
 - (3) Form the basis for consideration of future pay adjustments?
- (f) Is a promotion plan based in increased responsibility and employee qualifications?
- (g) Do you have a staff utilization and career development program that:
- a. Requires analysis of manpower needs and staff use?
 - b. Provide job training or retraining where applicable?
 - c. Provide career counseling?
 - d. Provide supervisory training?
- (h) Is there a clear and consistent written policy with respect to:
- (1) Working hours?
 - (2) Work schedules?
 - (3) Overtime?
 - (4) Vacation schedules and other absences?
 - (5) Maintenance of secured attendance records for all employees?
 - (6) Work related travel and travel expenses?
 - (7) Training?
 - (8) Employment during off hours at other establishments?
 - (9) Permitted and prohibited political activity?
- (i) Do your personnel relations include:
- (1) Open channels of communication for distributing information; encouraging ideas for improvement, and expressing grievances?
 - (2) Written standards for employee conduct and conflict of interest?
 - (3) A fair and equitable disciplinary policy to handle conduct violations?
 - (4) Provisions for medical services to all employees, if appropriate?
- (j) Do your personnel files include all official documents related to the employment of each staff member and other persons participating in grant supported activities, such as hiring document, reasons for dismissal, commendations, and performance evaluations? Are these files maintained in a secure location?

7. Payroll

- (a) Do you always require a timesheet signed by the employee and by his or her supervisor prior to issuing a paycheck?
- (b) Do you expressly forbid the issuance of a paycheck without an approved timesheet?
- (c) Is the payroll regularly checked against the personnel records?
- (d) Are the payroll clerical operations checked by a supervisor before being submitted for payment or distributed to employees?
- (e) Are several people involved in the preparation of payroll? Are these duties rotated periodically?
- (f) Are paychecks handed out by a person in authority who does not prepare the payroll, supervise employees, approve time reports, or sign paychecks?
- (g) Do you occasionally have a different employee distribute paychecks?
- (h) Are controls over the termination of employees adequate to prevent the continuation of pay for an employee who no longer works for you?
- (i) Are unclaimed paychecks reviewed and maintained in a controlled environment? Are they voided if not claimed?
- (j) Do you maintain a separate bank account for payroll? Is the account reconciled by someone who is not involved in the payroll process?
- (k) When the payroll bank account is reconciled, are the names and endorsements checked against payroll records?
- (l) Have you instructed your bank not to clear paychecks that are more than 30 days old?
- (m) Is each new employee personally interviewed by both the department in which he or she will work, and by persons independent of that department?
- (n) Is there an adequate and secure record of all personnel and their pay rates?

8. Accounting

- (a) Do you have an accounting manual that explains the accounting procedures?
- (b) Do the accounts in your chart of accounts correspond to the cost categories in your budget? Do these accounts show separate program activities?
- (c) Is your accounting system designed so that one person does not have access to all financial operations, procedures and reports?
- (d) Is the following information regarding sources and application of Federal and non-Federal funds identified separately in your accounting system?
 - (1) Authorizations
 - (2) Funds received, both Federal and non-Federal
 - (3) Reimbursements
 - (4) Obligations
 - (5) Unobligated balances
 - (6) Assets, including depreciation and use allowances
 - (7) Grant-related income
- (e) Does your accounting system separately accumulate and record the direct costs of each Federally-supported project and non-Federal project?
- (f) Does your accounting system separately accumulate and record the unallowable costs?
- (g) Are all of the transactions in your accounting system supported by source documents?
- (h) Is the accounting function completely separate from the purchasing function?
- (i) Are all general journal entries approved by a supervisory employee?

9. Inventory and Property Management

- (a) Are your organization's policies and procedures regarding inventories and property owned by you in writing?
- (b) Are the proper classifications made between capital equipment, inventory, and supplies in your financial records? Are these records sufficiently detailed to identify the specific equipment items?

- (c) Do your records for capital equipment, real property purchased with Federal funds, depreciation and use allowances, reconcile with your Federal program budget?
- (d) If equipment is shared with or on loan from other organizations, are the costs allocated proportionally?
- (e) Is a complete physical inventory of all capital equipment taken at least every two years and reconciled with the financial records? Are the inventory items tagged or otherwise identified for ease in identification?
- (f) When inventories are significant, are perpetual inventory records maintained?
- (g) Are there adequate controls to prevent loss of inventory of equipment and supplies through theft or pilfering?
- (h) When capital equipment is retired, sold, damaged, or lost, is the proper entry made on your financial records?
- (i) When capital equipment or real property that was purchased with Federal funds is sold, is the DCOoA reimbursed for its equitable share of the sale price?
- (j) Are insurance recoveries properly recorded?
- (k) Do the depreciation or use allowances correspond with the source of the purchase prices?

DISTRICT OF COLUMBIA OFFICE ON AGING

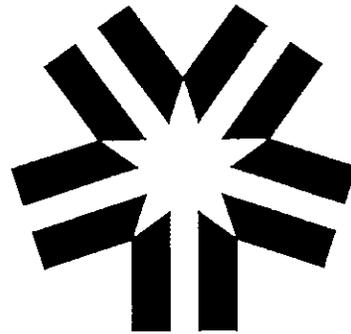


EXHIBIT E

**ACTIVITIES ALLOWED
OR
UNALLOWED**

EXHIBIT E

ACTIVITIES ALLOWED OR UNALLOWED

These guidelines are provided for your use in determining whether or not an activity is allowed or unallowable under the DCOoA grant. To be eligible for any of the services, a participant must be 60 years old or older, and a resident of the District of Columbia. In all cases, priority must be given to people with the greatest economic or social need, with special attention given to low-income minorities. In addition, services should only be provided to those who do not otherwise qualify for any other program with similar benefits.

To be paid, a provider must provide these services within the District of Columbia and all facilities must meet all minimum health, safety, and regulatory requirements of the District.

A. Advocacy

Advocacy is a service aimed at protecting and securing the rights, benefits and entitlements of eligible nursing home and community residence facility (CRF) residents 60 years old or older. These services are provided on a personal level when a disagreement has arisen and where rights may have been violated; or on an issue level in attempting to strengthen the position of older persons. These services are only provided to residents of facilities, and do not include legal representation. The costs include the staff, goods, facilities, services, and support necessary to provide advocacy services in the facility, but do not include time spent recording and following-up on complaints, supervising and training volunteers, and traveling to and from a facility. The providers are trained non-attorney personnel who are supervised.

Advocacy service is available to all residents of nursing homes and community residential facilities in the District of Columbia, and must be provided in the nursing home or CRF facility. Service should be provided only to those who do not qualify under any other program. Priority should be given to those who are most socially and economically disadvantaged, with emphasis on low-income minorities.

The objective of advocacy is to protect and secure rights, benefits, and entitlements of older persons on a personal level and through issue resolution.

Prohibited Services: These services include medical, financial, legal, or other service or advice, except to refer the participant to qualified agencies or programs.

B. Case Management

Case management is provided to eligible functionally-impaired residents 60 years old or older and involves long term and on-going arrangements for, management of, and coordination of services in an effort to prevent unnecessary or premature institutionalization. These services are generally provided to a participant after the completion of a comprehensive assessment by a care team in the participant's home or in a facility, and continue on a scheduled basis, usually semi-monthly. If services are provided in a home or a facility, space should be adequate for comfort and confidentiality. The costs include the staff, goods, facilities, services, and support necessary to provide case management services including time spent reviewing a case, conducting meetings regarding the case, and follow-up, but do not include travel time or transportation costs. The providers are trained service management personnel who are supervised.

Case management is only available to functionally-impaired residents in the District of Columbia. Functionally-impaired means that the individual has difficulty carrying out the normal activities of daily living; his or her family or friends are unable to provide case management services; and these services are deemed to be necessary. Service should be provided only to those who do not qualify under any other program. Priority should be given to those who are most socially and economically disadvantaged, with emphasis on low-income minorities.

The objective of case management is to see that needed services are delivered so that the participant achieves and maintains his/her maximum functioning level and independence, and maintains his/her life-style and relationships with family and friends to the greatest extent possible.

Prohibited Services: These services include psychotherapy counseling unless the provider is a licensed therapist; or medical, financial, legal, or other service or advice, except to refer the participant to qualified agencies or programs.

C. Comprehensive Assessment

Comprehensive assessment is an evaluation service provided to eligible residents 60 years or older, in order to (1) identify physical, economic, social, and psychological issues which affect the individual's ability to carry out the normal activities of daily living, (2) identify the resources available to assist in resolving the participant's issues and is intended to prevent unnecessary or premature institutionalization. These services are provided to participants who have multiple, long-term issues, and uses a standardized format for assessment that is approved by the DCOoA. This service is usually provided as an in-home service based on referrals from hospitals, nursing homes, and other DCOoA agencies, but may be provided at a facility. If services are provided in a home or a facility, space should be adequate for comfort and confidentiality. The costs include the

staff, goods, facilities, services, and support necessary to provide case management services, but do not include travel time or transportation costs. The providers are trained assessment personnel and usually include a service coordinator, a case manager, and a nurse-practitioner. The case management process is supervised.

Comprehensive Assessment is available to all eligible residents of the District of Columbia. Service should be provided only to those who do not qualify under any other program. Priority should be given to those who are most socially and economically disadvantaged, with emphasis on low-income minorities.

Prohibited Services: These services include medical, financial, legal, or other service or advice, except to refer the participant to qualified agencies or programs.

D. Congregate Meals

Congregate meals are nutritionally balanced meals provided to eligible residents who are 60 years old or older in a congregate or group setting. Congregate meals are provided at a nutrition site, senior center, or other group setting, and may be one, two, or three meals a day. The minimum number of eligible meals may not be less than 25 served at one time. The meals must be served at a site that also offers two or more other daily activities for the participants and should be coordinated with these other related activities and transportation for the participants. The costs include the staff, goods, facilities, services, and support necessary to provide congregate meals but do not include the cost of transporting the meals, which is covered in another category. Congregate meals are generally provided by a contract caterer but may be provided through other resources.

While there is no eligibility requirement based on financial means, the target group is older people with the greatest economic or social needs. Spouses, certain disabled people, and meal service volunteers may also receive the meals, but priority goes to those most in need and unable to prepare or purchase adequate meals for themselves. Priority should be given to those who are most socially and economically disadvantaged, with emphasis on low-income minorities.

Prohibited Services: These meals can not be taken from the service center to be eaten elsewhere.

E. Counseling

Counseling is a problem identification and resolution service provided to eligible residents 60 years or older. This service is also available to family members or caretakers who need emotional support and guidance to develop or strengthen the older person's capacity for personal and emotional functioning. Counseling must be provided in

conjunction with other covered services or activities. It may be provided in the home of the participant or in a community facility. If services are provided in a home or in a facility, space should be adequate for comfort and confidentiality. If provided at a facility, the site must be the location of at least one or more activity for the elderly. The costs include the staff, goods, facilities, services, and support necessary to provide counseling. The providers are professionally trained counselors who are supervised.

Counseling is available to all eligible residents of the District of Columbia, and to their families and regular caregivers. Priority should be given to referrals from hospitals, nursing homes, Geriatric Assessment and Case Management sites, and to those who do not qualify under any other program. Priority should also be given to those who are most socially and economically disadvantaged, with emphasis on low-income minorities.

Prohibited Services: These services include psychotherapy counseling unless the provider is a licensed therapist, medical, financial, legal, or other service or advice, except to refer the participant to qualified agencies or programs.

F. Geriatric Day Care

Geriatric day care is a therapeutic service provided in a facility to eligible functionally-impaired residents 60 years or older in order to prevent unnecessary or premature institutionalization. These participants are able to maintain themselves with some assistance, are not bedfast, and represent no threat to themselves or others. Geriatric day care involves care and supervision during the day by professionally-qualified personnel in a suitable facility and is a more intense level of care than center-based social and recreation services. The costs include the staff, goods, facilities, services, and support necessary to provide geriatric care services. The providers are trained geriatric care personnel who are supervised.

Geriatric day care is only available to functionally-impaired residents of the District of Columbia. Priority should be given to referrals from hospitals, nursing homes, and other DCOoA agencies and to those who do not qualify under any other program. Priority should be given to those who are most socially and economically disadvantaged, with emphasis on low-income minorities.

The objective is to provide supervision, socialization, rehabilitation, training, therapy, and supportive services to functionally-impaired older persons in a community setting so that the participant achieves and maintains his/her maximum functioning level and independence in a community setting.

Prohibited Services: These services include medical or nursing care unless provided by a licensed doctor or nurse, or services outside of the day care facility such as in the participant's home.

G. Health Promotion

Health promotion is the process of encouraging healthy behavior and lifestyles to eligible residents 60 years of age or older through general health education, activities, and physical fitness. These participants are able to maintain themselves with some assistance, are not bedfast, and represent no threat to themselves or others. Participants should be screened to establish that they understand the conditions of participating. The program is conducted in a group setting at a facility and involves a range of structured physical activity sessions and life-style enhancing activities to discuss situations such as accident prevention, drug and alcohol abuse, medication mismanagement, smoking cessation, and screenings for hypertension, diabetes, and high cholesterol. Physical activity session should be held a minimum of twice a week, and at least three health promotion activities should be held each week. The costs include the staff, goods, facilities, services, and support necessary to provide health promotion services. These activities are conducted by health professionals and trained workers who are supervised.

Health promotion services are available to all eligible residents of the District of Columbia who meet the physical and mental criteria. Priority should be given to those who do not qualify under any other program, and to those who are most socially and economically disadvantaged, with emphasis on low-income minorities.

Prohibited Services: These services include medical, financial, legal, or other service or advice, except to refer the participant to qualified agencies or programs.

H. Heavy Housecleaning

Heavy housecleaning is an in-home service provided to eligible frail and vulnerable residents 60 years old or older who are infirmed, disabled, chronically-ill, or mentally impaired, in order to create a habitable living environment. These services are provided in the recipient's home, where he or she is either a tenant or an owner, on a one-time basis when living quarters pose serious sanitation, safety and health risks. Once this service is provided, a participant may be referred for homemaker or minor home repair services. These services include all staff, goods, materials, services and support necessary to carry out the cleaning of a normal living space, including the hauling of trash and extermination services, if necessary, but do not include the cost of traveling to and from the home. Services are provided by licensed and bonded workers who are supervised.

Heavy housecleaning is available to District residents who are unable to perform this activity due to chronic illness, frailty, or mental impairment. Priority should be given to those who are referred by Homemaker Services and the Geriatric Assessment and Case

Management sites. Priority should go those who are most socially and economically disadvantaged, with an emphasis on low-income minorities.

The objective of heaving housekeeping is to provide necessary assistance and cleaning that will allow a participant to be more comfortable and to remain in his/her home without health hazards, and to prevent unnecessary or premature institutionalization. These services also enhance accessibility to home healthcare personnel.

Prohibited Services: These services include extensive preliminary sorting and packing, repair of plumbing, carpentry, hauling of large items, light housecleaning on a regular basis, or yard work.

I. Home-Delivered Meals

Home-delivered meals are nutritionally balanced meals delivered to an eligible resident 60 years or older at his/her home once a day between 10 AM and 2 PM on weekdays and weekends. These meals must be coordinated through Lead Agencies or other approved contractors. The costs include the staff, goods, facilities, services, and support necessary to provide congregate meals, but do not include the cost of transporting the meals, which is covered in another category. Congregate meals are generally provided by a contract caterer but may be provided through other resources.

Home delivered meals are delivered to those who are unable to prepare meals because of physical or mental impairments that can be either temporary or permanent in nature. Participants are also eligible if the absence of assistance in the home makes it difficult to shop for or prepare food; or if the participant does not have sufficient funds to buy nutritional food. Priority should be given to those who do not qualify under any other program and who are the most socially and economically disadvantaged, with an emphasis on low-income minorities.

Prohibited Services: These services include removing foods from their insulated containers before arrival at the delivery location or providing medical, financial, legal, or other service or advice, except to refer the participant to qualified agencies or programs.

