

UNIVERSITY OF PUGET SOUND

1500 N. Warner St.
Tacoma, WA 98416

Federal Grants
Financial Management
Manual
2021-2022

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I. INTRODUCTION

The University of Puget Sound (“the university”), through the Office of Finance intends to use this Financial Management Manual to support the administration of its federal grants. This manual establishes policies and procedures for prudent administration of federal awards. The university designates this Financial Management Manual as the prime resource for Grant Managers, Grant Specialists, and Budget Managers in the administration and management of the financial management process for their respective federal awards. This Financial Management Manual lists and explains relevant federal laws and policies regarding financial management for federal grant administration and contains sample forms most commonly used throughout the financial management lifecycle. While this manual is a primary resource, it is not intended to replace or supersede any federal guidance on grant administration or replace the Standards for Financial and Program Management contained in 2 CFR Part 200 aka the Uniform Guidance, federal agency regulations, individual award terms, and conditions or other applicable laws regarding grant administration.

The Financial Management Manual organizes the information in the following manner:

- ✓ Section II: Background about the financial management function
- ✓ Section III: A glossary of terms related to financial management for federal awards
- ✓ Section IV: Rules concerning federal grant financial management
- ✓ Section V: Information on managing financial responsibilities throughout the lifecycle of the federal award

Additionally, in Section VI, the Appendices include examples of a variety of relevant forms and other sample documents commonly used for financial management for federal awards.

▪ EFFECTIVE DATE

The university will implement the Standards for Financial and Program Management in 2 CFR Part 200 for fiscal years beginning on July 1, 2021 which is after December 26, 2014, and after the November 12, 2020 Uniform Guidance update.

▪ REMINDER TO EMPLOYEES

Employees must follow our documented financial management procedures that conform to applicable federal, state, local and tribal law and the Standards for Financial and Program Management in the Uniform Guidance when administering federal awards.

Failure to follow policies regarding federal requirements can result in a wide range of sanctions for the university, including disallowed costs, denied reimbursement requests, debarment of the university from all federal funding, including federal student aid, and, in some circumstances, criminal charges could result. Therefore, it is critically important to the university that the

financial management policies are followed carefully. Violation of this policy may result in disciplinary action, including termination of employment.

II. ABOUT THE FINANCIAL MANAGEMENT OFFICE

A. [OFFICE OF FINANCE](#)

▪ DESCRIPTION OF FINANCIAL MANAGEMENT OFFICE

The Office of Finance supports the [mission of the University of Puget Sound](#) by striving to provide excellent financial services to all members of the university community. Our actions reflect our values and enable us to consistently provide accurate, efficient, and timely financial services, in a courteous manner, to all of our constituents.

Overview of Services

Office of Finance provides payment processing (accounts payable), accounting, budgeting, tax, analytical, and financial reporting services to the campus community.

Additionally, Office of Finance also works to strengthen the financial position of the university through strategic management of investment assets and debt capacity, and development of cost-effective purchasing strategies.

B. [RESPONSIBILITIES](#)

▪ OUR RESPONSIBILITIES SUPPORTING FEDERAL SPONSORED GRANTS

As a federal grant recipient, the Office of Finance is the responsible authority for administering the financial management functions, the processing of expenditures, and the oversight of administrative issues in support of federal grants and other awarding instruments. These responsibilities include:

- Assistance with funds reconciliations issues and closeout of grant programs
- Coordination of all financial reporting requirements for federal awards
- Liaison for all grant financial management activities
- Guidance and training on key financial processes
- Guidance and oversight on documentation and record retention
- Delivery of expenditure reports to grant program offices
- Entry of obligations, invoices, and payments into the financial reporting system
- Payment of financial obligations in a timely manner

C. [Key Contacts](#)

Please see the university's [Office of Finance webpage](#) for key contact information and descriptions of position responsibilities.

III. GLOSSARY OF TERMS

Term	Definition
Administrative Requirements	Administrative requirements mean matters common to grants in general, such as financial management, types, and frequency of reports, procurement and property management, and retention of records.
Award	Award means financial assistance that provides support to accomplish a public purpose. Awards include grants and other agreements in the form of money or property instead of money by the Federal Government to an eligible recipient. The term does not include technical assistance, which provides services instead of money; other assistance in the form of loans, loan guarantees, interest subsidies, or insurance; direct payments of any kind to individuals; and contracts which are required to be entered into and administered under procurement laws and regulations.
Budget Period	Budget Period means the time interval from the start date of a funded portion of an award to the end date of that funded portion during which recipients are authorized to expend the funds awarded, including any funds carried forward or other revisions pursuant to § 200.308.
CFR	CFR means the Code of Federal Regulations where federal regulations are cataloged.
Claim	Claim means a written demand by one of the parties to a federal award seeking the payment of money, or an adjustment of the terms and conditions of the federal award or other relief relating to a federal award, or a request for payment that is not in dispute when submitted.

Term	Definition
Closeout	Closeout means the process by which a federal awarding agency determines that all applicable administrative actions and all required work of the award was completed by the recipient and the federal awarding agency. Closeout includes many actions, including final reporting for the award, disposition of property, and record retention requirements.
Contract	Contract means, for the purpose of federal financial assistance, a legal instrument by which a recipient or subrecipient purchases property or services needed to carry out the project or program under a federal award.
Contractor	Contractor means an entity that received a contract as defined in the Definitions section of 2 CFR Part 200.1.
Debarment	Debarment means a punitive action taken by a federal agency against an award recipient or contractor. The debarment prohibits participation in procurement contracts and non-procurement transactions such as grants and cooperative agreements.
Disallowed Costs	Disallowed costs mean those charges to a federal award that the federal awarding agency or pass-through entity determines to be unallowable, consistent with the applicable federal statutes, regulations, or the terms and conditions of the federal award.
Excluded Parties	Excluded parties mean persons or parties who are excluded or disqualified from covered transactions such as federal awards or contracts supported by a federal award.