J. Home Health Service

Home health service provides maintenance medical care and treatment in the home to eligible residents who are 60 years old or older who are infirmed, disabled, or chronically ill in order to prevent unnecessary or premature institutionalization. These services involve regularly scheduled medical, nursing, and other therapeutic service. The costs include the staff, goods, facilities, services, and support necessary to provide home health services, but do not include the cost of preparing for the visit, travel time, or

transportation costs. The providers are professionally qualified workers in the appropriate field who are supervised.

Home health care is available to District residents who meet the physical and mental impairment guidelines. Priority must be given to individuals whose doctors prescribe this service but who do not qualify under any other programs and who also qualify for admission to an Intermediate Care Facility if they do not receive home health services. Priority should also be given to referrals from hospitals, doctors, Geriatric Assessment and Case Management sites, and to those individuals most socially and economically disadvantaged with an emphasis on low-income minorities.

Prohibited Services: These services include transportation cost for the provider, social services work, cosmetology services, assistance with home repairs or maintenance, lawn care, or financial, legal, or other service or advice, except to refer the participant to qualified agencies or programs.

K. Homemaker

Homemaker service is an in-home household maintenance service provided to eligible residents 60 years old or older and involves regularly scheduled light housekeeping. These services include washing dishes and light kitchen cleaning, dusting, making beds, changing linen, laundering, vacuuming, sweeping, mopping, minimal ironing, and cleaning bathrooms. These services do not cover Heavy Housecleaning, Home Health Services, or Home Repair Services, which are covered elsewhere. The costs include the staff, goods, facilities, services, and support necessary to provide homemaker services, but do not include travel time or transportation costs. These services are provided by trained personnel working under the supervision of a certified homemaker/home health agency.

Homemaker services are provided to participants who are infirmed, disabled, or chronically ill in order to prevent unnecessary or premature institutionalization. Priority must be given to individuals who do not qualify under any other programs and who also are at risk of institutionalization if they do not receive homemaker services. Priority should also be given to referrals from hospitals, doctors, Geriatric Assessment and Case Management sites, and to those individuals most socially and economically disadvantaged, with an emphasis on low-income minorities.

Prohibited Services: These services include medical or nursing care unless the provider is a licensed doctor or nurse, transportation for the provider, foot care for diabetics, strictly social work services, cosmetology services, heavy housework, home repair services, yard work, or financial, legal, or other service or advice, except to refer the participant to qualified agencies or programs.

L. Legal Services

Legal services are provided to protect and secure the rights, benefits and entitlements of, or to prevent legal problems from developing, for eligible residents 60 years old or older. These services are provided through individual or class case representation in such legal areas as retirement, welfare, health, nutrition, probate, and protective services by an attorney or by individuals supervised by an attorney. These services may also include individual representation in assisting a participant through a public benefit application, recertification or appeal process, and may be provided in a community facility or in a participant's home. These services do not cover advocacy which may be a related services, which is covered above. The costs include the staff, goods, facilities, services, and support necessary to provide legal services, time spent in preparing for a session meeting with a client, and following up, but do not include time spent on administrative tasks or unrelated advocacy efforts. The providers are trained attorneys or non-legal personnel who are supervised.

Legal Services are available to all District residents. Priority must be given to individuals who do not qualify under any other programs. Priority should also be given to those individuals most socially and economically disadvantaged, with an emphasis on low-income minorities.

Prohibited Services: These services include medical, financial, or other service or advice, except to refer the participant to qualified agencies or programs.

M. Literacy

Literacy training is designed to provide remedial training to eligible residents who are 60 years old or older and need assistance with reading, writing, English-speaking skills, the use of various printed and written information, and basic math skills, in order to perform everyday tasks. The program is conducted in a group setting at a facility. The costs include the staff, goods, facilities, services, materials, and support necessary to provide tutoring services. This service is provided by trained tutors who are supervised.

Literacy training is provided to all participants who demonstrate needs in these areas, and who meet the conditions for participation. Priority must be given to individuals who do not qualify under any other programs. Priority should also be given to those individuals most socially and economically disadvantaged, with an emphasis on low-income minorities.

Prohibited Services: These services include bill paying services, or medical, financial, legal, or other service or advice, except to refer the participant to qualified agencies or programs.

N. Nutrition Counseling

Nutrition counseling involves providing individualized nutritional advice and guidance to eligible residents who are 60 years old or older and who are at risk because of their health or nutritional history, dietary intake, medications, or chronic illness. It may be provided in the home of the participant or in a community facility. If services are provided in a home or in a facility, space should be adequate for comfort and confidentiality. If provided at a facility, the site must be the location of at least one or more activity for the elderly. This service does not include Home Health Care which may be a related service and is covered above. These services are provided by health professionals qualified to give nutritional counseling that is supervised.

Nutritional counseling is available to all District participants, and to his or her family or caretakers. Priority should go to those participants who have dietary needs or chronic illnesses and those who are most socially and economically disadvantaged, with an emphasis on low-income minorities.

Prohibited Services: These services include psychotherapy counseling unless the provider is licensed; or medical, financial, legal, or other service or advice, except to refer the participant to qualified agencies or programs.

O. Nutrition Education

Nutrition education provides accurate and culturally sensitive nutrition, physical fitness, and health instruction to eligible participants 60 years old or older or caregivers in a facility supervised by a dietician or similarly qualified person. This service must be provided in a facility that is the location for one or more additional services for the elderly. Nutrition education must be offered twice a year as a minimum but cannot exceed twelve sessions annually per facility. The costs include the staff, goods, facilities, services, and support necessary to provide nutrition counseling services. These activities are conducted by a dietitian or individual of comparable expertise.

Nutrition education is available to all District participants even if they qualify under other programs, subject to available space. Priority should go to those who are the most socially and economically disadvantaged, with an emphasis on low-income minorities.

Prohibited Services: These services include medical, financial, legal, or other service or advice, except to refer the participant to qualified agencies or programs.

P. Recreation and Socialization

Recreation and socialization is a facility program for eligible residents 60 years old or older designed to meet their needs for continued social growth and companionship. This program reinforces a sense of dignity and independence, and minimizes isolation. It involves a range of structured and unstructured activities, and must be provided at a facility as part of other social services. At least two recreation and social activities should be scheduled each day that a congregate meal is served, unless other specific programs are scheduled. These services include the staff, goods, facilities, services and support necessary to arrange, coordinate and manage planned recreation and social services. These services are provided by trained personnel who are supervised.

Recreation and socialization is available to District participants who are physically and emotionally well, and to those who are functionally-impaired who are able to maintain themselves and represent no threat to themselves or others and understand any conditions required for participation, and is subject to available space. Priority should go to those participants who are the most socially and economically disadvantaged, with an emphasis on low-income minorities.

Prohibited Services: These services include health care, medical, financial, legal, or other service or advice, except to refer the participant to qualified agencies or programs.

Q. Transportation and Escort

Transportation and escort service is a curb-to-curb service provided to eligible residents 60 years old or older when needed to carry out the activities of daily living. Priority is given for medical care trips, essential shopping trips, and essential personal business trips when transportation cannot be arranged otherwise. It includes the staff, goods, vehicles, facilities, services and support necessary to provide specialized transportation and escort services. These services are provided by trained and licensed personnel in suitable vehicles and must be provided through a Lead Agency.

Transportation and escort services are available to District participants who are handicapped, non-ambulatory, and might become endangered trying to use public transportation, and are subject to available space. In addition, transportation must not be available through the participant's immediate household; through private means; or through reasonable access to public transportation. Priority should go to those participants who are the most socially and economically disadvantaged, with an emphasis on low-income minorities.

Prohibited Services: These services include transportation to social, recreational or other events not related to medical, essential shopping, or essential personal business needs; transporting a wheelchair participant without an escort; medical, financial, legal, or other service or advice, except to refer the participant to qualified agencies or programs.

R. Transportation of Home-Delivered Meals

Transportation of mid-day meals is provided in connection with the related home delivery of meals program and is available to eligible residents 60 years of age and older who are unable to attend a congregate nutrition center. Transportation of meals must be coordinated with a Lead Agency. It includes the staff, goods, vehicles, services and support necessary to deliver a mid-day meal. These services are provided by trained and licensed personnel in suitable vehicles and must be provided through a Lead Agency.

Transportation of home-delivered meals is available to all District participants who qualify for home delivery. Priority should be given to those meals that cannot be delivered through the Lead Agencies' delivery systems, and should be given to referrals from these agencies for those individuals most socially and economically disadvantaged, with emphasis on low-income minorities.

Prohibited Services: These services include strictly social services work, transportation of other individuals or participants, preparing meals, modifying the meal delivery process, or medical, financial, legal, or other service or advice, except to refer the participant to qualified agencies or programs.

S. Transportation to Sites and Activities

Transportation to sites and activities is a curb-to-curb service provided to eligible residents 60 years old or older in order to allow them to participate in certain facility sponsored programs within the District. Transportation to the sites includes the staff, goods, vehicles, facilities, services and support necessary to provide transportation for each eligible individual. These services are provided by trained and licensed personnel in suitable vehicles and must be provided through a Lead Agency.

Prohibited Services: These services include transportation beyond the boundaries of the District, medical, financial, legal, or other service or advice, except to refer the participant to qualified agencies or programs.

T. Weekend Congregate Meals

Weekend congregate meals are nutritionally balanced meals provided to eligible residents who are 60 years old or older in a congregate or group setting. Weekend congregate meals are provided at a nutrition site, senior center or other group setting, and may be one, two, or three meals a day. The minimum number of eligible meals should not be less than 50 each day on the weekend. The meals must be served at a site that also offers

one or more other daily activities for the participants and should be coordinated with these other related activities and transportation for the participants. The costs include the staff, goods, facilities, services, and support necessary to provide weekend congregate meals but do not include the cost of transporting the meals, which is covered in another category. Weekend congregate meals are generally provided by a contract caterer but may be provided through other resources.

While there is no eligibility requirement based on financial means, the target group is older people with the greatest economic or social needs. Spouses, certain disabled people, and meal service volunteers may also receive the meals, but priority must be given to those most in need and unable to prepare or purchase adequate meals for themselves. Priority should also be given to those who are most socially and economically disadvantaged, those who are not regular participants in the weekday meal program, and those who are referrals from Lead Agencies and Geriatric Assessment and Case Management Centers, with a priority to low-income minorities.

Prohibited Services: These meals may not be taken from the service center to be eaten elsewhere.

U. Weekend Home Delivered Meals

Weekend home-delivered meals are two nutritionally balanced meals delivered to an eligible resident 60 years or older at his/her home once on the weekend. These meals must be coordinated through Lead Agencies or other approved contractors. The costs include the staff, goods, facilities, services, and support necessary to provide weekend home-delivered meals, but do not include the cost of transporting the meals, which is covered in another category.

Weekend home delivered meals are delivered to District participants who are unable to prepare meals because of physical or mental impairments, which can be either temporary or permanent in nature. Participants are also eligible if the absence of assistance in the home makes it difficult to shop for or prepare food; or if the participant does not have sufficient funds to buy nutritional food. Priority should be given to those who do not qualify under any other program and who are the most socially and economically disadvantaged, with an emphasis on low-income minorities.

Prohibited Services: These services include removing foods from their insulated containers before arrival at the delivery location, strictly social services or case management work, transportation for the delivery of these meals, or medical, financial, legal, or other service or advice, except to refer the participant to qualified agencies or programs.

V. Wellness and Health Promotion

Wellness and health promotion is a comprehensive group of classes provided to eligible residents 60 years of age or older teaching physical exercise, nutrition, and health education. These classes are designed to integrate health and wellness topics, such as exercise physiology, kinesiology, and nutrition, in order to prevent or control unnecessary and costly medical issues. These classes are provided at a community facility on a scheduled basis and include the staff, facilities, service and support necessary to provide the wellness and health promotion program. Space must be adequate to allow for comfort and confidentiality for the participants. The classes are taught by professional and trained personnel who are supervised.

Wellness and health promotion classes are available to all District residents who have enrolled in the program. Priority is given to those who are the most socially and economically disadvantaged should be targeted, with emphasis on low-income minorities.

Prohibited Services: These services include providing psychotherapy services unless the provider is a licensed therapist, medical, financial, legal, or other service or advice, except to refer the participant to qualified agencies or programs.

DISTRICT OF COLUMBIA OFFICE ON AGING

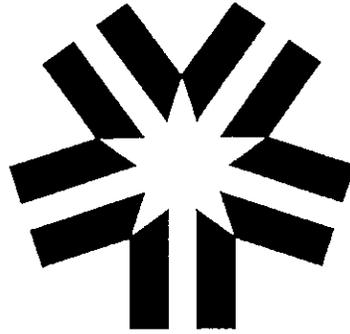


EXHIBIT F

OMB CIRCULAR A-122

Financial and Compliance Management Guide



Office of Management and Budget

CIRCULAR NO. A-122 **Revised May 10, 2004**

TO THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

SUBJECT: Cost Principles for Non-Profit Organizations

1. *Purpose.* This Circular establishes principles for determining costs of grants, contracts and other agreements with non-profit organizations. It does not apply to colleges and universities which are covered by Office of Management and Budget (OMB) Circular A-21, "Cost Principles for Educational Institutions"; State, local, and federally recognized Indian tribal governments which are covered by OMB Circular A-87, "Cost Principles for State, Local, and Indian Tribal Governments"; or hospitals. The principles are designed to provide that the Federal Government bear its fair share of costs except where restricted or prohibited by law. The principles do not attempt to prescribe the extent of cost sharing or matching on grants, contracts, or other agreements. However, such cost sharing or matching shall not be accomplished through arbitrary limitations on individual cost elements by Federal agencies. Provision for profit or other increment above cost is outside the scope of this Circular.

2. *Supersession.* This Circular supersedes cost principles issued by individual agencies for non-profit organizations.

3. *Applicability.*

a. These principles shall be used by all Federal agencies in determining the costs of work performed by non-profit organizations under grants, cooperative agreements, cost reimbursement contracts, and other contracts in which costs are used in pricing, administration, or settlement. All of these instruments are hereafter referred to as awards. The principles do not apply to awards under which an organization is not required to account to the Federal Government for actual costs incurred.

b. All cost reimbursement subawards (subgrants, subcontracts, etc.) are subject to those Federal cost principles applicable to the particular organization concerned. Thus, if a subaward is to a non-profit organization, this Circular shall apply; if a subaward is to a commercial organization, the cost principles applicable to commercial concerns shall apply; if a subaward is to a college or university, Circular A-21 shall apply; if a subaward is to a State, local, or federally recognized Indian tribal government, Circular A-87 shall apply.

4. *Definitions.*

a. Non-profit organization means any corporation, trust, association, cooperative, or other organization which:

(1) is operated primarily for scientific, educational, service, charitable, or similar purposes in the public interest;

(2) is not organized primarily for profit; and

(3) uses its net proceeds to maintain, improve, and/or expand its operations. For this purpose, the term "non-profit organization" excludes (i) colleges and universities; (ii) hospitals; (iii) State, local, and federally recognized Indian tribal governments; and (iv) those non-profit organizations which are excluded from coverage of this Circular in accordance with paragraph 5.

b. Prior approval means securing the awarding agency's permission in advance to incur cost for those items that are designated as requiring prior approval by the Circular. Generally this permission will be in writing. Where an item of cost requiring prior approval is specified in the budget of an award, approval of the budget constitutes approval of that cost.

5. *Exclusion of some non-profit organizations.* Some non-profit organizations, because of their size and nature of operations, can be considered to be similar to commercial concerns for purpose of applicability of cost principles. Such non-profit organizations shall operate under Federal cost principles applicable to commercial concerns. A listing of these organizations is contained in Attachment C. Other organizations may be added from time to time.

6. *Responsibilities.* Agencies responsible for administering programs that involve awards to non-profit organizations shall implement the provisions of this Circular. Upon request, implementing instruction shall be furnished to OMB. Agencies shall designate a liaison official to serve as the agency representative on matters relating to the implementation of this Circular. The name and title of such representative shall be furnished to OMB within 30 days of the date of this Circular.

7. *Attachments.* The principles and related policy guides are set forth in the following Attachments:

Attachment A - General Principles

Attachment B - Selected Items of Cost

Attachment C - Non-Profit Organizations Not Subject To This Circular

8. *Requests for exceptions.* OMB may grant exceptions to the requirements of this Circular when permissible under existing law. However, in the interest of achieving maximum uniformity, exceptions will be permitted only in highly unusual circumstances.

9. *Effective Date.* The provisions of this Circular are effective immediately. Implementation shall be phased in by incorporating the provisions into new awards made after the start of the organization's next fiscal year. For existing awards, the new principles may be applied if an organization and the

cognizant Federal agency agree. Earlier implementation, or a delay in implementation of individual provisions, is also permitted by mutual agreement between an organization and the cognizant Federal agency.

10. *Inquiries.* Further information concerning this Circular may be obtained by contacting the Office of Federal Financial Management, OMB, Washington, DC 20503, telephone (202) 395-3993.

Attachments

ATTACHMENT A
Circular No. A-122

GENERAL PRINCIPLES

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ATTACHMENT A
Circular No. A-122

GENERAL PRINCIPLES

A. *Basic Considerations*

1. Composition of total costs. The total cost of an award is the sum of the

allowable direct and allocable indirect costs less any applicable credits.

2. Factors affecting allowability of costs. To be allowable under an award, costs must meet the following general criteria:

- a. Be reasonable for the performance of the award and be allocable thereto under these principles.
- b. Conform to any limitations or exclusions set forth in these principles or in the award as to types or amount of cost items.
- c. Be consistent with policies and procedures that apply uniformly to both federally financed and other activities of the organization.
- d. Be accorded consistent treatment.
- 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.

3. Reasonable costs. A cost is reasonable if, in its nature or 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 costs. The question of the reasonableness of specific costs must be scrutinized with particular care in connection with organizations or separate divisions thereof which receive the preponderance of their support from awards made by Federal agencies. In determining the reasonableness of a given cost, consideration shall be given to:

- a. Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the organization or the performance of the award.
- b. The restraints or requirements imposed by such factors as generally accepted sound business practices, arms length bargaining, Federal and State laws and regulations, and terms and conditions of the award.
- c. Whether the individuals concerned acted with prudence in the circumstances, considering their responsibilities to the organization, its members, employees, and clients, the public at large, and the Federal Government.
- d. Significant deviations from the established practices of the organization which may unjustifiably increase the award costs.

4. Allocable costs.

- a. A cost is allocable to a particular cost objective, such as a grant, contract, project, service, or other activity, in accordance with the

relative benefits received. A cost is allocable to a Federal award if it is treated consistently with other costs incurred for the same purpose in like circumstances and if it:

- (1) Is incurred specifically for the award.
 - (2) Benefits both the award and other work and can be distributed in reasonable proportion to the benefits received, or
 - (3) Is necessary to the overall operation of the organization, although a direct relationship to any particular cost objective cannot be shown.
- b. Any cost allocable to a particular award or other cost objective under these principles may not be shifted to other Federal awards to overcome funding deficiencies, or to avoid restrictions imposed by law or by the terms of the award.

5. Applicable credits.

- a. The term applicable credits refers to those receipts, or reduction of expenditures which operate to offset or reduce expense items that are allocable to awards as direct or indirect costs. Typical examples of such transactions are: purchase discounts, rebates or allowances, recoveries or indemnities on losses, insurance refunds, and adjustments of overpayments or erroneous charges. To the extent that such credits accruing or received by the organization relate to allowable cost, they shall be credited to the Federal Government either as a cost reduction or cash refund, as appropriate.
- b. In some instances, the amounts received from the Federal Government to finance organizational activities or service operations should be treated as applicable credits. Specifically, the concept of netting such credit items against related expenditures should be applied by the organization in determining the rates or amounts to be charged to Federal awards for services rendered whenever the facilities or other resources used in providing such services have been financed directly, in whole or in part, by Federal funds.
- c. For rules covering program income (i.e., gross income earned from federally supported activities) see Sec. __.24 of Office of Management and Budget (OMB) Circular A-110, "Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations."

6. Advance understandings. Under any given award, the reasonableness and allocability of certain items of costs may be difficult to determine. This is particularly true in connection with organizations that receive a preponderance of their support from Federal agencies. In order to avoid subsequent disallowance or dispute based on unreasonableness or nonallocability, it is often desirable to seek a written agreement with the cognizant or awarding agency in advance of the incurrence of special or unusual costs. The absence of an advance agreement on any element of cost will not, in itself, affect the reasonableness or allocability of that element.

7. Conditional exemptions.

- a. OMB authorizes conditional exemption from OMB administrative requirements and cost principles circulars for certain Federal programs with statutorily-authorized consolidated planning and consolidated administrative funding, that are identified by a Federal agency and approved by the head of the Executive department or establishment. A Federal agency shall consult with OMB during its consideration of whether to grant such an exemption.
- b. To promote efficiency in State and local program administration, when Federal non-entitlement programs with common purposes have specific statutorily-authorized consolidated planning and consolidated administrative funding and where most of the State agency's resources come from non-Federal sources, Federal agencies may exempt these covered State-administered, non-entitlement grant programs from certain OMB grants management requirements. The exemptions would be from all but the allocability of costs provisions of OMB Circulars A-87 (Attachment A, subsection C.3), "Cost Principles for State, Local, and Indian Tribal Governments," A-21 (Section C, subpart 4), "Cost Principles for Educational Institutions," and A-122 (Attachment A, subsection A.4), "Cost Principles for Non-Profit Organizations," and from all of the administrative requirements provisions of OMB Circular A-110, "Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations," and the agencies' grants management common rule.
- c. When a Federal agency provides this flexibility, as a prerequisite to a State's exercising this option, a State must adopt its own written fiscal and administrative requirements for expending and accounting for all funds, which are consistent with the provisions of OMB Circular A-87, and extend such policies to all subrecipients. These fiscal and administrative requirements must be sufficiently specific to ensure that: funds are used in compliance with all applicable Federal statutory and regulatory provisions, costs are reasonable and necessary for operating these programs, and funds are not be used for general expenses required to carry out other responsibilities of a State or its subrecipients.

B. Direct Costs

1. Direct costs are those that can be identified specifically with a particular final cost objective, i.e., a particular award, project, service, or other direct activity of an organization. However, a cost may not be assigned to an award as a direct cost if any other cost incurred for the same purpose, in like circumstance, has been allocated to an award as an indirect cost. Costs identified specifically with awards are direct costs of the awards and are to be assigned directly thereto. Costs identified specifically with other final cost objectives of the organization are direct costs of those cost objectives and are not to be assigned to other awards directly or indirectly.
2. Any direct cost of a minor amount may be treated as an indirect cost for reasons of practicality where the accounting treatment for such cost is consistently applied to all final cost objectives.

3. The cost of certain activities are not allowable as charges to Federal awards (see, for example, fundraising costs in paragraph 17 of Attachment B). However, even though these costs are unallowable for purposes of computing charges to Federal awards, they nonetheless must be treated as direct costs for purposes of determining indirect cost rates and be allocated their share of the organization's indirect costs if they represent activities which (1) include the salaries of personnel, (2) occupy space, and (3) benefit from the organization's indirect costs.

4. The costs of activities performed primarily as a service to members, clients, or the general public when significant and necessary to the organization's mission must be treated as direct costs whether or not allowable and be allocated an equitable share of indirect costs. Some examples of these types of activities include:

- a. Maintenance of membership rolls, subscriptions, publications, and related functions.
- b. Providing services and information to members, legislative or administrative bodies, or the public.
- c. Promotion, lobbying, and other forms of public relations.
- d. Meetings and conferences except those held to conduct the general administration of the organization.
- e. Maintenance, protection, and investment of special funds not used in operation of the organization.
- f. Administration of group benefits on behalf of members or clients, including life and hospital insurance, annuity or retirement plans, financial aid, etc.

C. Indirect Costs

1. Indirect costs are those that have been incurred for common or joint objectives and cannot be readily identified with a particular final cost objective. Direct cost of minor amounts may be treated as indirect costs under the conditions described in subparagraph B.2. After direct costs have been determined and assigned directly to awards or other work as appropriate, indirect costs are those remaining to be allocated to benefiting cost objectives. A cost may not be allocated to an award as an indirect cost if any other cost incurred for the same purpose, in like circumstances, has been assigned to an award as a direct cost.

2. Because of the diverse characteristics and accounting practices of non-profit organizations, it is not possible to specify the types of cost which may be classified as indirect cost in all situations. However, typical examples of indirect cost for many non-profit organizations may include depreciation or use allowances on buildings and equipment, the costs of operating and maintaining facilities, and general administration and general expenses, such as the salaries and expenses of executive officers, personnel administration, and accounting.

3. Indirect costs shall be classified within two broad categories: "Facilities" and "Administration." "Facilities" is defined as depreciation and use allowances on buildings, equipment and capital improvement, interest on debt associated with certain buildings, equipment and capital improvements, and operations and maintenance expenses. "Administration" is defined as general administration and general expenses such as the director's office, accounting, personnel, library expenses and all other types of expenditures not listed specifically under one of the subcategories of "Facilities" (including cross allocations from other pools, where applicable). See indirect cost rate reporting requirements in subparagraphs D.2.e and D.3.g.

D. Allocation of Indirect Costs and Determination of Indirect Cost Rates

1. General.

- a. Where a non-profit organization has only one major function, or where all its major functions benefit from its indirect costs to approximately the same degree, the allocation of indirect costs and the computation of an indirect cost rate may be accomplished through simplified allocation procedures, as described in subparagraph 2.
- b. Where an organization has several major functions which benefit from its indirect costs in varying degrees, allocation of indirect costs may require the accumulation of such costs into separate cost groupings which then are allocated individually to benefiting functions by means of a base which best measures the relative degree of benefit. The indirect costs allocated to each function are then distributed to individual awards and other activities included in that function by means of an indirect cost rate(s).
- c. The determination of what constitutes an organization's major functions will depend on its purpose in being; the types of services it renders to the public, its clients, and its members; and the amount of effort it devotes to such activities as fundraising, public information and membership activities.
- d. Specific methods for allocating indirect costs and computing indirect cost rates along with the conditions under which each method should be used are described in subparagraphs 2 through 5.
- e. The base period for the allocation of indirect costs is the period in which such costs are incurred and accumulated for allocation to work performed in that period. The base period normally should coincide with the organization's fiscal year but, in any event, shall be so selected as to avoid inequities in the allocation of the costs.

2. Simplified allocation method.

- a. Where an organization's major functions benefit from its indirect costs to approximately the same degree, the allocation of indirect costs may be accomplished by (i) separating the organization's total costs for the base period as either direct or indirect, and (ii) dividing the total allowable indirect costs (net of applicable credits) by an equitable distribution base. The result of this process is an indirect cost rate

which is used to distribute indirect costs to individual awards. The rate should be expressed as the percentage which the total amount of allowable indirect costs bears to the base selected. This method should also be used where an organization has only one major function encompassing a number of individual projects or activities, and may be used where the level of Federal awards to an organization is relatively small.

- b. Both the direct costs and the indirect costs shall exclude capital expenditures and unallowable costs. However, unallowable costs which represent activities must be included in the direct costs under the conditions described in subparagraph B.3.
- c. The distribution base may be total direct costs (excluding capital expenditures and other distorting items, such as major subcontracts or subgrants), direct salaries and wages, or other base which results in an equitable distribution. The distribution base shall generally exclude participant support costs as defined in paragraph 32 of Attachment B.
- d. Except where a special rate(s) is required in accordance with subparagraph 5, the indirect cost rate developed under the above principles is applicable to all awards at the organization. If a special rate (s) is required, appropriate modifications shall be made in order to develop the special rate(s).
- e. For an organization that receives more than \$10 million in Federal funding of direct costs in a fiscal year, a breakout of the indirect cost component into two broad categories, Facilities and Administration as defined in subparagraph C.3, is required. The rate in each case shall be stated as the percentage which the amount of the particular indirect cost category (i.e., Facilities or Administration) is of the distribution base identified with that category.

3. Multiple allocation base method

- a. General. Where an organization's indirect costs benefit its major functions in varying degrees, indirect costs shall be accumulated into separate cost groupings, as described in subparagraph b. Each grouping shall then be allocated individually to benefitting functions by means of a base which best measures the relative benefits. The default allocation bases by cost pool are described in subparagraph c.
- b. Identification of indirect costs. Cost groupings shall be established so as to permit the allocation of each grouping on the basis of benefits provided to the major functions. Each grouping shall constitute a pool of expenses that are of like character in terms of functions they benefit and in terms of the allocation base which best measures the relative benefits provided to each function. The groupings are classified within the two broad categories: "Facilities" and "Administration," as described in subparagraph C.3. The indirect cost pools are defined as follows:

(1) Depreciation and use allowances. The expenses under this heading are the portion of the costs of the organization's buildings, capital improvements to land and buildings, and equipment which are

computed in accordance with paragraph 11 of Attachment B ("Depreciation and use allowances").

(2) Interest. Interest on debt associated with certain buildings, equipment and capital improvements are computed in accordance with paragraph 23 of Attachment B ("Interest").

(3) Operation and maintenance expenses. The expenses under this heading are those that have been incurred for the administration, operation, maintenance, preservation, and protection of the organization's physical plant. They include expenses normally incurred for such items as: janitorial and utility services; repairs and ordinary or normal alterations of buildings, furniture and equipment; care of grounds; maintenance and operation of buildings and other plant facilities; security; earthquake and disaster preparedness; environmental safety; hazardous waste disposal; property, liability and other insurance relating to property; space and capital leasing; facility planning and management; and, central receiving. The operation and maintenance expenses category shall also include its allocable share of fringe benefit costs, depreciation and use allowances, and interest costs.

(4) General administration and general expenses. The expenses under this heading are those that have been incurred for the overall general executive and administrative offices of the organization and other expenses of a general nature which do not relate solely to any major function of the organization. This category shall also include its allocable share of fringe benefit costs, operation and maintenance expense, depreciation and use allowances, and interest costs. Examples of this category include central offices, such as the director's office, the office of finance, business services, budget and planning, personnel, safety and risk management, general counsel, management information systems, and library costs.

In developing this cost pool, special care should be exercised to ensure that costs incurred for the same purpose in like circumstances are treated consistently as either direct or indirect costs. For example, salaries of technical staff, project supplies, project publication, telephone toll charges, computer costs, travel costs, and specialized services costs shall be treated as direct costs wherever identifiable to a particular program. The salaries and wages of administrative and pooled clerical staff should normally be treated as indirect costs. Direct charging of these costs may be appropriate where a major project or activity explicitly requires and budgets for administrative or clerical services and other individuals involved can be identified with the program or activity. Items such as office supplies, postage, local telephone costs, periodicals and memberships should normally be treated as indirect costs.

- c. Allocation bases. Actual conditions shall be taken into account in selecting the base to be used in allocating the expenses in each grouping to benefitting functions. The essential consideration in selecting a method or a base is that it is the one best suited for assigning the pool of costs to cost objectives in accordance with benefits derived; a traceable cause and effect relationship; or logic and

reason, where neither the cause nor the effect of the relationship is determinable. When an allocation can be made by assignment of a cost grouping directly to the function benefited, the allocation shall be made in that manner. When the expenses in a cost grouping are more general in nature, the allocation shall be made through the use of a selected base which produces results that are equitable to both the Federal Government and the organization. The distribution shall be made in accordance with the bases described herein unless it can be demonstrated that the use of a different base would result in a more equitable allocation of the costs, or that a more readily available base would not increase the costs charged to sponsored awards. The results of special cost studies (such as an engineering utility study) shall not be used to determine and allocate the indirect costs to sponsored awards.

(1) Depreciation and use allowances. Depreciation and use allowances expenses shall be allocated in the following manner:

(a) Depreciation or use allowances on buildings used exclusively in the conduct of a single function, and on capital improvements and equipment used in such buildings, shall be assigned to that function.

(b) Depreciation or use allowances on buildings used for more than one function, and on capital improvements and equipment used in such buildings, shall be allocated to the individual functions performed in each building on the basis of usable square feet of space, excluding common areas, such as hallways, stairwells, and restrooms.