Term	Definition
Expenditures	<p>Expenditures mean charges made by a non-federal entity to a project or program for which a federal award was received, reported on a cash or accrual basis, as long as the methodology is disclosed and is consistently applied.</p> <p>For reports prepared on a cash basis, expenditures are the sum of cash disbursements for direct charges for property and services, the amount of indirect expense charged, the value of third-party in-kind contributions applied, and the amount of cash advance payments and payments made to subrecipients.</p> <p>For reports prepared on an accrual basis, expenditures are the sum of cash disbursements for direct charges for property and services, the amount of indirect expense incurred, the value of third-party in-kind contributions applied, and the net increase or decrease in the amounts owed by the non-federal entity for goods and other property received, services performed by employees, contractors, subrecipients, and other payees and programs for which no current services or performance are required such as benefit payments.</p>
Fixed Amount Award	<p>Fixed amount awards mean a type of grant or cooperative agreement under which the federal awarding agency or pass-through entity provides a specific level of support without regard to actual costs incurred under the federal award. Accountability is based primarily on performance and results. See § 200.333</p>
Grant	<p>Grant means an award of financial assistance where the principal purpose is to carry out a public purpose authorized by a law of the United States and not to procure property or services for the federal awarding agency or pass-through entity's direct benefit or use.</p>
Grant Life Cycle	<p>Grant life cycle means the entire process of grant administration: applying for a grant, receiving a grant, managing a grant, and closing out a grant.</p>

Term	Definition
Improper Payment	Improper payment means any payment that should not have been made or that was made in an incorrect amount. Improper payments also include any payment to an ineligible party, any payment for an ineligible good or service, any duplicate payment, any payment for a good or service not received, any payment that does not account for credit for applicable discounts, and any payment where insufficient documentation prevents a reviewer from discerning whether a payment was proper.
Internal Controls	Internal controls mean the processes implemented by the university to provide reasonable assurance about the effectiveness and efficiency of operations, reliability of reporting for internal and external use, and compliance with applicable laws and regulations so that grant resources are protected from fraud and waste.
Micro-purchase	Micro-purchase means a purchase of supplies or services, the aggregate amount of which does not exceed the micro-purchase threshold. Micro-purchases comprise a subset of a non-federal entity's small purchases as defined in § 200.320. The micro-purchase threshold for procurement activities administered under federal awards is not to exceed the amount set by the FAR at 48 CFR part 2, subpart 2.1, currently, \$10,0000, unless a higher threshold is requested by the non-federal entity as described in § 200.320 and approved by the cognizant agency for indirect costs as required.
Non-Federal Entity	Non-federal entity means a state, local government, Indian tribe, institution of higher education, or nonprofit university that administers a federal award as a recipient or subrecipient.
Obligations	Obligations, now called financial obligations, when referencing a recipient's or subrecipient's use of funds under a federal award, means orders placed for property and services, contracts and subawards made, and similar transactions that require payment during the same or a future period.
Pass-through Entity	Pass-through entity (PTE) means a non-federal entity that provides a subaward to a subrecipient to carry out part of a federal program

Term	Definition
Period of Performance	Period of performance means the total estimated time interval between the start of an initial federal award and the planned end date, which may include one or more funded portions or budget periods. Identification of the period of performance in the federal award does not commit the awarding agency to fund the award beyond the currently approved budget period.
Programmatic Requirements	Programmatic requirements mean matters relevant on a program-by-program or grant-by-grant basis, such as kinds of activities that can be supported by grants under a particular program.
Questioned Cost	Questioned cost means a cost that is questioned by the auditor because of an audit finding which resulted from a violation or possible violation of a statute, regulation, or the terms and conditions of a federal award, including for funds used to match federal funds, where the costs, at the time of the audit, are not supported by adequate documentation; or where the costs incurred appear unreasonable.
Recipient	Recipient means a Non-federal entity awarded a federal grant and held accountable for the use of the funds provided. The recipient is the entire legal entity, even if only a particular component of the entity is designated in the award document.
RFP	RFP means a request for proposal from a contractor.
Selected Items of Cost	Selected items of cost mean an itemized list of allowable costs contained 2 CFR Part 200 Subsections §200.420-200.476

Term	Definition
Simplified Acquisition Threshold	Simplified acquisition threshold means the dollar amount below which a non-federal entity may purchase property or services using small purchase methods (see § 200.320). Non-federal entities adopt small purchase procedures in order to expedite the purchase of items at or below the simplified acquisition threshold. The non-federal entity is responsible for determining an appropriate simplified acquisition threshold based on internal controls, an evaluation of risk, and its documented procurement procedures. However, in no circumstances can this threshold exceed the dollar value established in the FAR (48 CFR part 2, subpart 2.1) for the simplified acquisition threshold, currently \$250,000. Local government laws on purchasing may further limit this threshold.
Subaward	Subaward means an award provided by a pass-through entity to a subrecipient for the subrecipient to carry out part of a federal award received by the pass-through entity. It does not include payments to a contractor.
Subrecipient	Subrecipients are usually but not limited to non-federal entities that receive a subaward from a pass-through entity to carry out part of a federal award but do not include an individual that is a beneficiary of such award.
Suspension	<p>Suspension means:</p> <p>(1) Temporary withdrawal of the authority to obligate grant funds pending corrective action by the recipient or subrecipient or a decision to terminate the grant.</p> <p>(2) An action was taken by a suspending official in accordance with agency regulations implementing E.O. 12549 to immediately exclude a person from participating in grant transactions for a period, pending completion of an investigation and such legal or debarment proceedings as may ensue.</p> <p>(3) An action by a federal awarding agency that temporarily withdraws federal sponsorship under an award, pending corrective action by the recipient, or pending a decision to terminate the award by the federal awarding agency.</p>

Term	Definition
Uniform Guidance	Uniform Guidance means the set of federal regulations contained in 2 CFR Part 200, also known as the “Super Circular.”
Unliquidated Obligations	Unliquidated obligations mean for financial reports prepared on a cash basis; obligations incurred by the Non-federal entity that have not been paid (liquidated). For reports prepared on an accrual expenditure basis, these are obligations incurred by the Non-federal entity for which an expenditure has not been recorded.
Unobligated Balance	Unobligated balance means the amount of funds under a federal award that the Non-federal entity has not obligated. The amount is computed by subtracting the cumulative amount of the Non-federal entity's unliquidated obligations and expenditures of funds under the federal award from the cumulative amount of the funds that the federal awarding agency or pass-through entity authorized the Non-federal entity to obligate.