(c) Depreciation or use allowances on buildings, capital improvements and equipment related space (e.g., individual rooms, and laboratories) used jointly by more than one function (as determined by the users of the space) shall be treated as follows. The cost of each jointly used unit of space shall be allocated to the benefitting functions on the basis of:

(i) the employees and other users on a full-time equivalent (FTE) basis or salaries and wages of those individual functions benefitting from the use of that space; or

(ii) organization-wide employee FTEs or salaries and wages applicable to the benefitting functions of the organization.

(d) Depreciation or use allowances on certain capital improvements to land, such as paved parking areas, fences, sidewalks, and the like, not included in the cost of buildings, shall be allocated to user categories on a FTE basis and distributed to major functions in proportion to the salaries and wages of all employees applicable to the functions.

(2) Interest. Interest costs shall be allocated in the same manner as the depreciation or use allowances on the buildings, equipment and capital equipments to which the interest relates.

(3) Operation and maintenance expenses. Operation and maintenance

expenses shall be allocated in the same manner as the depreciation and use allowances.

(4) General administration and general expenses. General administration and general expenses shall be allocated to benefitting functions based on modified total direct costs (MTDC), as described in subparagraph D.3.f. The expenses included in this category could be grouped first according to major functions of the organization to which they render services or provide benefits. The aggregate expenses of each group shall then be allocated to benefitting functions based on MTDC.

d. Order of distribution.

(1) Indirect cost categories consisting of depreciation and use allowances, interest, operation and maintenance, and general administration and general expenses shall be allocated in that order to the remaining indirect cost categories as well as to the major functions of the organization. Other cost categories could be allocated in the order determined to be most appropriate by the organization. When cross allocation of costs is made as provided in subparagraph (2), this order of allocation does not apply.

(2) Normally, an indirect cost category will be considered closed once it has been allocated to other cost objectives, and costs shall not be subsequently allocated to it. However, a cross allocation of costs between two or more indirect costs categories could be used if such allocation will result in a more equitable allocation of costs. If a cross allocation is used, an appropriate modification to the composition of the indirect cost categories is required.

- e. Application of indirect cost rate or rates. Except where a special indirect cost rate(s) is required in accordance with subparagraph D.5, the separate groupings of indirect costs allocated to each major function shall be aggregated and treated as a common pool for that function. The costs in the common pool shall then be distributed to individual awards included in that function by use of a single indirect cost rate.
- f. Distribution basis. Indirect costs shall be distributed to applicable sponsored awards and other benefitting activities within each major function on the basis of MTDC. MTDC consists of all salaries and wages, fringe benefits, materials and supplies, services, travel, and subgrants and subcontracts up to the first \$25,000 of each subgrant or subcontract (regardless of the period covered by the subgrant or subcontract). Equipment, capital expenditures, charges for patient care, rental costs and the portion in excess of \$25,000 shall be excluded from MTDC. Participant support costs shall generally be excluded from MTDC. Other items may only be excluded when the Federal cost cognizant agency determines that an exclusion is necessary to avoid a serious inequity in the distribution of indirect costs.
- g. Individual Rate Components. An indirect cost rate shall be determined for each separate indirect cost pool developed. The rate in each case shall be stated as the percentage which the amount of the particular indirect cost pool is of the distribution base identified with that pool.

Each indirect cost rate negotiation or determination agreement shall include development of the rate for each indirect cost pool as well as the overall indirect cost rate. The indirect cost pools shall be classified within two broad categories: "Facilities" and "Administration," as described in subparagraph C.3.

4. Direct allocation method.

- a. Some non-profit organizations treat all costs as direct costs except general administration and general expenses. These organizations generally separate their costs into three basic categories: (i) General administration and general expenses, (ii) fundraising, and (iii) other direct functions (including projects performed under Federal awards). Joint costs, such as depreciation, rental costs, operation and maintenance of facilities, telephone expenses, and the like are prorated individually as direct costs to each category and to each award or other activity using a base most appropriate to the particular cost being prorated.
- b. This method is acceptable, provided each joint cost is prorated using a base which accurately measures the benefits provided to each award or other activity. The bases must be established in accordance with reasonable criteria, and be supported by current data. This method is compatible with the Standards of Accounting and Financial Reporting for Voluntary Health and Welfare Organizations issued jointly by the National Health Council, Inc., the National Assembly of Voluntary Health and Social Welfare Organizations, and the United Way of America.
- c. Under this method, indirect costs consist exclusively of general administration and general expenses. In all other respects, the organization's indirect cost rates shall be computed in the same manner as that described in subparagraph 2.

5. Special indirect cost rates. In some instances, a single indirect cost rate for all activities of an organization or for each major function of the organization may not be appropriate, since it would not take into account those different factors which may substantially affect the indirect costs applicable to a particular segment of work. For this purpose, a particular segment of work may be that performed under a single award or it may consist of work under a group of awards performed in a common environment. These factors may include the physical location of the work, the level of administrative support required, the nature of the facilities or other resources employed, the scientific disciplines or technical skills involved, the organizational arrangements used, or any combination thereof. When a particular segment of work is performed in an environment which appears to generate a significantly different level of indirect costs, provisions should be made for a separate indirect cost pool applicable to such work. The separate indirect cost pool should be developed during the course of the regular allocation process, and the separate indirect cost rate resulting therefrom should be used, provided it is determined that (i) the rate differs significantly from that which would have been obtained under subparagraphs 2, 3, and 4, and (ii) the volume of work to which the rate would apply is material.

E. Negotiation and Approval of Indirect Cost Rates

1. Definitions. As used in this section, the following terms have the meanings set forth below:

- a. Cognizant agency means the Federal agency responsible for negotiating and approving indirect cost rates for a non-profit organization on behalf of all Federal agencies.
- b. Predetermined rate means an indirect cost rate, applicable to a specified current or future period, usually the organization's fiscal year. The rate is based on an estimate of the costs to be incurred during the period. A predetermined rate is not subject to adjustment.
- c. Fixed rate means an indirect cost rate which has the same characteristics as a predetermined rate, except that the difference between the estimated costs and the actual costs of the period covered by the rate is carried forward as an adjustment to the rate computation of a subsequent period.
- d. Final rate means an indirect cost rate applicable to a specified past period which is based on the actual costs of the period. A final rate is not subject to adjustment.
- e. Provisional rate or billing rate means a temporary indirect cost rate applicable to a specified period which is used for funding, interim reimbursement, and reporting indirect costs on awards pending the establishment of a final rate for the period.
- f. Indirect cost proposal means the documentation prepared by an organization to substantiate its claim for the reimbursement of indirect costs. This proposal provides the basis for the review and negotiation leading to the establishment of an organization's indirect cost rate.
- g. Cost objective means a function, organizational subdivision, contract, grant, or other work unit for which cost data are desired and for which provision is made to accumulate and measure the cost of processes, projects, jobs and capitalized projects.

2. Negotiation and approval of rates.

- a. Unless different arrangements are agreed to by the agencies concerned, the Federal agency with the largest dollar value of awards with an organization will be designated as the cognizant agency for the negotiation and approval of the indirect cost rates and, where necessary, other rates such as fringe benefit and computer charge-out rates. Once an agency is assigned cognizance for a particular non-profit organization, the assignment will not be changed unless there is a major long-term shift in the dollar volume of the Federal awards to the organization. All concerned Federal agencies shall be given the opportunity to participate in the negotiation process but, after a rate has been agreed upon, it will be accepted by all Federal agencies. When a Federal agency has reason to believe that special operating factors affecting its awards necessitate special indirect cost rates in accordance with subparagraph D.5, it will, prior to the time the rates are negotiated, notify the cognizant agency.

- b. A non-profit organization which has not previously established an indirect cost rate with a Federal agency shall submit its initial indirect cost proposal immediately after the organization is advised that an award will be made and, in no event, later than three months after the effective date of the award.
- c. Organizations that have previously established indirect cost rates must submit a new indirect cost proposal to the cognizant agency within six months after the close of each fiscal year.
- d. A predetermined rate may be negotiated for use on awards where there is reasonable assurance, based on past experience and reliable projection of the organization's costs, that the rate is not likely to exceed a rate based on the organization's actual costs.
- e. Fixed rates may be negotiated where predetermined rates are not considered appropriate. A fixed rate, however, shall not be negotiated if (i) all or a substantial portion of the organization's awards are expected to expire before the carry-forward adjustment can be made; (ii) the mix of Federal and non-Federal work at the organization is too erratic to permit an equitable carry-forward adjustment; or (iii) the organization's operations fluctuate significantly from year to year.
- f. Provisional and final rates shall be negotiated where neither predetermined nor fixed rates are appropriate.
- g. The results of each negotiation shall be formalized in a written agreement between the cognizant agency and the non-profit organization. The cognizant agency shall distribute copies of the agreement to all concerned Federal agencies.
- h. If a dispute arises in a negotiation of an indirect cost rate between the cognizant agency and the non-profit organization, the dispute shall be resolved in accordance with the appeals procedures of the cognizant agency.
- i. To the extent that problems are encountered among the Federal agencies in connection with the negotiation and approval process, OMB will lend assistance as required to resolve such problems in a timely manner.

ATTACHMENT B
Circular No. A-122

SELECTED ITEMS OF COST

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ATTACHMENT B
Circular No. A-122

SELECTED ITEMS OF COST

Paragraphs 1 through 53 provide principles to be applied in establishing the allowability of certain items of cost. These principles apply whether a cost is treated as direct or indirect. Failure to mention a particular item of cost is not intended to imply that it is unallowable; rather, determination as to allowability in each case should be based on the treatment or principles provided for similar or related items of cost.

1. *Advertising and public relations costs.*

- a. The term advertising costs means the costs of advertising media and corollary administrative costs. Advertising media include magazines, newspapers, radio and television, direct mail, exhibits, electronic or computer transmittals, and the like.
- b. The term public relations includes community relations and means those activities dedicated to maintaining the image of the non-profit organization or maintaining or promoting understanding and favorable relations with the community or public at large or any segment of the public.
- c. The only allowable advertising costs are those which are solely for:
 - (1) The recruitment of personnel required for the performance by the non-profit organization of obligations arising under a Federal award (See also Attachment B, paragraph 41, Recruiting costs, and paragraph 42, Relocation costs);
 - (2) The procurement of goods and services for the performance of a Federal award;
 - (3) The disposal of scrap or surplus materials acquired in the performance of a Federal award except when non-profit organizations are reimbursed for disposal costs at a predetermined amount; or
 - (4) Other specific purposes necessary to meet the requirements of the Federal award.
- d. The only allowable public relations costs are:
 - (1) Costs specifically required by the Federal award;
 - (2) Costs of communicating with the public and press pertaining to specific activities or accomplishments which result from performance of Federal awards (these costs are considered necessary as part of the outreach effort for the Federal award); or
 - (3) Costs of conducting general liaison with news media and government public relations officers, to the extent that such activities are limited to communication and liaison necessary keep the public informed on matters of public concern, such as notices of Federal contract/grant awards, financial matters, etc.
- e. Costs identified in subparagraphs c and d if incurred for more than one Federal award or for both sponsored work and other work of the non-

profit organization, are allowable to the extent that the principles in Attachment A, paragraphs B. ("Direct Costs") and C. ("Indirect Costs") are observed.

f. Unallowable advertising and public relations costs include the following:

(1) All advertising and public relations costs other than as specified in subparagraphs c, d, and e; (2) Costs of meetings, conventions, convocations, or other events related to other activities of the non-profit organization, including:

(a) Costs of displays, demonstrations, and exhibits;

(b) Costs of meeting rooms, hospitality suites, and other special facilities used in conjunction with shows and other special events; and

(c) Salaries and wages of employees engaged in setting up and displaying exhibits, making demonstrations, and providing briefings;

(3) Costs of promotional items and memorabilia, including models, gifts, and souvenirs;

(4) Costs of advertising and public relations designed solely to promote the non-profit organization.

2. *Advisory Councils*

Costs incurred by advisory councils or committees are allowable as a direct cost where authorized by the Federal awarding agency or as an indirect cost where allocable to Federal awards.

3. *Alcoholic beverages.* Costs of alcoholic beverages are unallowable.

4. *Audit costs and related services*

a. The costs of audits required by, and performed in accordance with, the Single Audit Act, as implemented by Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations" are allowable. Also see 31 USC 7505(b) and section 230 ("Audit Costs") of Circular A-133.

b. Other audit costs are allowable if included in an indirect cost rate proposal, or if specifically approved by the awarding agency as a direct cost to an award.

c. The cost of agreed-upon procedures engagements to monitor subrecipients who are exempted from A-133 under section 200(d) are allowable, subject to the conditions listed in A-133, section 230 (b)(2).

5. *Bad debts.* Bad debts, including losses (whether actual or estimated) arising from uncollectable accounts and other claims, related collection costs, and related legal costs, are unallowable.

6. *Bonding costs.*

- a. Bonding costs arise when the Federal Government requires assurance against financial loss to itself or others by reason of the act or default of the non-profit organization. They arise also in instances where the non-profit organization requires similar assurance. Included are such bonds as bid, performance, payment, advance payment, infringement, and fidelity bonds.
- b. Costs of bonding required pursuant to the terms of the award are allowable.
- c. Costs of bonding required by the non-profit organization in the general conduct of its operations are allowable to the extent that such bonding is in accordance with sound business practice and the rates and premiums are reasonable under the circumstances.

7. *Communication costs.* Costs incurred for telephone services, local and long distance telephone calls, telegrams, postage, messenger, electronic or computer transmittal services and the like are allowable.

8. *Compensation for personal services.*

- a. *Definition.* Compensation for personal services includes all compensation paid currently or accrued by the organization for services of employees rendered during the period of the award (except as otherwise provided in subparagraph h). It includes, but is not limited to, salaries, wages, director's and executive committee member's fees, incentive awards, fringe benefits, pension plan costs, allowances for off-site pay, incentive pay, location allowances, hardship pay, and cost of living differentials.
- b. *Allowability.* Except as otherwise specifically provided in this paragraph, the costs of such compensation are allowable to the extent that:
 - (1) Total compensation to individual employees is reasonable for the services rendered and conforms to the established policy of the organization consistently applied to both Federal and non-Federal activities; and
 - (2) Charges to awards whether treated as direct or indirect costs are determined and supported as required in this paragraph.
- c. *Reasonableness.*
 - (1) When the organization is predominantly engaged in activities other than those sponsored by the Federal Government, compensation for employees on federally sponsored work will be considered reasonable to the extent that it is consistent with that paid for similar work in the organization's other activities.
 - (2) When the organization is predominantly engaged in federally sponsored activities and in cases where the kind of employees required for the Federal activities are not found in the organization's other

activities, compensation for employees on federally sponsored work will be considered reasonable to the extent that it is comparable to that paid for similar work in the labor markets in which the organization competes for the kind of employees involved.

- d. Special considerations in determining allowability. Certain conditions require special consideration and possible limitations in determining costs under Federal awards where amounts or types of compensation appear unreasonable. Among such conditions are the following:
 - (1) Compensation to members of non-profit organizations, trustees, directors, associates, officers, or the immediate families thereof. Determination should be made that such compensation is reasonable for the actual personal services rendered rather than a distribution of earnings in excess of costs.
 - (2) Any change in an organization's compensation policy resulting in a substantial increase in the organization's level of compensation, particularly when it was concurrent with an increase in the ratio of Federal awards to other activities of the organization or any change in the treatment of allowability of specific types of compensation due to changes in Federal policy.
- e. Unallowable costs. Costs which are unallowable under other paragraphs of this Attachment shall not be allowable under this paragraph solely on the basis that they constitute personal compensation.
- f. Overtime, extra-pay shift, and multi-shift premiums. Premiums for overtime, extra-pay shifts, and multi-shift work are allowable only with the prior approval of the awarding agency except:
 - (1) When necessary to cope with emergencies, such as those resulting from accidents, natural disasters, breakdowns of equipment, or occasional operational bottlenecks of a sporadic nature.
 - (2) When employees are performing indirect functions, such as administration, maintenance, or accounting.
 - (3) In the performance of tests, laboratory procedures, or other similar operations which are continuous in nature and cannot reasonably be interrupted or otherwise completed.
 - (4) When lower overall cost to the Federal Government will result.
- g. Fringe benefits.
 - (1) Fringe benefits in the form of regular compensation paid to employees during periods of authorized absences from the job, such as vacation leave, sick leave, military leave, and the like, are allowable, provided such costs are absorbed by all organization activities in proportion to the relative amount of time or effort actually devoted to each.
 - (2) Fringe benefits in the form of employer contributions or expenses for social security, employee insurance, workmen's compensation

insurance, pension plan costs (see subparagraph h), and the like, are allowable, provided such benefits are granted in accordance with established written organization policies. Such benefits whether treated as indirect costs or as direct costs, shall be distributed to particular awards and other activities in a manner consistent with the pattern of benefits accruing to the individuals or group of employees whose salaries and wages are chargeable to such awards and other activities.

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

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

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

h. Organization-furnished automobiles. That portion of the cost of organization-furnished automobiles that relates to personal use by employees (including transportation 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. These costs are allowable as direct costs to sponsored award when necessary for the performance of the sponsored award and approved by awarding agencies.

i. Pension plan costs.

(1) Costs of the organization's pension plan which are incurred in accordance with the established policies of the organization are allowable, provided:

(a) Such policies meet the test of reasonableness;

(b) The methods of cost allocation are not discriminatory;

(c) The cost assigned to each fiscal year is determined in accordance with generally accepted accounting principles (GAAP), as prescribed in Accounting Principles Board Opinion No. 8 issued by the American Institute of Certified Public Accountants; and

(d) The costs assigned to a given fiscal year are funded for all

plan participants within six months after the end of that year. However, increases to normal and past service pension costs caused by a delay in funding the actuarial liability beyond 30 days after each quarter of the year to which such costs are assignable are unallowable.

(2) Pension plan termination insurance premiums paid pursuant to the Employee Retirement Income Security Act (ERISA) of 1974 (Pub. L. 93-406) are allowable. Late payment charges on such premiums are unallowable.

(3) Excise taxes on accumulated funding deficiencies and other penalties imposed under ERISA are unallowable.

j. Incentive compensation. Incentive compensation to employees based on cost reduction, or efficient performance, suggestion awards, safety awards, etc., are allowable to the extent that the overall compensation is determined to be reasonable and such costs are paid or accrued pursuant to an agreement entered into in good faith between the organization and the employees before the services were rendered, or pursuant to an established plan followed by the organization so consistently as to imply, in effect, an agreement to make such payment.

k. Severance pay.

(1) Severance pay, also commonly referred to as dismissal wages, is a payment in addition to regular salaries and wages, by organizations to workers whose employment is being terminated. Costs of severance pay are allowable only to the extent that in each case, it is required by

(a) law,

(b) employer-employee agreement,

(c) established policy that constitutes, in effect, an implied agreement on the organization's part, or

(d) circumstances of the particular employment.

(2) Costs of severance payments are divided into two categories as follows:

(a) Actual normal turnover severance payments shall be allocated to all activities; or, where the organization provides for a reserve for normal severances, such method will be acceptable if the charge to current operations is reasonable in light of payments actually made for normal severances over a representative past period, and if amounts charged are allocated to all activities of the organization.

(b) Abnormal or mass severance pay is of such a conjectural nature that measurement of costs by means of an accrual will not achieve equity to both parties. Thus, accruals for this purpose are not allowable. However, the Federal Government recognizes its

obligation to participate, to the extent of its fair share, in any specific payment. Thus, allowability will be considered on a case-by-case basis in the event or occurrence.

(c) Costs incurred in certain severance pay packages (commonly known as "a golden parachute" payment) which are in an amount in excess of the normal severance pay paid by the organization to an employee upon termination of employment and are paid to the employee contingent upon a change in management control over, or ownership of, the organization's assets are unallowable.

(d) Severance payments to foreign nationals employed by the organization outside the United States, to the extent that the amount exceeds the customary or prevailing practices for the organization in the United States are unallowable, unless they are necessary for the performance of Federal programs and approved by awarding agencies.

(e) Severance payments to foreign nationals employed by the organization outside the United States due to the termination of the foreign national as a result of the closing of, or curtailment of activities by, the organization in that country, are unallowable, unless they are necessary for the performance of Federal programs and approved by awarding agencies.

l. Training costs. See paragraph 49.

m. Support of salaries and wages.

(1) Charges to awards for salaries and wages, whether treated as direct costs or indirect costs, will be based on documented payrolls approved by a responsible official(s) of the organization. The distribution of salaries and wages to awards must be supported by personnel activity reports, as prescribed in subparagraph (2), except when a substitute system has been approved in writing by the cognizant agency. (See subparagraph E.2 of Attachment A.)

(2) Reports reflecting the distribution of activity of each employee must be maintained for all staff members (professionals and nonprofessionals) whose compensation is charged, in whole or in part, directly to awards. In addition, in order to support the allocation of indirect costs, such reports must also be maintained for other employees whose work involves two or more functions or activities if a distribution of their compensation between such functions or activities is needed in the determination of the organization's indirect cost rate(s) (e.g., an employee engaged part-time in indirect cost activities and part-time in a direct function). Reports maintained by non-profit organizations to satisfy these requirements must meet the following standards:

(a) The reports must reflect an after-the-fact determination of the actual activity of each employee. Budget estimates (i.e., estimates determined before the services are performed) do not qualify as support for charges to awards.

(b) Each report must account for the total activity for which employees are compensated and which is required in fulfillment of their obligations to the organization.

(c) The reports must be signed by the individual employee, or by a responsible supervisory official having first hand knowledge of the activities performed by the employee, that the distribution of activity represents a reasonable estimate of the actual work performed by the employee during the periods covered by the reports.

(d) The reports must be prepared at least monthly and must coincide with one or more pay periods.

(3) Charges for the salaries and wages of nonprofessional employees, in addition to the supporting documentation described in subparagraphs (1) and (2), must also be supported by records indicating the total number of hours worked each day maintained in conformance with Department of Labor regulations implementing the Fair Labor Standards Act (FLSA) (29 CFR Part 516). For this purpose, the term "nonprofessional employee" shall have the same meaning as "nonexempt employee," under FLSA.

(4) Salaries and wages of employees used in meeting cost sharing or matching requirements on awards must be supported in the same manner as salaries and wages claimed for reimbursement from awarding agencies.

9. *Contingency provisions.* Contributions to a contingency reserve or any similar provision made for events the occurrence of which cannot be foretold with certainty as to time, intensity, or with an assurance of their happening, are unallowable.

The term "contingency reserve" excludes self-insurance reserves (see Attachment B, paragraphs 8.g. (3) and 22.a(2)(d)); pension funds (see paragraph 8.i); and reserves for normal severance pay (see paragraph 8.k.)

10. *Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringement.*

a. Definitions.

(1) Conviction, as used herein, means a judgment or a conviction of a criminal offense by any court of competent jurisdiction, whether entered upon as a verdict or a plea, including a conviction due to a plea of *nolo contendere*.

(2) Costs include, but are not limited to, administrative and clerical expenses; the cost of legal services, whether performed by in-house or private counsel; and the costs of the services of accountants, consultants, or others retained by the organization to assist it; costs of employees, officers and trustees, and any similar costs incurred before, during, and after commencement of a judicial or administrative proceeding that bears a direct relationship to the proceedings.

(3) Fraud, as used herein, means (i) acts of fraud corruption or attempts to defraud the Federal Government or to corrupt its agents, (ii) acts that constitute a cause for debarment or suspension (as specified in agency regulations), and (iii) acts which violate the False Claims Act, 31 U.S.C., sections 3729-3731, or the Anti-Kickback Act, 41 U.S.C., sections 51 and 54.

(4) Penalty does not include restitution, reimbursement, or compensatory damages.

(5) Proceeding includes an investigation.

b. (1) Except as otherwise described herein, costs incurred in connection with any criminal, civil or administrative proceeding (including filing of a false certification) commenced by the Federal Government, or a State, local or foreign government, are not allowable if the proceeding: (1) relates to a violation of, or failure to comply with, a Federal, State, local or foreign statute or regulation by the organization (including its agents and employees), and (2) results in any of the following dispositions:

(a) In a criminal proceeding, a conviction.

(b) In a civil or administrative proceeding involving an allegation of fraud or similar misconduct, a determination of organizational liability.

(c) In the case of any civil or administrative proceeding, the imposition of a monetary penalty.

(d) A final decision by an appropriate Federal official to debar or suspend the organization, to rescind or void an award, or to terminate an award for default by reason of a violation or failure to comply with a law or regulation.

(e) A disposition by consent or compromise, if the action could have resulted in any of the dispositions described in (a), (b), (c) or (d).

(2) If more than one proceeding involves the same alleged misconduct, the costs of all such proceedings shall be unallowable if any one of them results in one of the dispositions shown in subparagraph b.(1).

c. If a proceeding referred to in subparagraph b is commenced by the Federal Government and is resolved by consent or compromise pursuant to an agreement entered into by the organization and the Federal Government, then the costs incurred by the organization in connection with such proceedings that are otherwise not allowable under subparagraph b may be allowed to the extent specifically provided in such agreement.

d. If a proceeding referred to in subparagraph b is commenced by a State, local or foreign government, the authorized Federal official may allow the costs incurred by the organization for such proceedings, if such authorized official determines that the costs were incurred as a result of

- (1) a specific term or condition of a federally sponsored award, or (2) specific written direction of an authorized official of the sponsoring agency.
- e. Costs incurred in connection with proceedings described in subparagraph b, but which are not made unallowable by that subparagraph, may be allowed by the Federal Government, but only to the extent that:
- (1) The costs are reasonable in relation to the activities required to deal with the proceeding and the underlying cause of action;
 - (2) Payment of the costs incurred, as allowable and allocable costs, is not prohibited by any other provision(s) of the sponsored award;
 - (3) The costs are not otherwise recovered from the Federal Government or a third party, either directly as a result of the proceeding or otherwise; and,
 - (4) The percentage of costs allowed does not exceed the percentage determined by an authorized Federal official to be appropriate, considering the complexity of the litigation, generally accepted principles governing the award of legal fees in civil actions involving the United States as a party, and such other factors as may be appropriate. Such percentage shall not exceed 80 percent. However, if an agreement reached under subparagraph c has explicitly considered this 80 percent limitation and permitted a higher percentage, then the full amount of costs resulting from that agreement shall be allowable.
- f. Costs incurred by the organization in connection with the defense of suits brought by its employees or ex-employees under section 2 of the Major Fraud Act of 1988 (Pub. L. 100-700), including the cost of all relief necessary to make such employee whole, where the organization was found liable or settled, are unallowable.
- g. Costs of legal, accounting, and consultant services, and related costs, incurred in connection with defense against Federal Government claims or appeals, antitrust suits, or the prosecution of claims or appeals against the Federal Government, are unallowable.
- h. Costs of legal, accounting, and consultant services, and related costs, incurred in connection with patent infringement litigation, are unallowable unless otherwise provided for in the sponsored awards.
- i. Costs which may be unallowable under this paragraph, including directly associated costs, shall be segregated and accounted for by the organization separately. During the pendency of any proceeding covered by subparagraphs b and f, the Federal Government shall generally withhold payment of such costs. However, if in the best interests of the Federal Government, the Federal Government may provide for conditional payment upon provision of adequate security, or other adequate assurance, and agreements by the organization to repay all unallowable costs, plus interest, if the costs are subsequently determined to be unallowable.

11. *Depreciation and use allowances.*

- a. Compensation for the use of buildings, other capital improvements, and equipment on hand may be made through use allowance or depreciation. However, except as provided in Attachment B, paragraph f, a combination of the two methods may not be used in connection with a single class of fixed assets (e.g., buildings, office equipment, computer equipment, etc.).
- b. The computation of use allowances or depreciation shall be based on the acquisition cost of the assets involved. The acquisition cost of an asset donated to the non-profit organization by a third party shall be its fair market value at the time of the donation.
- c. The computation of use allowances or depreciation will exclude:
 - (1) The cost of land;
 - (2) Any portion of the cost of buildings and equipment borne by or donated by the Federal Government irrespective of where title was originally vested or where it presently resides; and
 - (3) Any portion of the cost of buildings and equipment contributed by or for the non-profit organization in satisfaction of a statutory matching requirement.
- d. Where depreciation method is followed, the period of useful service (useful life) established in each case for usable capital assets must take into consideration such factors as type of construction, nature of the equipment used, technological developments in the particular program area, and the renewal and replacement policies followed for the individual items or classes of assets involved. The method of depreciation used to assign the cost of an asset (or group of assets) to accounting periods shall reflect the pattern of consumption of the asset during its useful life.

In the absence of clear evidence indicating that the expected consumption of the asset will be significantly greater or lesser in the early portions of its useful life than in the later portions, the straight-line method shall be presumed to be the appropriate method.

Depreciation methods once used shall not be changed unless approved in advance by the cognizant Federal agency. When the depreciation method is introduced for application to assets previously subject to a use allowance, the combination of use allowances and depreciation applicable to such assets must not exceed the total acquisition cost of the assets.

- e. When the depreciation method is used for buildings, a building's shell may be segregated from each building component (e.g., plumbing system, heating, and air conditioning system, etc.) and each item depreciated over its estimated useful life; or the entire building (i.e., the shell and all components) may be treated as a single asset and depreciated over a single useful life.

- f. When the depreciation method is used for a particular class of assets, no depreciation may be allowed on any such assets that, under subparagraph d, would be viewed as fully depreciated. However, a reasonable use allowance may be negotiated for such assets if warranted after taking into consideration the amount of depreciation previously charged to the Federal Government, the estimated useful life remaining at time of negotiation, the effect of any increased maintenance charges or decreased efficiency due to age, and any other factors pertinent to the utilization of the asset for the purpose contemplated.
- g. Where the use allowance method is followed, the use allowance for buildings and improvement (including land improvements, such as paved parking areas, fences, and sidewalks) will be computed at an annual rate not exceeding two percent of acquisition cost.

The use allowance for equipment will be computed at an annual rate not exceeding six and two-thirds percent of acquisition cost. When the use allowance method is used for buildings, the entire building must be treated as a single asset; the building's components (e.g., plumbing system, heating and air conditioning, etc.) cannot be segregated from the building's shell.

The two percent limitation, however, need not be applied to equipment which is merely attached or fastened to the building but not permanently fixed to it and which is used as furnishings or decorations or for specialized purposes (e.g., dentist chairs and dental treatment units, counters, laboratory benches bolted to the floor, dishwashers, modular furniture, carpeting, etc.). Such equipment will be considered as not being permanently fixed to the building if it can be removed without the need for costly or extensive alterations or repairs to the building or the equipment. Equipment that meets these criteria will be subject to the 6 2/3 percent equipment use allowance limitation.

- h. Charges for use allowances or depreciation must be supported by adequate property records and physical inventories must be taken at least once every two years (a statistical sampling basis is acceptable) to ensure that assets exist and are usable and needed. When the depreciation method is followed, adequate depreciation records indicating the amount of depreciation taken each period must also be maintained.

12. *Donations and contributions.*

- a. Contributions or donations rendered. Contributions or donations, including cash, property, and services, made by the organization, regardless of the recipient, are unallowable.
- b. Donated services received:
 - (1) Donated or volunteer services may be furnished to an organization by professional and technical personnel, consultants, and other skilled and unskilled labor. The value of these services is not reimbursable

either as a direct or indirect cost. However, the value of donated services may be used to meet cost sharing or matching requirements in accordance with the Common Rule.

(2) The value of donated services utilized in the performance of a direct cost activity shall, when material in amount, be considered in the determination of the non-profit organization's indirect costs or rate(s) and, accordingly, shall be allocated a proportionate share of applicable indirect costs when the following exist:

- (a) The aggregate value of the services is material;
- (b) The services are supported by a significant amount of the indirect costs incurred by the non-profit organization; and
- (c) The direct cost activity is not pursued primarily for the benefit of the Federal Government.

(3) In those instances where there is no basis for determining the fair market value of the services rendered, the recipient and the cognizant agency shall negotiate an appropriate allocation of indirect cost to the services.

(4) Where donated services directly benefit a project supported by an award, the indirect costs allocated to the services will be considered as a part of the total costs of the project. Such indirect costs may be reimbursed under the award or used to meet cost sharing or matching requirements.