IV. FEDERAL GRANT FINANCIAL MANAGEMENT RULES

The Federal Government provides rules for how all grantees must spend, track, and report on federal funds. These rules are located in 2 CFR Chapter I, Part 200, titled the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, also known as the “Uniform Guidance.” For financial and program management, all Non-federal entities must follow the regulations in 2 CFR Part 200 subsections, including:

- **Standards for Financial and Program Management** in 2 CFR Part 200 Subsections §200.300 Statutory and national policy requirements through §200.309 Period of performance
- **Property** standards in §200.310 Insurance coverage through §200.316 Property trust relationship
- **Financial and Performance Reporting and Monitoring** standards in §200.328 Financial reporting through §200.330 Reporting on real property
- **Subrecipient Monitoring and Management** standards in §200.331 Subrecipient and contractor determinations through §200.333 Fixed amount subawards

- **Record Retention and Access** standards in §200.334 Retention requirements for records through §200.338 Restrictions on public access to records
- **Closeout, Post-Closeout Adjustments and Continuing Responsibilities** standards in §200.344 Closeout through §200.345 Post-closeout adjustments and continuing responsibilities

In this Financial Management Manual, the set of federal rules particularly relevant to financial management are divided into seven major categories:

1. Financial and Program Management
2. Monitoring and Reporting including; Subrecipient Monitoring and Management
3. Allowable Costs
4. Payment Management
5. Property Management
6. Cost Allocation
7. Closeout, Post-Closeout, Continuing Responsibilities and Record Retention

Additional guidance for federal award recipients on **Remedies for Noncompliance** and **Collection of Amounts Due** may be found in §200.339 Remedies for noncompliance through §200.343 Effects of suspension and termination, and §200.346 Collection of amounts due. These sections are not included in this Financial Management Manual.

Finally, individual federal agencies may have additional or different requirements for specific federal awards, so the terms and conditions of each federal award should be reviewed so that any unique circumstances can be identified and communicated to the financial management and program teams and managed appropriately.

A. STANDARDS FOR FINANCIAL AND PERFORMANCE MANAGEMENT

The **Standards for Financial and Program Management** can be found in 2 CFR Part 200, Subpart D Subsection §§200.302-200.309 in addition to §§200.328-200.330 accessible online at <https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=a11ce9c291e6bc39c27b5fabda92b090&mc=true&n=pt2.1.200&r=PART&ty=HTML#sg2.1.200.d.sg1>

In addition to the Standards for Financial and Program Management, we also manage property purchased with federal funds in accordance with the Property Standards found in 2 CFR Part 200, Subpart D Subsection §§200.310-200.316 accessible online at https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=a11ce9c291e6bc39c27b5fabda92b090&mc=true&n=pt2.1.200&r=PART&ty=HTML#sg2.1.200_1309.sg2

▪ FINANCIAL MANAGEMENT

The university must maintain financial management systems, including records documenting compliance with federal statutes, regulations, and the terms and conditions of federal awards.

These records must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the federal statutes, regulations, and the terms and conditions of the federal awards.

The Standards for Financial and Program Management cover a variety of topics, including:

Tracking Responsibilities:

The university is required to identify, in its accounts, all of the federal awards received and expended and the federal programs under which they were received. Federal program and federal award identification must include, as applicable, the assistance listing number and assistance listing program title (formerly known as the CFDA number and title), federal award identification number and year, name of the federal agency, and name of the pass-through entity, if any.

Our records must also adequately identify the source and application of funds for federally-funded activities. These records must contain information pertaining to federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income, and interest and be supported by adequate source documentation.

Control Responsibilities:

The university is required to demonstrate effective control over and accountability for all funds, property, and other assets. We must adequately safeguard all assets and assure that they are used solely for authorized purposes.

We are also required to maintain effective internal control over federal awards so that we can provide reasonable assurance that we are managing the federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal awards.

Disclosure Responsibilities

The university is required to provide accurate, current, and complete disclosure of the financial results of each federal award or program in accordance with the reporting requirements set forth in §200.328 Financial reporting and

200.329 Monitoring and reporting program performance. We may also have other disclosure requirements from federal awarding agencies, auditors, and others.

Reporting Responsibilities

The university has many reporting requirements for federal awards specified in various regulations and the award terms and conditions, including a requirement in 2 CFR Part 200 to provide a comparison of expenditures with budget amounts for each federal award.

Record Retention Responsibilities:

The university is required to retain records as required by the federal awards and 2 CFR Part 200.334-200.338. In addition, there may be record retention requirements from other governmental entities, such as the Internal Revenue Service (IRS), and specific award terms and conditions.

▪ PERFORMANCE MEASUREMENTS

Our federal awarding agencies are interested in measuring performance in ways that will help federal agencies and grant recipients improve program outcomes, share lessons learned and spread the adoption of promising practices.

As a result, there are additional responsibilities for performance measurements that we must comply with.

Data Standardization Responsibilities:

The university must use standard, governmentwide OMB-approved data elements when providing financial and performance information.

Reporting Responsibilities:

As required, we may have to relate financial data to performance accomplishments of the federal award. Additionally, when applicable, we must also provide cost information to demonstrate cost-effective practices (e.g., through unit cost data).

The federal awarding agency establishes performance reporting frequency and content.

B. CODE OF CONDUCT

The university has a Code of Conduct that outlines the high ethical standards of the university and our expectations of students, faculty, staff, officers, trustees, and others with whom we work. The Code of Conduct is intended to provide an overarching statement that supplements but does not replace existing university policies and codes, such as the student integrity code found in “The Logger”.

The university takes ethical behavior seriously. Failure to follow our policies regarding federal requirements can result in a wide range of sanctions for the university, including disallowed costs, denied reimbursement requests, debarment of the university from all federal funding, including federal student aid, and, in some circumstances, criminal charges could result.

To view a copy of our Code of Conduct, go to:

https://www.pugetsound.edu/sites/default/files/2021-07/Code%20of%20Conduct_revised%202021.pdf

C. OTHER RULES

Other rules governing grant administration are found in various sections of the Code of Federal Regulations (CFR).

▪ COST PRINCIPLES

We are required to have written procedures for determining the allowability of costs in accordance with Subpart E—Cost Principles and the terms and conditions of the federal award.

We use the cost principles for guidance on how the university can spend federal grant funding. Federal cost principles can be found in 2 CFR Part 200 Subpart E, accessible online at

<https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200#subpart-E>

These regulations discuss allowable costs, direct and indirect costs, reasonable costs, and unallowable costs associated with grant administration. The cost principles reference specific items, such as compensation for personal services, equipment, and advertising, in the Selected Items of Cost in Subsections §§200.420-200. 476. In compliance with Subpart E—Cost Principles, all expenditures with federal funding must follow the cost principles, be allowable to charge the federal award, and be:

- Necessary and reasonable for the performance of the federal award
- Allocable under the Cost Principles
- Conforming with any limitations or exclusions outlined in the cost principles or the terms and conditions of the federal award

- Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-federal entity
- Consistently treated as either direct costs or indirect costs
- Determined in accordance with generally accepted accounting principles (GAAP) for non-governmental entities
- Not included in cost sharing
- Adequately documented
- Incurred during the approved budget period

Ensuring only allowable costs are charged to the federal award requires coordination and communication between a variety of functional areas, including the program, accounting, and procurement departments.

If you have questions about the allowability of a specific cost, you should contact the Grant Manager, at grants@pugetsound.edu.

▪ **DEBARMENT AND SUSPENSION**

2 CFR 180, *OMB Guidelines to Agencies on Governmentwide Debarment and Suspension (Nonprocurement)*, governs debarment and suspension compliance. Debarment and suspension can occur if federal grantees use federal funds wastefully or fraudulently. These regulations restrict funds flowing via awards, subawards, and contracts with certain parties that are debarred, suspended, or otherwise excluded from or ineligible for participation in federal assistance programs or activities.

See more on 2 CFR Part 180 at

https://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr180_main_02.tpl

We are committed to preventing federal funds from flowing to excluded parties who are suspended or debarred from participation in either contracts or awards.

▪ **CONTRACT PROVISIONS**

University contracts must contain the applicable provisions described in Appendix II to Part 200—Contract Provisions for Non-Federal Entity Contracts Under Federal Awards.

See <https://ecfr.federalregister.gov/current/title-2/subtitle-A/chapter-II/part-200#Appendix-II-to-Part-200>

Individual federal agencies may also have additional requirements for contract provisions contained in the terms and conditions of the federal awards.

Agency-specific award terms and conditions are reviewed by the Grant Manager and communicated to the financial management department in a timely manner.

▪ **OTHER RULES**

Here are some additional rules and regulations that affect the financial management functions of the university.

Individual Agency Guidance

In addition to the requirements in the Uniform Guidance, individual federal agencies also supply guidance for grant administration. Agency-specific rules are found under the federal agency's CFR title. For example, administration of Head Start grants under the Department of Health and Human Services are found under 45 CFR Part 1301.

To find CFR titles for agency-specific grant administration rules, look for the grant administration manual or agency CFR title referenced in the award terms and conditions or search the CFR online at the U.S. Government Printing Office (GPO) website at <http://www.gpo.gov/fdsys/browse/collectionCfr.action?collectionCode=CFR> or go to the archived chart of individual federal agencies at the archived chart at https://obamawhitehouse.archives.gov/omb/grants_chart.

Statutory and National Policy Requirements

The federal awarding agency is responsible for communicating to the university all relevant public policy requirements, including those in general appropriations provisions, and incorporating them either directly or by reference in the terms and conditions of the federal award.

Federal Funding Accountability and Transparency Act (FFATA)

The university is responsible for complying with all requirements of the federal award, including the provisions of FFATA with specific provisions on:

- Executive compensation
- 2 CFR Part 25 Financial Assistance Use of Universal Identifier
- System for Award Management
- 2 CFR Part 170 Reporting Subaward and Executive Compensation Information.
- Statutory requirements for whistleblower protections at 10 U.S.C. 2409, 41 U.S.C. 4712, and 10 U.S.C. 2324, 41 U.S.C. 4304 and 4310

See more at <https://www.fsrs.gov/#a-faqs>

University Rules

In addition to the other rules referenced above, the university has additional rules for the financial management of federal awards, including PeopleSoft procedures, budget management, use of the Office of Finance's "KACE" service desk ticketing system, procurement

services and processes, accounts payable, and other operating procedures located in the Office of Finance.

V. FINANCIAL MANAGEMENT LIFECYCLE

A. GETTING STARTED

▪ APPLYING FOR GRANTS

The Grant Manager serves as the lead at the university for compiling government grant application packets, coordinating the review by university leadership, and requesting submission by the authorized organization representative (AOR). The Principle Investigator of each proposed project will locate the key people providing information for or writing parts of the grant application packet and establish an initial team meeting to discuss roles and responsibilities for preparing the proposal. The Grant Manager will ensure organized and timely review and submission of the grant application.

The documents in the federal grant application packet will require the signature of an authorized representative who has the power to bind the university to the terms and conditions of the grant award.

Our authorized university representative (AOR) are: Executive Vice President and Chief Financial Officer, Associate Vice President of Finance, and Provost.

[Also See Appendix A: Signatory Authorization]

Prior to submission, applications must be reviewed by a review team consisting of the Grant Manager, Associate Vice President of Finance, Associate Vice President for Human Resources, Dean of Faculty Affairs, Associate Dean, Provost, Executive Vice President and CFO.

[Also See Appendix N: Grant Proposal Review and Approval Form.]

▪ SUBMIT AND TRACK APPLICATION

Once the grant application packet is completed and approved, the Authorized University Representative (AOR) will then submit it online.

▪ SIGN THE AGREEMENT

Upon an award of grant funds, an authorized official in the university will need to sign the award document and return it to the federal awarding agency in order to receive the grant funds. The federal awarding agency will not release any grant funds without receiving the grant award document back with an authorized signature. For help identifying who needs to sign the award agreement/contract for Puget Sound, please contact contracts@pugetsound.edu.

[Also See Appendix O: Contract Review Checklist – University of Puget Sound]

<https://www.pugetsound.edu/office-university-counsel/contracts/contract-checklists>

- **GRANT ACCOUNT SET-UP**

The university uses PeopleSoft Financials to manage federal grant funding. Upon receipt of an award of federal grant funds, the Office of Finance follows the PeopleSoft chartfield set-up and security checklist to set up a new grant project within PeopleSoft Financials:

[See Appendix P: Chartfield Setup Checklist]

- **MODIFY GRANT AGREEMENTS**

When grant agreements need to be modified and submitted for approval by the federal agency grant program officer, the Principle Investigator (PI) will work with the Grant Manager so that the modification is approved by the appropriate university official(s) (e.g.—regarding faculty time and effort, cost-sharing, etc.) The AOR will need to sign the modification document and submit it to the federal awarding agency on behalf of the university.