(5) The value of the donated services may be used to meet cost sharing or matching requirements under conditions described in Sec. 23 of Circular A-110. Where donated services are treated as indirect costs, indirect cost rates will separate the value of the donations so that reimbursement will not be made.

c. Donated goods or space.

(1) Donated goods; i.e., expendable personal property/supplies, and donated use of space may be furnished to a non-profit organization. The value of the goods and space is not reimbursable either as a direct or indirect cost.

(2) The value of the donations may be used to meet cost sharing or matching share requirements under the conditions described in Circular A-110. Where donations are treated as indirect costs, indirect cost rates will separate the value of the donations so that reimbursement will not be made.

13. *Employee morale, health, and welfare costs.*

- a. The costs of employee information publications, health or first-aid clinics and/or infirmaries, recreational activities, employee counseling services, and any other expenses incurred in accordance with the non-profit organization's established practice or custom for the improvement

of working conditions, employer-employee relations, employee morale, and employee performance are allowable.

- b. Such costs will be equitably apportioned to all activities of the non-profit organization. Income generated from any of these activities will be credited to the cost thereof unless such income has been irrevocably set over to employee welfare organizations.

14. *Entertainment costs.* Costs of entertainment, including amusement, diversion, and social activities and any costs directly associated with such costs (such as tickets to shows or sports events, meals, lodging, rentals, transportation, and gratuities) are unallowable.

15. *Equipment and other capital expenditures.*

- a. For purposes of this subparagraph, the following definitions apply:

- (1) "Capital Expenditures" means expenditures for the acquisition cost of capital assets (equipment, buildings, land), or expenditures to make improvements to capital assets that materially increase their value or useful life. Acquisition cost means the cost of the asset including the cost to put it in place. Acquisition cost for equipment, for example, means the net invoice price of the equipment, including the cost of any modifications, attachments, accessories, or auxiliary apparatus necessary to make it usable for the purpose for which it is acquired. Ancillary charges, such as taxes, duty, protective in transit insurance, freight, and installation may be included in, or excluded from the acquisition cost in accordance with the non-profit organization's regular accounting practices.

- (2) "Equipment" means an article of nonexpendable, tangible personal property having a useful life of more than one year and an acquisition cost which equals or exceeds the lesser of the capitalization level established by the non-profit organization for financial statement purposes, or \$5000.

- (3) "Special purpose equipment" means equipment which is used only for research, medical, scientific, or other technical activities. Examples of special purpose equipment include microscopes, x-ray machines, surgical instruments, and spectrometers.

- (4) "General purpose equipment" means equipment, which is not limited to research, medical, scientific or other technical activities. Examples include office equipment and furnishings, modular offices, telephone networks, information technology equipment and systems, air conditioning equipment, reproduction and printing equipment, and motor vehicles.

- b. The following rules of allowability shall apply to equipment and other capital expenditures:

- (1) Capital expenditures for general purpose equipment, buildings, and land are unallowable as direct charges, except where approved in advance by the awarding agency.

(2) Capital expenditures for special purpose equipment are allowable as direct costs, provided that items with a unit cost of \$5000 or more have the prior approval of the awarding agency.

(3) Capital expenditures for improvements to land, buildings, or equipment which materially increase their value or useful life are unallowable as a direct cost except with the prior approval of the awarding agency.

(4) When approved as a direct charge pursuant to paragraph 15.b.(1), (2), and (3) above, capital expenditures will be charged in the period in which the expenditure is incurred, or as otherwise determined appropriate by and negotiated with the awarding agency.

(5) Equipment and other capital expenditures are unallowable as indirect costs. However, see Attachment B, paragraph 11., Depreciation and use allowance, for rules on the allowability of use allowances or depreciation on buildings, capital improvements, and equipment. Also, see Attachment B, paragraph 43., Rental costs of buildings and equipment, for rules on the allowability of rental costs for land, buildings, and equipment.

(6) The unamortized portion of any equipment written off as a result of a change in capitalization levels may be recovered by continuing to claim the otherwise allowable use allowances or depreciation on the equipment, or by amortizing the amount to be written off over a period of years negotiated with the cognizant agency.

16. *Fines and penalties.* Costs of fines and penalties resulting from violations of, or failure of the organization to comply with Federal, State, and local laws and regulations are unallowable except when incurred as a result of compliance with specific provisions of an award or instructions in writing from the awarding agency.

17. *Fund raising and investment management costs.*

- a. Costs of organized fund raising, including financial campaigns, endowment drives, solicitation of gifts and bequests, and similar expenses incurred solely to raise capital or obtain contributions are unallowable.
- b. Costs of investment counsel and staff and similar expenses incurred solely to enhance income from investments are unallowable.
- c. Fund raising and investment activities shall be allocated an appropriate share of indirect costs under the conditions described in subparagraph B.3 of Attachment A.

18. *Gains and losses on depreciable assets.*

- a. (1) Gains and losses on sale, retirement, or other disposition of depreciable property shall be included in the year in which they occur as credits or charges to cost grouping(s) in which the depreciation

applicable to such property was included. The amount of the gain or loss to be included as a credit or charge to the appropriate cost grouping(s) shall be the difference between the amount realized on the property and the undepreciated basis of the property.

(2) Gains and losses on the disposition of depreciable property shall not be recognized as a separate credit or charge under the following conditions:

(a) The gain or loss is processed through a depreciation account and is reflected in the depreciation allowable under paragraph 11.

(b) The property is given in exchange as part of the purchase price of a similar item and the gain or loss is taken into account in determining the depreciation cost basis of the new item.

(c) A loss results from the failure to maintain permissible insurance, except as otherwise provided in Attachment B, paragraph 22.

(d) Compensation for the use of the property was provided through use allowances in lieu of depreciation in accordance with paragraph 9.

(e) Gains and losses arising from mass or extraordinary sales, retirements, or other dispositions shall be considered on a case-by-case basis.

- b. Gains or losses of any nature arising from the sale or exchange of property other than the property covered in subparagraph a shall be excluded in computing award costs.

19. *Goods or services for personal use.* Costs of goods or services for personal use of the organization's employees are unallowable regardless of whether the cost is reported as taxable income to the employees.

20. *Housing and personal living expenses.*

- a. Costs of housing (e.g., depreciation, maintenance, utilities, furnishings, rent, etc.), housing allowances and personal living expenses for/of the organization's officers are unallowable as fringe benefit or indirect costs regardless of whether the cost is reported as taxable income to the employees. These costs are allowable as direct costs to sponsored award when necessary for the performance of the sponsored award and approved by awarding agencies.

- b. The term "officers" includes current and past officers and employees.

21. *Idle facilities and idle capacity.*

- a. As used in this section the following terms have the meanings set forth below:

(1) "Facilities" means land and buildings or any portion thereof,

equipment individually or collectively, or any other tangible capital asset, wherever located, and whether owned or leased by the non-profit organization.

(2) "Idle facilities" means completely unused facilities that are excess to the non-profit organization's current needs.

(3) "Idle capacity" means the unused capacity of partially used facilities. It is the difference between: (a) that which a facility could achieve under 100 percent operating time on a one-shift basis less operating interruptions resulting from time lost for repairs, setups, unsatisfactory materials, and other normal delays; and (b) the extent to which the facility was actually used to meet demands during the accounting period. A multi-shift basis should be used if it can be shown that this amount of usage would normally be expected for the type of facility involved.

(4) "Cost of idle facilities or idle capacity" means costs such as maintenance, repair, housing, rent, and other related costs, e.g., insurance, interest, property taxes and depreciation or use allowances.

b. The costs of idle facilities are unallowable except to the extent that:

(1) They are necessary to meet fluctuations in workload; or

(2) Although not necessary to meet fluctuations in workload, they were necessary when acquired and are now idle because of changes in program requirements, efforts to achieve more economical operations, reorganization, termination, or other causes which could not have been reasonably foreseen. Under the exception stated in this subparagraph, costs of idle facilities are allowable for a reasonable period of time, ordinarily not to exceed one year, depending on the initiative taken to use, lease, or dispose of such facilities.

c. The costs of idle capacity are normal costs of doing business and are a factor in the normal fluctuations of usage or indirect cost rates from period to period. Such costs are allowable, provided that the capacity is reasonably anticipated to be necessary or was originally reasonable and is not subject to reduction or elimination by use on other Federal awards, subletting, renting, or sale, in accordance with sound business, economic, or security practices. Widespread idle capacity throughout an entire facility or among a group of assets having substantially the same function may be considered idle facilities.

22. *Insurance and indemnification.*

a. Insurance includes insurance which the organization is required to carry, or which is approved, under the terms of the award and any other insurance which the organization maintains in connection with the general conduct of its operations. This paragraph does not apply to insurance which represents fringe benefits for employees (see subparagraphs 8.g and 8.i(2)).

(1) Costs of insurance required or approved, and maintained, pursuant

to the award are allowable.

(2) Costs of other insurance maintained by the organization in connection with the general conduct of its operations are allowable subject to the following limitations:

(a) Types and extent of coverage shall be in accordance with sound business practice and the rates and premiums shall be reasonable under the circumstances.

(b) Costs allowed for business interruption or other similar insurance shall be limited to exclude coverage of management fees.

(c) Costs of insurance or of any provisions for a reserve covering the risk of loss or damage to Federal property are allowable only to the extent that the organization is liable for such loss or damage.

(d) Provisions for a reserve under a self-insurance program are allowable to the extent that types of coverage, extent of coverage, rates, and premiums would have been allowed had insurance been purchased to cover the risks. However, provision for known or reasonably estimated self-insured liabilities, which do not become payable for more than one year after the provision is made, shall not exceed the present value of the liability.

(e) Costs of insurance on the lives of trustees, officers, or other employees holding positions of similar responsibilities are allowable only to the extent that the insurance represents additional compensation (see subparagraph 8.g(4)). The cost of such insurance when the organization is identified as the beneficiary is unallowable.

(f) Insurance against defects. Costs of insurance with respect to any costs incurred to correct defects in the organization's materials or workmanship are unallowable.

(g) Medical liability (malpractice) insurance. Medical liability insurance is an allowable cost of Federal research programs only to the extent that the Federal research programs involve human subjects or training of participants in research techniques. Medical liability insurance costs shall be treated as a direct cost and shall be assigned to individual projects based on the manner in which the insurer allocates the risk to the population covered by the insurance.

(3) Actual losses which could have been covered by permissible insurance (through the purchase of insurance or a self-insurance program) are unallowable unless expressly provided for in the award, except:

(a) Costs incurred because of losses not covered under nominal deductible insurance coverage provided in keeping with sound business practice are allowable.

(b) Minor losses not covered by insurance, such as spoilage, breakage, and disappearance of supplies, which occur in the ordinary course of operations, are allowable.

- b. Indemnification includes securing the organization against liabilities to third persons and any other loss or damage, not compensated by insurance or otherwise. The Federal Government is obligated to indemnify the organization only to the extent expressly provided in the award.

23. *Interest.*

- a. Costs incurred for interest on borrowed capital, temporary use of endowment funds, or the use of the non-profit organization's own funds, however represented, are unallowable. However, interest on debt incurred after September 29, 1995 to acquire or replace capital assets (including renovations, alterations, equipment, land, and capital assets acquired through capital leases), acquired after September 29, 1995 and used in support of Federal awards is allowable, provided that:

(1) For facilities acquisitions (excluding renovations and alterations) costing over \$10 million where the Federal Government's reimbursement is expected to equal or exceed 40 percent of an asset's cost, the non-profit organization prepares, prior to the acquisition or replacement of the capital asset(s), a justification that demonstrates the need for the facility in the conduct of federally sponsored activities. Upon request, the needs justification must be provided to the Federal agency with cost cognizance authority as a prerequisite to the continued allowability of interest on debt and depreciation related to the facility. The needs justification for the acquisition of a facility should include, at a minimum, the following:

- (a) A statement of purpose and justification for facility acquisition or replacement
- (b) A statement as to why current facilities are not adequate
- (c) A statement of planned future use of the facility
- (d) A description of the financing agreement to be arranged for the facility
- (e) A summary of the building contract with estimated cost information and statement of source and use of funds
- (f) A schedule of planned occupancy dates

(2) For facilities costing over \$500,000, the non-profit organization prepares, prior to the acquisition or replacement of the facility, a lease/purchase analysis in accordance with the provisions of Sec. __.30 through __.37 of Circular A-110, which shows that a financed purchase or capital lease is less costly to the organization than other leasing alternatives, on a net present value basis. Discount rates used should

be equal to the non-profit organization's anticipated interest rates and should be no higher than the fair market rate available to the non-profit organization from an unrelated ("arm's length") third-party. The lease/purchase analysis shall include a comparison of the net present value of the projected total cost comparisons of both alternatives over the period the asset is expected to be used by the non-profit organization. The cost comparisons associated with purchasing the facility shall include the estimated purchase price, anticipated operating and maintenance costs (including property taxes, if applicable) not included in the debt financing, less any estimated asset salvage value at the end of the period defined above. The cost comparison for a capital lease shall include the estimated total lease payments, any estimated bargain purchase option, operating and maintenance costs, and taxes not included in the capital leasing arrangement, less any estimated credits due under the lease at the end of the period defined above. Projected operating lease costs shall be based on the anticipated cost of leasing comparable facilities at fair market rates under rental agreements that would be renewed or reestablished over the period defined above, and any expected maintenance costs and allowable property taxes to be borne by the non-profit organization directly or as part of the lease arrangement.

(3) The actual interest cost claimed is predicated upon interest rates that are no higher than the fair market rate available to the non-profit organization from an unrelated ("arm's length") third party.

(4) Investment earnings, including interest income, on bond or loan principal, pending payment of the construction or acquisition costs, are used to offset allowable interest cost. Arbitrage earnings reportable to the Internal Revenue Service are not required to be offset against allowable interest costs.

(5) Reimbursements are limited to the least costly alternative based on the total cost analysis required under subparagraph (b). For example, if an operating lease is determined to be less costly than purchasing through debt financing, then reimbursement is limited to the amount determined if leasing had been used. In all cases where a lease/purchase analysis is performed, Federal reimbursement shall be based upon the least expensive alternative.

(6) Non-profit organizations are also subject to the following conditions:

(a) Interest on debt incurred to finance or refinance assets acquired before or reacquired after September 29, 1995, is not allowable.

(b) Interest attributable to fully depreciated assets is unallowable.

(c) For debt arrangements over \$1 million, unless the non-profit organization makes an initial equity contribution to the asset purchase of 25 percent or more, non-profit organizations shall reduce claims for interest expense by an amount equal to imputed interest earnings on excess cash flow, which is to be calculated as follows. Annually, non-profit organizations shall prepare a cumulative (from the inception of the project) report of

monthly cash flows that includes inflows and outflows, regardless of the funding source. Inflows consist of depreciation expense, amortization of capitalized construction interest, and annual interest expense. For cash flow calculations, the annual inflow figures shall be divided by the number of months in the year (usually 12) that the building is in service for monthly amounts. Outflows consist of initial equity contributions, debt principal payments (less the pro rata share attributable to the unallowable costs of land) and interest payments. Where cumulative inflows exceed cumulative outflows, interest shall be calculated on the excess inflows for that period and be treated as a reduction to allowable interest expense. The rate of interest to be used to compute earnings on excess cash flows shall be the three month Treasury Bill closing rate as of the last business day of that month.

(d) Substantial relocation of federally sponsored activities from a facility financed by indebtedness, the cost of which was funded in whole or part through Federal reimbursements, to another facility prior to the expiration of a period of 20 years requires notice to the Federal cognizant agency. The extent of the relocation, the amount of the Federal participation in the financing, and the depreciation and interest charged to date may require negotiation and/or downward adjustments of replacement space charged to Federal programs in the future.

(e) The allowable costs to acquire facilities and equipment are limited to a fair market value available to the non-profit organization from an unrelated ("arm's length") third party.

b. For non-profit organizations subject to "full coverage" under the Cost Accounting Standards (CAS) as defined at 48 CFR 9903.201, the interest allowability provisions of subparagraph a do not apply. Instead, these organizations' sponsored agreements are subject to CAS 414 (48 CFR 9903.414), cost of money as an element of the cost of facilities capital, and CAS 417 (48 CFR 9903.417), cost of money as an element of the cost of capital assets under construction.

c. The following definitions are to be used for purposes of this paragraph:

(1) Re-acquired assets means assets held by the non-profit organization prior to September 29, 1995 that have again come to be held by the organization, whether through repurchase or refinancing. It does not include assets acquired to replace older assets.