- **PERIOD OF PERFORMANCE**

The university may only charge allowable costs to the federal award during the period of performance, which may include one or more funded portions or budget periods. Identification of the period of performance in the federal award does not commit the awarding agency to fund the award beyond the currently approved budget period.

The university may incur project costs up to 90 calendar days before the federal awarding agency makes the federal award. Expenses more than 90 calendar days pre-award require prior approval of the federal awarding agency. All costs incurred before the federal awarding agency makes the federal award are at the recipient's risk (i.e., the federal awarding agency is not required to reimburse such costs if for any reason the recipient does not receive a federal award or if the federal award is less than anticipated and inadequate to cover such costs).

Pre-award costs must be necessary for efficient and timely performance of the scope of work. Such costs are allowable only to the extent that they would have been allowable if incurred after the date of the federal award and only with the written approval of the federal awarding agency. If charged to the award, these costs must be charged to the initial budget period of the award unless otherwise specified by the federal awarding agency or pass-through entity.

In response to this risk, all pre-spending on federal awards must be authorized not only by the federal awarding agency or pass-through entity but also the university's authorized representative.

B. SPEND GRANT FUNDS

▪ ADEQUATE DOCUMENTATION

The university shall maintain adequate documentation to demonstrate compliance with federal statutes, regulations, and the terms and conditions of the federal award. The records must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions, and the documentation must be sufficient to trace the funds to a level of expenditures adequate to establish that such funds were used according to the federal statutes, regulations, and the terms and conditions of the federal award.

Examples of adequate documentation include records that show:

- How the funds were spent
- When the spending occurred
- Who made the purchase
- Who authorized the spending?
- When the authorization took place

For procurement transactions, the amount of documentation required is typically influenced by the procurement method requirements. For example, micro-purchases would have less documentation than a competitive procurement. Refer to the university's Procurement Policy for Purchases Made with Federal Funds.

If you have questions about the adequacy of the documentation for a specific cost, you should contact the Grant Manager or Procurement Coordinator at finance@pugetsound.edu.

▪ AVOID UNNECESSARY PURCHASES

The university must avoid purchases of unnecessary or duplicative items.

▪ BONDING

If our federal awarding agency includes provisions on bonding, insurance, or both, we will obtain bonds from companies holding certificates of authority as acceptable sureties, as prescribed in 31 CFR Part 223, "Surety Companies Doing Business with the United States."

See <https://ecfr.federalregister.gov/current/title-31/part-223>

▪ BUDGETS

When the federal awarding agency approves the budget for a federal award, we recognize that this budget summarizes the financial aspects of the project or the program during the period of

performance. The approved budget must also relate to the performance measurements of the program for evaluation purposes when appropriate.

In addition, the budget may include both the federal and Non-federal share, or only the federal share depending on the requirements of the federal awarding agency.

The university will report deviations from the budget or project scope or objectives as required by our federal awarding agency.

If changes to award budgets are needed, we will follow the requirements in our award terms and conditions to request modifications.

Transfer of Budget Funds

The terms and conditions of our federal awards or the guidelines of our federal awarding agency may restrict the transfer of budget funds between direct cost budget categories, programs, functions, or activities when the federal share of the project exceeds the Simplified Acquisition Threshold (currently \$250,000) and the cumulative total of the transfers exceeds or is expected to exceed ten percent of the last approved budget.

We also can't transfer budget funds for a purpose that is not consistent with the award terms and conditions and the federal appropriation legislation.

We must request prior approval from our federal awarding agency for budget and program plan revisions as required and under the following circumstances:

Non-construction Federal Awards

We will request prior approval from our federal awarding agency for:

- A change in the scope of the objectives of the project or program (even if there is not a corresponding budget revision requiring prior written approval).
- A change in a key person specified in the application or the federal award
- The disengagement from the project for more than three months, or a 25 percent reduction in time devoted to the project, by the approved project director or principal investigator
- The inclusion of costs that require prior approval in accordance with Subpart E—Cost Principles of this part or 45 CFR part 75 Appendix IX, "Principles for Determining Costs Applicable to Research and Development under Awards and Contracts with Hospitals," or 48 CFR part 31, "Contract Cost Principles and Procedures," as applicable unless specifically waived by the federal awarding agency
- The transfer of funds budgeted for participant support costs as defined in §200.75 Participant support costs to other categories of expense

- The subawarding, transferring, or contracting out of any work under a federal award, including fixed amount subawards as described in §200.333 Fixed Amount Subawards, unless described in the application and funded in the approved federal award. (Note that this provision does not apply to the acquisition of supplies, material, equipment, or general support services, also known as procurement transactions.)
- Changes in the approved cost-sharing or matching provided by the university
- Additional federal funds needed to complete the project

Construction Federal Awards

We will request prior approval from our federal awarding agency for:

1. Budget revisions resulting from changes in the scope or the objective of the project or program
2. Additional federal funds needed to complete the project
3. Desired revisions which involve specific costs for which prior written approval requirements may be imposed consistent with applicable OMB cost principles listed in 2 CFR Part 200 Subpart E—Cost Principles

Combined Construction and Non-construction Federal Awards

If we receive a federal award that combines both support for construction and non-construction work, we may need to obtain prior approval from the federal awarding agency before making any fund or budget transfers between the two types of work supported depending on the award terms and conditions.

Submitting Budget Revisions

Unless the federal awarding agency indicates a letter of request is sufficient, we will use the same format for budget revisions as the application budget format.

In order to coordinate communication between all stakeholders, budget revisions must be approved by our authorized university representative.

The federal awarding agency is supposed to notify us within 30 calendar days from the date of receipt of the request for budget revisions.

If the revision is still under consideration at the end of 30 calendar days, the federal awarding agency is required to inform us in writing of the date when we may expect a decision.

One-time Extension

On occasion, we may need to request a one-time extension of the period of performance for the federal award for up to twelve months.

When we determine it is in the best interests of the project or program to request a one-time extension, and this type of extension is allowed by the terms and conditions of our award, we will notify the federal awarding agency in writing and provide the following information:

- Supporting reasons for the extension
- Revised period of performance

Requests for extension of the period of performance must be submitted to the funder at least ten calendar days before the end of the period of performance in the federal award.

In order to coordinate communication between all stakeholders, a request for a one-time extension must be authorized not only by the federal awarding agency or pass-through entity but also our authorized university representative.

We will seek prior approval of our federal awarding agency when any of the following conditions exist:

1. The terms and conditions of the federal award prohibit the extension.
2. The extension requires additional federal funds.
3. The extension involves any changes in the approved objectives or scope of the project.
4. We wish to carry forward unobligated balances to subsequent periods of performance.

If we have federal awards that support research (unless instructed otherwise by our federal awarding agency), we do not need prior approval to request a one-time extension unless any of these four conditions listed above apply.

However, all requests for one-time extensions must be authorized by our authorized university representative prior to requesting the extension from our federal awarding agency.

▪ **COST SHARING**

In response to the Notice of Funding Opportunity (NOFO) for federal awards, the university may share costs or use matching funds for any shared costs or matching funds requirements.

Cost-share Criteria

We use the following criteria to determine if the contributions meet the federal requirements for cost sharing contributions:

1. Can be verified from the university's records
2. Are not also included as contributions for any other federal award
3. Are necessary and reasonable for the accomplishment of project or program objectives

4. Are allowable for inclusion under 2 CFR Part 200 Subpart E—Cost Principles
5. Do not originate from the Federal Government under another federal award, except where the federal statute authorizing a program specifically provides that federal funds made available for such program can be applied to matching or cost-sharing requirements of other federal programs.
6. Are included in the award approved budget when required by the federal awarding agency.

Unrecovered Indirect Costs

If we have unrecovered indirect costs (which are defined as the difference between the amount charged to the federal award and the university's approved negotiated indirect cost rate), we may use these unrecovered costs as a component of cost share when we have the prior written approval of the federal awarding agency.

Cost-share Valuation

We will value contributions of services and property consistent with 2 CFR Part 200 Subpart E—Cost Principles.

If authorized by the federal awarding agency to donate buildings or land, we will value the donated property at the *lesser* of the value of the remaining life of the property recorded in our accounting records at the time of the donation or the current fair market value.

If there is adequate justification, we may ask the federal awarding agency to approve the use of the *current* fair market value of the donated property, even if it *exceeds* the value of the remaining life of the property recorded in our accounting records.

When we receive donations of property, we will follow the usual accounting policies of the university to determine the value, with the following qualifications:

1. For donated land and buildings, the value can't exceed its fair market value at the time of donation to the university as established by an independent appraiser (e.g., certified real property appraiser or General Services Administration representative) and certified by a responsible official of the university as required by the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended, (42 U.S.C. 4601-4655) (Uniform Act) except as provided in the implementing regulations at 49 CFR part 24.
2. For donated equipment, the value can't exceed the fair market value of equipment of the same age and condition at the time of donation.
3. For donated space, the value can't exceed the fair rental value of comparable space as established by an independent appraisal of comparable space and facilities in a privately-owned building in the same locality.

4. For loaned equipment, the value can't exceed its fair rental value.

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- If and when applicable, we also follow OMB memorandum M-01-06, dated January 5, 2001, Clarification of OMB A-21 Treatment of Voluntary Uncommitted Cost Sharing and Tuition Remission Costs.

Third Party Donations

When volunteer services provided by third-party professionals, technical personnel, consultants, and other skilled and unskilled labor are included as cost sharing or matching, the service must be an integral and necessary part of an approved project or program.

The value of the third-party volunteer services will be consistent with those paid for similar work at the university or paid for similar work in the labor market in which we compete for the kind of services involved if those services are not performed by the university.

We may also include paid fringe benefits in the cost share valuation that are reasonable, necessary, allocable, and otherwise allowable.

When a third-party university furnishes the services of an employee to provide the same skill(s) for which the employee is normally paid, these services must be valued at the employee's regular rate of pay plus an amount of fringe benefits that are reasonable, necessary, allocable, and otherwise allowable, plus indirect costs at either the third-party university's approved federally negotiated indirect cost rate or, a rate in accordance with §200.414 Indirect (F&A) costs, paragraph (d).

Where donated services are treated as indirect costs, indirect cost rates will separate the value of the donated services so that reimbursement for the donated services will not be duplicated.

When third parties donate property items such as equipment, office supplies, laboratory supplies, or workshop and classroom supplies, the value of the donated property to be included in the cost sharing or matching must not exceed the fair market value of the property at the time of the donation.

When third parties donate equipment, buildings, and land where the title passes to the university, the following conditions apply:

1. If the purpose of the federal award is to assist the university in the acquisition of equipment, buildings, or land, the aggregate value of the donated property may be claimed as cost sharing or matching.
2. If the purpose of the federal award is to support activities that require the use of equipment, buildings, or land, normally only depreciation charges for equipment and buildings may be made. However, the fair market value of equipment or other capital assets and fair rental charges for land may be allowed, provided that the federal awarding agency has approved the charges.

When a third-party donates in-kind contributions, the fair market value of goods and services must be documented and, to the extent feasible, supported by the same methods used internally by the university.

[See Appendix B: In-Kind Contribution Form.]

▪ **COST TRANSFERS**

Our federal awarding agencies should be able to expect that costs are charged appropriately at the time they are incurred. Significant adjustments should not be required if adequate financial management practices and policies exist.

In addition, individual federal awarding agencies may further restrict cost transfers and limit the period of time for such transfers.

In order to provide reasonable assurance that cost transfers meet the cost allowability and allocability requirements of 2 CFR 200, Section E, it is necessary to document and justify transfers of charges from federal awards from other federal accounts and from other non-federal accounts or university accounts.

Here are some examples of allowable types of cost transfers:

- Correction of a clerical error
- Correction of over-expenditure (provided the cost is allowable and allocable to the award the cost is transferred to, or the over-expenditure is transferred to non-restricted funds)
- Allocation/reallocation of expenses where multiple projects benefited
- Transfer of pre-award costs to a federally sponsored project after approval for pre-spending is obtained

Documenting the timeliness and completeness of the explanation for cost transfers is key to supporting the allowability and allocability of the cost transfer.