(2) Initial equity contribution means the amount or value of contributions made by non-profit organizations for the acquisition of the asset or prior to occupancy of facilities.

(3) Asset costs means the capitalizable costs of an asset, including construction costs, acquisition costs, and other such costs capitalized in accordance with GAAP.

24. *Labor relations costs.* Costs incurred in maintaining satisfactory relations

between the organization and its employees, including costs of labor management committees, employee publications, and other related activities are allowable.

25. *Lobbying.*

- a. Notwithstanding other provisions of this Circular, costs associated with the following activities are unallowable:
 - (1) Attempts to influence the outcomes of any Federal, State, or local election, referendum, initiative, or similar procedure, through in kind or cash contributions, endorsements, publicity, or similar activity;
 - (2) Establishing, administering, contributing to, or paying the expenses of a political party, campaign, political action committee, or other organization established for the purpose of influencing the outcomes of elections;
 - (3) Any attempt to influence: (i) The introduction of Federal or State legislation; or (ii) the enactment or modification of any pending Federal or State legislation through communication with any member or employee of the Congress or State legislature (including efforts to influence State or local officials to engage in similar lobbying activity), or with any Government official or employee in connection with a decision to sign or veto enrolled legislation;
 - (4) Any attempt to influence: (i) The introduction of Federal or State legislation; or (ii) the enactment or modification of any pending Federal or State legislation by preparing, distributing or using publicity or propaganda, or by urging members of the general public or any segment thereof to contribute to or participate in any mass demonstration, march, rally, fundraising drive, lobbying campaign or letter writing or telephone campaign; or
 - (5) Legislative liaison activities, including attendance at legislative sessions or committee hearings, gathering information regarding legislation, and analyzing the effect of legislation, when such activities are carried on in support of or in knowing preparation for an effort to engage in unallowable lobbying.
- b. The following activities are excepted from the coverage of subparagraph a:
 - (1) Providing a technical and factual presentation of information on a topic directly related to the performance of a grant, contract or other agreement through hearing testimony, statements or letters to the Congress or a State legislature, or subdivision, member, or cognizant staff member thereof, in response to a documented request (including a Congressional Record notice requesting testimony or statements for the record at a regularly scheduled hearing) made by the recipient member, legislative body or subdivision, or a cognizant staff member thereof; provided such information is readily obtainable and can be readily put in deliverable form; and further provided that costs under this section for travel, lodging or meals are unallowable unless incurred

to offer testimony at a regularly scheduled Congressional hearing pursuant to a written request for such presentation made by the Chairman or Ranking Minority Member of the Committee or Subcommittee conducting such hearing.

(2) Any lobbying made unallowable by subparagraph a(3) to influence State legislation in order to directly reduce the cost, or to avoid material impairment of the organization's authority to perform the grant, contract, or other agreement.

(3) Any activity specifically authorized by statute to be undertaken with funds from the grant, contract, or other agreement.

c. (1) When an organization seeks reimbursement for indirect costs, total lobbying costs shall be separately identified in the indirect cost rate proposal, and thereafter treated as other unallowable activity costs in accordance with the procedures of subparagraph B.3 of Attachment A.

(2) Organizations shall submit, as part of the annual indirect cost rate proposal, a certification that the requirements and standards of this paragraph have been complied with.

(3) Organizations shall maintain adequate records to demonstrate that the determination of costs as being allowable or unallowable pursuant to paragraph 25 complies with the requirements of this Circular.

(4) Time logs, calendars, or similar records shall not be required to be created for purposes of complying with this paragraph during any particular calendar month when: (1) the employee engages in lobbying (as defined in subparagraphs (a) and (b)) 25 percent or less of the employee's compensated hours of employment during that calendar month, and (2) within the preceding five-year period, the organization has not materially misstated allowable or unallowable costs of any nature, including legislative lobbying costs. When conditions (1) and (2) are met, organizations are not required to establish records to support the allowability of claimed costs in addition to records already required or maintained. Also, when conditions (1) and (2) are met, the absence of time logs, calendars, or similar records will not serve as a basis for disallowing costs by contesting estimates of lobbying time spent by employees during a calendar month.

(5) Agencies shall establish procedures for resolving in advance, in consultation with OMB, any significant questions or disagreements concerning the interpretation or application of paragraph 25. Any such advance resolution shall be binding in any subsequent settlements, audits or investigations with respect to that grant or contract for purposes of interpretation of this Circular; provided, however, that this shall not be construed to prevent a contractor or grantee from contesting the lawfulness of such a determination.

d. Executive lobbying costs. Costs incurred in attempting to improperly influence either directly or indirectly, an employee or officer of the Executive Branch of the Federal Government to give consideration or to act regarding a sponsored agreement or a regulatory matter are unallowable. Improper influence means any influence that induces or

tends to induce a Federal employee or officer to give consideration or to act regarding a federally sponsored agreement or regulatory matter on any basis other than the merits of the matter.

26. *Losses on other sponsored agreements or contracts.* Any excess of costs over income on any award is unallowable as a cost of any other award. This includes, but is not limited to, the organization's contributed portion by reason of cost sharing agreements or any under-recoveries through negotiation of lump sums for, or ceilings on, indirect costs.

27. *Maintenance and repair costs.* Costs incurred for necessary maintenance, repair, or upkeep of buildings and equipment (including Federal property unless otherwise provided for) which neither add to the permanent value of the property nor appreciably prolong its intended life, but keep it in an efficient operating condition, are allowable. Costs incurred for improvements which add to the permanent value of the buildings and equipment or appreciably prolong their intended life shall be treated as capital expenditures (see paragraph 15).

28. *Materials and supplies costs.*

- a. Costs incurred for materials, supplies, and fabricated parts necessary to carry out a Federal award are allowable.
- b. Purchased materials and supplies shall be charged at their actual prices, net of applicable credits. Withdrawals from general stores or stockrooms should be charged at their actual net cost under any recognized method of pricing inventory withdrawals, consistently applied. Incoming transportation charges are a proper part of materials and supplies costs.
- c. Only materials and supplies actually used for the performance of a Federal award may be charged as direct costs.
- d. Where federally donated or furnished materials are used in performing the Federal award, such materials will be used without charge.

29. *Meetings and conferences.* Costs of meetings and conferences, the primary purpose of which is the dissemination of technical information, are allowable. This includes costs of meals, transportation, rental of facilities, speakers' fees, and other items incidental to such meetings or conferences. But see Attachment B, paragraphs 14., Entertainment costs, and 33., Participant support costs.

30. *Memberships, subscriptions, and professional activity costs.*

- a. Costs of the non-profit organization's membership in business, technical, and professional organizations are allowable.
- b. Costs of the non-profit organization's subscriptions to business, professional, and technical periodicals are allowable.
- c. Costs of membership in any civic or community organization are

allowable with prior approval by Federal cognizant agency.

- d. Costs of membership in any country club or social or dining club or organization are unallowable.

31. *Organization costs.* Expenditures, such as incorporation fees, brokers' fees, fees to promoters, organizers or management consultants, attorneys, accountants, or investment counselors, whether or not employees of the organization, in connection with establishment or reorganization of an organization, are unallowable except with prior approval of the awarding agency.

32. *Page charges in professional journals.* Page charges for professional journal publications are allowable as a necessary part of research costs, where:

- a. The research papers report work supported by the Federal Government; and
- b. The charges are levied impartially on all research papers published by the journal, whether or not by federally sponsored authors.

33. *Participant support costs.* Participant support costs are direct costs for items such as stipends or subsistence allowances, travel allowances, and registration fees paid to or on behalf of participants or trainees (but not employees) in connection with meetings, conferences, symposia, or training projects. These costs are allowable with the prior approval of the awarding agency.

34. *Patent costs.*

- a. The following costs relating to patent and copyright matters are allowable: (i) cost of preparing disclosures, reports, and other documents required by the Federal award and of searching the art to the extent necessary to make such disclosures; (ii) cost of preparing documents and any other patent costs in connection with the filing and prosecution of a United States patent application where title or royalty-free license is required by the Federal Government to be conveyed to the Federal Government; and (iii) general counseling services relating to patent and copyright matters, such as advice on patent and copyright laws, regulations, clauses, and employee agreements (but see paragraphs 37., Professional services costs, and 44., Royalties and other costs for use of patents and copyrights).
- b. The following costs related to patent and copyright matter are unallowable:
 - (1) Cost of preparing disclosures, reports, and other documents and of searching the art to the extent necessary to make disclosures not required by the award
 - (2) Costs in connection with filing and prosecuting any foreign patent application, or any United States patent application, where the Federal award does not require conveying title or a royalty-free license to the

Federal Government (but see paragraph 45., Royalties and other costs for use of patents and copyrights).

35. *Plant and homeland security costs.* Necessary and reasonable expenses incurred for routine and homeland security to protect facilities, personnel, and work products are allowable. Such costs include, but are not limited to, wages and uniforms of personnel engaged in security activities; equipment; barriers; contractual security services; consultants; etc. Capital expenditures for homeland and plant security purposes are subject to paragraph 15., Equipment and other capital expenditures, of this Circular.

36. *Pre-agreement costs.* Pre-award costs are those incurred prior to the effective date of the award directly pursuant to the negotiation and in anticipation of the award where such costs are necessary to comply with the proposed delivery schedule or period of performance. Such costs are allowable only to the extent that they would have been allowable if incurred after the date of the award and only with the written approval of the awarding agency.

37. *Professional services costs.*

- a. Costs of professional and consultant services rendered by persons who are members of a particular profession or possess a special skill, and who are not officers or employees of the non-profit organization, are allowable, subject to subparagraphs b and c when reasonable in relation to the services rendered and when not contingent upon recovery of the costs from the Federal Government.

In addition, legal and related services are limited under Attachment B, paragraph 10.

- b. In determining the allowability of costs in a particular case, no single factor or any special combination of factors is necessarily determinative. However, the following factors are relevant:

- (1) The nature and scope of the service rendered in relation to the service required.

- (2) The necessity of contracting for the service, considering the non-profit organization's capability in the particular area.

- (3) The past pattern of such costs, particularly in the years prior to Federal awards.

- (4) The impact of Federal awards on the non-profit organization's business (i.e., what new problems have arisen).

- (5) Whether the proportion of Federal work to the non-profit organization's total business is such as to influence the non-profit organization in favor of incurring the cost, particularly where the services rendered are not of a continuing nature and have little relationship to work under Federal grants and contracts.

- (6) Whether the service can be performed more economically by direct

employment rather than contracting.

(7) The qualifications of the individual or concern rendering the service and the customary fees charged, especially on non-Federal awards.

(8) Adequacy of the contractual agreement for the service (e.g., description of the service, estimate of time required, rate of compensation, and termination provisions).

- c. In addition to the factors in subparagraph b, retainer fees to be allowable must be supported by evidence of bona fide services available or rendered

38. *Publication and printing costs.*

- a. Publication costs include the costs of printing (including the processes of composition, plate-making, press work, binding, and the end products produced by such processes), distribution, promotion, mailing, and general handling. Publication costs also include page charges in professional publications.
- b. If these costs are not identifiable with a particular cost objective, they should be allocated as indirect costs to all benefiting activities of the non-profit organization.
- c. Page charges for professional journal publications are allowable as a necessary part of research costs where:
 - (1) The research papers report work supported by the Federal Government; and
 - (2) The charges are levied impartially on all research papers published by the journal, whether or not by federally sponsored authors.

39. *Rearrangement and alteration costs.* Costs incurred for ordinary or normal rearrangement and alteration of facilities are allowable. Special arrangement and alteration costs incurred specifically for the project are allowable with the prior approval of the awarding agency.

40. *Reconversion costs.* Costs incurred in the restoration or rehabilitation of the non-profit organization's facilities to approximately the same condition existing immediately prior to commencement of Federal awards, less costs related to normal wear and tear, are allowable.

41. *Recruiting costs.*

- a. Subject to subparagraphs b, c, and d, and provided that the size of the staff recruited and maintained is in keeping with workload requirements, costs of "help wanted" advertising, operating costs of an employment office necessary to secure and maintain an adequate staff, costs of operating an aptitude and educational testing program, travel costs of employees while engaged in recruiting personnel, travel costs of applicants for interviews for prospective employment, and relocation costs incurred incident to recruitment of new employees, are allowable

to the extent that such costs are incurred pursuant to a well-managed recruitment program. Where the organization uses employment agencies, costs that are not in excess of standard commercial rates for such services are allowable.

- b. In publications, costs of help wanted advertising that includes color, includes advertising material for other than recruitment purposes, or is excessive in size (taking into consideration recruitment purposes for which intended and normal organizational practices in this respect), are unallowable.
- c. Costs of help wanted advertising, special emoluments, fringe benefits, and salary allowances incurred to attract professional personnel from other organizations that do not meet the test of reasonableness or do not conform with the established practices of the organization, are unallowable.
- d. Where relocation costs incurred incident to recruitment of a new employee have been allowed either as an allocable direct or indirect cost, and the newly hired employee resigns for reasons within his control within twelve months after being hired, the organization will be required to refund or credit such relocation costs to the Federal Government.

42. Relocation costs.

- a. Relocation costs are costs incident to the permanent change of duty assignment (for an indefinite period or for a stated period of not less than 12 months) of an existing employee or upon recruitment of a new employee. Relocation costs are allowable, subject to the limitation described in subparagraphs b, c, and d, provided that:
 - (1) The move is for the benefit of the employer.
 - (2) Reimbursement to the employee is in accordance with an established written policy consistently followed by the employer.
 - (3) The reimbursement does not exceed the employee's actual (or reasonably estimated) expenses.
- b. Allowable relocation costs for current employees are limited to the following:
 - (1) The costs of transportation of the employee, members of his immediate family and his household, and personal effects to the new location.
 - (2) The costs of finding a new home, such as advance trips by employees and spouses to locate living quarters and temporary lodging during the transition period, up to maximum period of 30 days, including advance trip time.
 - (3) Closing costs, such as brokerage, legal, and appraisal fees, incident to the disposition of the employee's former home. These costs, together

with those described in (4), are limited to 8 percent of the sales price of the employee's former home.

(4) The continuing costs of ownership of the vacant former home after the settlement or lease date of the employee's new permanent home, such as maintenance of buildings and grounds (exclusive of fixing up expenses), utilities, taxes, and property insurance.

(5) Other necessary and reasonable expenses normally incident to relocation, such as the costs of canceling an unexpired lease, disconnecting and reinstalling household appliances, and purchasing insurance against loss of or damages to personal property. The cost of canceling an unexpired lease is limited to three times the monthly rental.

- c. Allowable relocation costs for new employees are limited to those described in (1) and (2) of subparagraph b. When relocation costs incurred incident to the recruitment of new employees have been allowed either as a direct or indirect cost and the employee resigns for reasons within his control within 12 months after hire, the organization shall refund or credit the Federal Government for its share of the cost. However, the costs of travel to an overseas location shall be considered travel costs in accordance with paragraph 50 and not relocation costs for the purpose of this paragraph if dependents are not permitted at the location for any reason and the costs do not include costs of transporting household goods.
- d. The following costs related to relocation are unallowable:
- (1) Fees and other costs associated with acquiring a new home.
 - (2) A loss on the sale of a former home.
 - (3) Continuing mortgage principal and interest payments on a home being sold.
 - (4) Income taxes paid by an employee related to reimbursed relocation costs.

43. *Rental costs of buildings and equipment.*

- a. Subject to the limitations described in subparagraphs b. through d. of this paragraph 43, rental costs are allowable to the extent that the rates are reasonable in light of such factors as: rental costs of comparable property, if any; market conditions in the area; alternatives available; and, the type, life expectancy, condition, and value of the property leased. Rental arrangements should be reviewed periodically to determine if circumstances have changed and other options are available.
- b. Rental costs under "sale and lease back" arrangements are allowable only up to the amount that would be allowed had the non-profit organization continued to own the property. This amount would include expenses such as depreciation or use allowance, maintenance, taxes,

and insurance.