Cost transfers must be authorized by the organizational representative prior to processing the request. The cost transfers should take place within [90] days of when the need for the cost transfer is identified.

Cost transfers must be approved by the designated organizational representative:

[See Appendix C for Cost Transfer Information]

▪ **FIXED AMOUNT SUBAWARDS**

If we pass through federal funds to subrecipients, the university may provide fixed amount subawards up to the Simplified Acquisition Threshold [currently \$250,000] with prior written approval from the federal awarding agency as long as the subawards meet the requirements for

fixed amount awards in §200.201-Use of grant agreements (including fixed amount awards), cooperative agreements, and contracts.

- **TIME AND EFFORT REPORTING**

Like many grant recipients, the expenditures for personnel represent a major portion of spending on our federal awards. Therefore, we follow the requirements in **§200.430 Compensation—personal services Subsection (i) Standards for Documentation of Personnel Expenses**. These requirements include providing reasonable assurance that the expenditures for salaries and wages are based on records that accurately reflect the work performed.

[See Appendix D for a Sample Personnel Activity Report]

C. MONITORING AND REPORTING

- **MONITORING**

We are responsible for the oversight of operations and activities supported by federal awards. We monitor our federally-sponsored activities to ensure compliance with both applicable federal requirements and the expectations that we achieve key performance measurements.

Our monitoring must include not only programs, functions, and activities but also monitoring subrecipients (if applicable) and contractors.

[See Appendix E for a Sample Subrecipient Risk Assessment Checklist and Appendix F for a Sample Subcontractor Evaluation Checklist.]

- **INTERNAL CONTROLS**

Internal controls provide the framework for oversight of the financial and program management functions. They also contribute to the objectives of efficient operations, compliance with laws and regulations, and reliable reporting.

The university must establish and maintain effective internal controls over federal awards providing reasonable assurance that we are managing the federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal awards.

We use internal controls principles in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Internal controls are relevant to everyone in the workplace. They include our responsibility to understand and comply with university policies and procedures, as well as to hold ourselves and one another accountable.

Control Environment

Our Management Team is committed to lead the university with openness, honesty, integrity, and ethical behavior.

We are committed to strong internal controls and take prompt action when instances of noncompliance are identified, including noncompliance identified in audit findings.

Our commitment to an ethical environment includes a Code of Conduct for employees.

Risk Assessment

We are committed to understanding and managing the risks we are exposed to. We put controls in place to counter threats and effectively pursue our objectives.

Some examples of this commitment include:

- Review of previous years' audit report and management letters
- Identifying areas posing the greatest threat or risk of inaccuracies or loss
- Providing adequate insurance for university risk consistent with generally accepted business practices and requirements of award terms and conditions

Control Activities

We use a variety of control activities that support strong internal controls, including:

- Use of a purchase requisition process with appropriate levels of authorization
- Segregation of duties that separate the custody, record-keeping, and authorization functions
- Reconciliation of accounts to ensure transactions are recorded in the correct account and for the right amount
- Physical security measures for assets like cash, checks, equipment, and inventories

Information and Communication

We understand the role of strong communication in preventing, detecting, and deterring waste, fraud, and abuse of the funds entrusted to the university.

We regularly communicate updates and reminders of policies and procedures to staff through emails, staff meetings, and other communication methods.

We also take reasonable measures to safeguard protected personally identifiable information (PII) and other information the federal awarding agency or pass-through entity designates as sensitive, or we consider sensitive consistent with applicable federal, state, local, and tribal laws regarding privacy and obligations of confidentiality.

We use a variety of monitoring activities to comply with federal statutes, regulations, and the terms and conditions of the federal awards, including:

- After-the-fact review and approval of time and effort reports to provide reasonable assurance the costs are accurate, allowable, and properly allocated
 - Ensuring we use responsible contractors who comply with the terms and conditions of contracts
 - Assigning monitoring roles to people with appropriate capabilities, objectivity, and authority
 - Monitoring our subrecipients for compliance with the terms and conditions of subaward agreements
- **CONFLICTS OF INTEREST**

The university must avoid conflicts of interest in the procurement of goods and services supported by federal awards. Conflicts of interest requirements are covered in further depth in 2 CFR Part 200, Subpart D Subsection §200.318 (c). General procurement standards.

The university's Conflict of Interest Policy covering all university employees and FAQs are located on our website:

<https://www.pugetsound.edu/office-university-counsel/policies/staff-policies/conflict-interest>

The university's Financial Conflict of Interest Policy covering personnel performing federally-sponsored research under NSF and NIH guidelines is located on our website:

<https://www.pugetsound.edu/office-university-counsel/policies/faculty-policies/financial-conflict-interest-policy-federally-sponsored-research>

What is a Conflict of Interest?

A conflict of interest arises when the employee, officer, or agent, any member of their immediate family, their partner, or an university that employs or is about to employ any of these parties, has a financial or other interest in or a tangible personal benefit from an university or person considered for a contract.

When a real or apparent conflict of interest occurs, no employee, officer, or agent may participate in the selection, award, or administration of a contract supported by the federal award.

Prohibition on Soliciting or Accepting Items of Monetary Value

The officers, employees, and agents of the university may neither solicit nor accept gratuities, favors, or anything of monetary value from contractors or parties to subcontracts.

Unsolicited *de minimus* personal favors, financial incentives, gifts, or other pecuniary goods, products, or services (with a total value under \$100 from a single source in any given year) need not be authorized in advance of acceptance or reported.

All real or apparent conflicts of interest must be disclosed to the appropriate university official cited in the policy.

Disciplinary Action

It is critically important to a grant-funded university that all employees follow the Code of Conduct and Conflict of Interest Policy. Failure to comply with these standards can result in disciplinary action, including termination of employment.

We must disclose in writing any conflict of interest to the federal awarding agency or pass-through entity in accordance with applicable federal awarding agency policy.