- c. Rental costs under "less-than-arms-length" leases are allowable only up to the amount (as explained in subparagraph b. of this paragraph 43.) that would be allowed had title to the property vested in the non-profit organization. For this purpose, a less-than-arms-length lease is one under which one party to the lease agreement is able to control or substantially influence the actions of the other. Such leases include, but are not limited to those between (i) divisions of a non-profit organization; (ii) non-profit organizations under common control through common officers, directors, or members; and (iii) a non-profit organization and a director, trustee, officer, or key employee of the non-profit organization or his immediate family, either directly or through corporations, trusts, or similar arrangements in which they hold a controlling interest. For example, a non-profit organization may establish a separate corporation for the sole purpose of owning property and leasing it back to the non-profit organization.
 - d. Rental costs under leases which are required to be treated as capital leases under GAAP are allowable only up to the amount (as explained in subparagraph b) that would be allowed had the non-profit organization purchased the property on the date the lease agreement was executed. The provisions of Financial Accounting Standards Board Statement 13, Accounting for Leases, shall be used to determine whether a lease is a capital lease. Interest costs related to capital leases are allowable to the extent they meet the criteria in subparagraph 23. Unallowable costs include amounts paid for profit, management fees, and taxes that would not have been incurred had the non-profit organization purchased the facility.
44. *Royalties and other costs for use of patents and copyrights.*
- a. Royalties on a patent or copyright or amortization of the cost of acquiring by purchase a copyright, patent, or rights thereto, necessary for the proper performance of the award are allowable unless:
 - (1) The Federal Government has a license or the right to free use of the patent or copyright.
 - (2) The patent or copyright has been adjudicated to be invalid, or has been administratively determined to be invalid.
 - (3) The patent or copyright is considered to be unenforceable.
 - (4) The patent or copyright is expired.
 - b. Special care should be exercised in determining reasonableness where the royalties may have arrived at as a result of less-than-arm's-length bargaining, e.g.:
 - (1) Royalties paid to persons, including corporations, affiliated with the non-profit organization.
 - (2) Royalties paid to unaffiliated parties, including corporations, under

an agreement entered into in contemplation that a Federal award would be made.

(3) Royalties paid under an agreement entered into after an award is made to a non-profit organization.

- c. In any case involving a patent or copyright formerly owned by the non-profit organization, the amount of royalty allowed should not exceed the cost which would have been allowed had the non-profit organization retained title thereto.

45. *Selling and marketing.* Costs of selling and marketing any products or services of the non-profit organization are unallowable (unless allowed under Attachment B, paragraph 1. as allowable public relations cost. However, these costs are allowable as direct costs, with prior approval by awarding agencies, when they are necessary for the performance of Federal programs.

46. *Specialized service facilities.*

- a. The costs of services provided by highly complex or specialized facilities operated by the non-profit organization, such as computers, wind tunnels, and reactors are allowable, provided the charges for the services meet the conditions of either 46 b. or c. and, in addition, take into account any items of income or Federal financing that qualify as applicable credits under Attachment A, subparagraph A.5. of this Circular.
- b. The costs of such services, when material, must be charged directly to applicable awards based on actual usage of the services on the basis of a schedule of rates or established methodology that (i) does not discriminate against federally supported activities of the non-profit organization, including usage by the non-profit organization for internal purposes, and (ii) is designed to recover only the aggregate costs of the services. The costs of each service shall consist normally of both its direct costs and its allocable share of all indirect costs. Rates shall be adjusted at least biennially, and shall take into consideration over/under applied costs of the previous period(s).
- c. Where the costs incurred for a service are not material, they may be allocated as indirect costs.
- d. Under some extraordinary circumstances, where it is in the best interest of the Federal Government and the institution to establish alternative costing arrangements, such arrangements may be worked out with the cognizant Federal agency.

47. *Taxes.*

- a. In general, taxes which the organization is required to pay and which are paid or accrued in accordance with GAAP, and payments made to local governments in lieu of taxes which are commensurate with the local government services received are allowable, except for (i) taxes from which exemptions are available to the organization directly or which are available to the organization based on an exemption afforded

the Federal Government and in the latter case when the awarding agency makes available the necessary exemption certificates, (ii) special assessments on land which represent capital improvements, and (iii) Federal income taxes.

- b. Any refund of taxes, and any payment to the organization of interest thereon, which were allowed as award costs, will be credited either as a cost reduction or cash refund, as appropriate, to the Federal Government.

48. Termination costs applicable to sponsored agreements.

Termination of awards generally gives rise to the incurrence of costs, or the need for special treatment of costs, which would not have arisen had the Federal award not been terminated. Cost principles covering these items are set forth below. They are to be used in conjunction with the other provisions of this Circular in termination situations.

- a. The cost of items reasonably usable on the non-profit organization's other work shall not be allowable unless the non-profit organization submits evidence that it would not retain such items at cost without sustaining a loss. In deciding whether such items are reasonably usable on other work of the non-profit organization, the awarding agency should consider the non-profit organization's plans and orders for current and scheduled activity.

Contemporaneous purchases of common items by the non-profit organization shall be regarded as evidence that such items are reasonably usable on the non-profit organization's other work. Any acceptance of common items as allocable to the terminated portion of the Federal award shall be limited to the extent that the quantities of such items on hand, in transit, and on order are in excess of the reasonable quantitative requirements of other work.

- b. If in a particular case, despite all reasonable efforts by the non-profit organization, certain costs cannot be discontinued immediately after the effective date of termination, such costs are generally allowable within the limitations set forth in this Circular, except that any such costs continuing after termination due to the negligent or willful failure of the non-profit organization to discontinue such costs shall be unallowable.
- c. Loss of useful value of special tooling, machinery, and is generally allowable if:
 - (1) Such special tooling, special machinery, or equipment is not reasonably capable of use in the other work of the non-profit organization,
 - (2) The interest of the Federal Government is protected by transfer of title or by other means deemed appropriate by the awarding agency, and
 - (3) The loss of useful value for any one terminated Federal award is limited to that portion of the acquisition cost which bears the same ratio

to the total acquisition cost as the terminated portion of the Federal award bears to the entire terminated Federal award and other Federal awards for which the special tooling, special machinery, or equipment was acquired.

- d. Rental costs under unexpired leases are generally allowable where clearly shown to have been reasonably necessary for the performance of the terminated Federal award less the residual value of such leases, if:
- (1) the amount of such rental claimed does not exceed the reasonable use value of the property leased for the period of the Federal award and such further period as may be reasonable, and
 - (2) the non-profit organization makes all reasonable efforts to terminate, assign, settle, or otherwise reduce the cost of such lease. There also may be included the cost of alterations of such leased property, provided such alterations were necessary for the performance of the Federal award, and of reasonable restoration required by the provisions of the lease.
- e. Settlement expenses including the following are generally allowable:
- (1) Accounting, legal, clerical, and similar costs reasonably necessary for:
 - (a) The preparation and presentation to the awarding agency of settlement claims and supporting data with respect to the terminated portion of the Federal award, unless the termination is for default (see Subpart __.61 of Circular A-110); and
 - (b) The termination and settlement of subawards.
 - (2) Reasonable costs for the storage, transportation, protection, and disposition of property provided by the Federal Government or acquired or produced for the Federal award, except when grantees or contractors are reimbursed for disposals at a predetermined amount in accordance with Subparts __.32 through __.37 of Circular A-110.
 - (3) Indirect costs related to salaries and wages incurred as settlement expenses in subparagraphs (1) and (2). Normally, such indirect costs shall be limited to fringe benefits, occupancy cost, and immediate supervision.
- f. Claims under sub awards, including the allocable portion of claims which are common to the Federal award, and to other work of the non-profit organization are generally allowable.

An appropriate share of the non-profit organization's indirect expense may be allocated to the amount of settlements with subcontractors and/or subgrantees, provided that the amount allocated is otherwise consistent with the basic guidelines contained in Attachment A. The indirect expense so allocated shall exclude the same and similar costs claimed directly or indirectly as settlement expenses.

49. *Training costs.*

- a. Costs of preparation and maintenance of a program of instruction including but not limited to on-the-job, classroom, and apprenticeship training, designed to increase the vocational effectiveness of employees, including training materials, textbooks, salaries or wages of trainees (excluding overtime compensation which might arise therefrom), and (i) salaries of the director of training and staff when the training program is conducted by the organization; or (ii) tuition and fees when the training is in an institution not operated by the organization, are allowable.
- b. Costs of part-time education, at an undergraduate or post-graduate college level, including that provided at the organization's own facilities, are allowable only when the course or degree pursued is relative to the field in which the employee is now working or may reasonably be expected to work, and are limited to:
 - (1) Training materials.
 - (2) Textbooks.
 - (3) Fees charges by the educational institution.
 - (4) Tuition charged by the educational institution or, in lieu of tuition, instructors' salaries and the related share of indirect costs of the educational institution to the extent that the sum thereof is not in excess of the tuition which would have been paid to the participating educational institution.
 - (5) Salaries and related costs of instructors who are employees of the organization.
 - (6) Straight-time compensation of each employee for time spent attending classes during working hours not in excess of 156 hours per year and only to the extent that circumstances do not permit the operation of classes or attendance at classes after regular working hours; otherwise, such compensation is unallowable.
- c. Costs of tuition, fees, training materials, and textbooks (but not subsistence, salary, or any other emoluments) in connection with full-time education, including that provided at the organization's own facilities, at a post-graduate (but not undergraduate) college level, are allowable only when the course or degree pursued is related to the field in which the employee is now working or may reasonably be expected to work, and only where the costs receive the prior approval of the awarding agency. Such costs are limited to the costs attributable to a total period not to exceed one school year for each employee so trained. In unusual cases the period may be extended.
- d. Costs of attendance of up to 16 weeks per employee per year at specialized programs specifically designed to enhance the effectiveness of executives or managers or to prepare employees for such positions are allowable. Such costs include enrollment fees, training materials,

textbooks and related charges, employees' salaries, subsistence, and travel. Costs allowable under this paragraph do not include those for courses that are part of a degree-oriented curriculum, which are allowable only to the extent set forth in subparagraphs b and c.

- e. Maintenance expense, and normal depreciation or fair rental, on facilities owned or leased by the organization for training purposes are allowable to the extent set forth in paragraphs 11, 27, and 50.
- f. Contributions or donations to educational or training institutions, including the donation of facilities or other properties, and scholarships or fellowships, are unallowable.
- g. Training and education costs in excess of those otherwise allowable under subparagraphs b and c may be allowed with prior approval of the awarding agency. To be considered for approval, the organization must demonstrate that such costs are consistently incurred pursuant to an established training and education program, and that the course or degree pursued is relative to the field in which the employee is now working or may reasonably be expected to work.

50. *Transportation costs.* Transportation costs include freight, express, cartage, and postage charges relating either to goods purchased, in process, or delivered. These costs are allowable. When such costs can readily be identified with the items involved, they may be directly charged as transportation costs or added to the cost of such items (see paragraph 28). Where identification with the materials received cannot readily be made, transportation costs may be charged to the appropriate indirect cost accounts if the organization follows a consistent, equitable procedure in this respect.

51. *Travel costs.*

- a. *General.* Travel costs are the expenses for transportation, lodging, subsistence, and related items incurred by employees who are in travel status on official business of the non-profit organization. Such costs may be charged on an actual cost basis, on a per diem or mileage basis in lieu of actual costs incurred, or on a combination of the two, provided the method used is applied to an entire trip and not to selected days of the trip, and results in charges consistent with those normally allowed in like circumstances in the non-profit organization's non-federally sponsored activities.
- b. *Lodging and subsistence.* Costs incurred by employees and officers for travel, including costs of lodging, other subsistence, and incidental expenses, shall be considered reasonable and allowable only to the extent such costs do not exceed charges normally allowed by the non-profit organization in its regular operations as the result of the non-profit organization's written travel policy. In the absence of an acceptable, written non-profit organization policy regarding travel costs, the rates and amounts established under subchapter I of Chapter 57, Title 5, United States Code ("Travel and Subsistence Expenses; Mileage Allowances"), or by the Administrator of General Services, or by the President (or his or her designee) pursuant to any provisions of such subchapter shall apply to travel under Federal awards (48 CFR 31.205-

46(a)).

c. Commercial air travel.

(1) Airfare costs in excess of the customary standard commercial airfare (coach or equivalent), Federal Government contract airfare (where authorized and available), or the lowest commercial discount airfare are unallowable except when such accommodations would: (a) require circuitous routing; (b) require travel during unreasonable hours; (c) excessively prolong travel; (d) result in additional costs that would offset the transportation savings; or (e) offer accommodations not reasonably adequate for the traveler's medical needs. The non-profit organization must justify and document these conditions on a case-by-case basis in order for the use of first-class airfare to be allowable in such cases.

(2) Unless a pattern of avoidance is detected, the Federal Government will generally not question a non-profit organization's determinations that customary standard airfare or other discount airfare is unavailable for specific trips if the non-profit organization can demonstrate either of the following: (a) that such airfare was not available in the specific case; or (b) that it is the non-profit organization's overall practice to make routine use of such airfare.

d. Air travel by other than commercial carrier. Costs of travel by non-profit organization-owned, -leased, or -chartered aircraft include the cost of lease, charter, operation (including personnel costs), maintenance, depreciation, insurance, and other related costs. The portion of such costs that exceeds the cost of allowable commercial air travel, as provided for in subparagraph] c., is unallowable.

e. Foreign travel. Direct charges for foreign travel costs are allowable only when the travel has received prior approval of the awarding agency. Each separate foreign trip must receive such approval. For purposes of this provision, "foreign travel" includes any travel outside Canada, Mexico, the United States, and any United States territories and possessions. However, the term "foreign travel" for a non-profit organization located in a foreign country means travel outside that country.

52. *Trustees.* Travel and subsistence costs of trustees (or directors) are allowable. The costs are subject to restrictions regarding lodging, subsistence and air travel costs provided in paragraph 51.

ATTACHMENT C
Circular No. A-122

NON-PROFIT ORGANIZATIONS NOT SUBJECT TO THIS CIRCULAR

Advance Technology Institute (ATI), Charleston, South Carolina

Aerospace Corporation, El Segundo, California

American Institutes of Research (AIR), Washington D.C.

Argonne National Laboratory, Chicago, Illinois

Atomic Casualty Commission, Washington, D.C.

Battelle Memorial Institute, Headquartered in Columbus, Ohio

Brookhaven National Laboratory, Upton, New York

Charles Stark Draper Laboratory, Incorporated, Cambridge, Massachusetts

CNA Corporation (CNAC), Alexandria, Virginia

Environmental Institute of Michigan, Ann Arbor, Michigan

Georgia Institute of Technology/Georgia Tech Applied Research Corporation/
Georgia Tech Research Institute, Atlanta, Georgia

Hanford Environmental Health Foundation, Richland, Washington

IIT Research Institute, Chicago, Illinois

Institute of Gas Technology, Chicago, Illinois

Institute for Defense Analysis, Alexandria, Virginia

LMI, McLean, Virginia

Mitre Corporation, Bedford, Massachusetts

Mitretek Systems, Inc., Falls Church, Virginia

National Radiological Astronomy Observatory, Green Bank, West Virginia

National Renewable Energy Laboratory, Golden, Colorado

Oak Ridge Associated Universities, Oak Ridge, Tennessee

Rand Corporation, Santa Monica, California

Research Triangle Institute, Research Triangle Park, North Carolina

Riverside Research Institute, New York, New York

South Carolina Research Authority (SCRA), Charleston, South Carolina

Southern Research Institute, Birmingham, Alabama

Southwest Research Institute, San Antonio, Texas

SRI International, Menlo Park, California

Syracuse Research Corporation, Syracuse, New York

Universities Research Association, Incorporated (National Acceleration Lab),
Argonne, Illinois

Urban Institute, Washington D.C.

Non-profit insurance companies, such as Blue Cross and Blue Shield
Organizations

Other non-profit organizations as negotiated with awarding agencies