▪ SUSPENSION AND DEBARMENT

To ensure federal funds do not flow to excluded parties, we are required to check for suspended or debarred parties before opening bids or awarding work for all covered transactions. Common types of covered transactions include:

- All non-procurement contracts such as subawards
- All procurement contracts requiring the consent of an official of a federal agency
- Other procurement contracts for goods or services expected to equal or exceed \$25,000
- A principal person in a covered transaction, such as a principal investigator

The methods we use to verify the parties in the covered transaction are not excluded or disqualified from receiving federal funds include:

1. Checking SAM.gov Exclusions
2. Collecting a certification from that person or university
3. Adding a clause or condition to the covered transaction with that person or university

Names of debarred or suspended parties can be found by searching the System for Award Management (SAM) for exclusion records, active or excluded at

<https://sam.gov/content/exclusions>

(Note: Records that were contained in the Excluded Parties List System have been moved to SAM.gov.)

Adequate source documentation of who was checked, when they were checked, and the results of the search must be maintained as well.

The Procurement Coordinator documents checking for excluded parties by taking a screenshot of the SAM.gov results and saving it as a .pdf file to a specified network folder location. [Contact finance@pugetsound.edu](mailto:finance@pugetsound.edu) for further information.

▪ **REQUIREMENTS FOR PASS-THROUGH ENTITIES**

If we pass through federal funds to a subrecipient, we have specific requirements to support our subrecipients. The requirements cover everything from the identification information that must be shared with the subrecipient to assessing the risks associated with the subrecipient and subaward close out and access to records.

Identification of the Subaward

Each subaward must be clearly identified to the subrecipient as a subaward.

We also must include the following information at the time of the subaward and if any of these data elements change, include the changes in subsequent subaward modifications:

1. Subrecipient name (which must match the name associated with its unique entity identifier)
2. Subrecipient's unique entity identifier
3. Federal Award Identification Number (FAIN)
4. Federal award date (see §200.39 Federal award date) of the award to the recipient by the federal agency
5. Subaward period of performance start and end date
6. Subaward budget period start and end date
7. Amount of federal funds obligated by this action by the pass-through entity to the subrecipient
8. The total amount of federal funds obligated to the subrecipient by the pass-through entity, including the current obligation
9. The total amount of the federal award committed to the subrecipient by the pass-through entity
10. Federal award project description, as required to be responsive to the Federal Funding Accountability and Transparency Act (FFATA)

11. Name of federal awarding agency, pass-through entity, and contact information for awarding official of the Pass-through entity
12. Assistance listings number and title (formerly the CFDA number and title) the pass-through entity must identify the dollar amount made available under each federal award and the Assistance Listings Number at time of disbursement
13. Identification of whether the award is R&D
14. Indirect cost rate for the federal award (including if the de minimis rate is charged per §200.414 Indirect (F&A) costs)

If some of this information is not available, we will provide the best information available to describe the federal award and subaward.

Award Requirements for Subrecipients

When we pass through federal funding to a subrecipient, typically, all requirements imposed on the pass-through also flow through to the subrecipient.

These requirements include the requirement to use the federal award in accordance with federal statutes, regulations, and the terms and conditions of the federal award.

We may also impose additional requirements on the subrecipient to meet our responsibilities to the federal awarding agency, including identification of any required financial and performance reports.

Indirect Cost Rate for Subrecipients

Unless prohibited or modified by the federal award or the federal awarding agency, the subrecipient may use an approved federally recognized indirect cost rate negotiated between the subrecipient and the Federal Government.

If no approved rate exists, the pass-through entity must determine the appropriate rate in collaboration with the subrecipient, which is either the negotiated indirect cost rate between the pass-through entity and the subrecipient, which can be based on a prior negotiated rate between a different PTE and the same subrecipient. If basing the rate on a previously negotiated rate, the pass-through entity is not required to collect information justifying this rate but may elect to do so or the de minimis indirect cost rate.

The pass-through entity must not require the use of a de minimis indirect cost rate if the subrecipient has a federally approved rate.

Risk Assessment for Subrecipients

We are required to evaluate each subrecipient's risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate level of subrecipient monitoring.

In conducting this evaluation, we may consider the following factors:

1. The subrecipient's prior experience with the same or similar subawards
2. The results of previous audits, including whether or not the subrecipient receives a Single Audit in accordance with Subpart F—Audit Requirements of this part, and the extent to which the same or similar subaward has been audited as a major program
3. Whether the subrecipient has new personnel or new or substantially changed systems
4. The extent and results of federal awarding agency monitoring (e.g., if the subrecipient also receives federal awards directly from a federal awarding agency)

We may consider imposing specific subaward conditions upon a subrecipient if appropriate based on our risk assessment.

Subrecipient Monitoring

As the pass-through entity for federal funds, we must monitor our subrecipients as necessary to ensure that the subaward is used for authorized purposes, in compliance with federal statutes, regulations, and the terms and conditions of the subaward and performance goals are achieved.

Our monitoring activities for subrecipients will include a variety of activities such as:

- Reviewing required financial and performance reports
- Following up and ensuring that the subrecipient takes timely and appropriate action when deficiencies pertaining to the federal award are detected through audits, on-site reviews, and other means
- Issuing a management decision on audit findings pertaining to the federal award to the subrecipient

When we conduct an evaluation of each subrecipient's risk of noncompliance to ensure proper accountability and compliance with program requirements and achievement of performance goals, we may decide to use additional monitoring tools such as:

- Providing subrecipients with training and technical assistance on program-related matters
- Performing on-site reviews of the subrecipient's program operations
- Arranging for agreed-upon-procedures engagements as described in §200.425 Audit services

We must also verify that every subrecipient is audited as required by Subpart F—Audit Requirements when it is expected that the subrecipient's federal awards expended during the

respective fiscal year equaled or exceeded the threshold set forth in §200.501 Audit requirements, currently \$750,000.

We will also consider whether the results of the subrecipient's audits, on-site reviews, or other monitoring indicate conditions that necessitate adjustments to the pass-through entity's own records.

Close Out and Access to Records

In addition to the requirements listed above, the subrecipient must also permit both the university and auditors to have access to the subrecipient's records and financial statements as necessary for us to meet our responsibilities for monitoring and reporting. Our terms and conditions will also contain appropriate terms and conditions concerning the closeout of the subaward.

We will also consider taking enforcement action against noncompliant subrecipients as described in §200.339 Remedies for noncompliance and in program regulations.

▪ SUBRECIPIENT AND CONTRACTOR DETERMINATIONS

We may receive federal awards as a recipient, a subrecipient, and a contractor, depending on the substance of the agreements with federal awarding agencies and pass-through entities.

When we pass through federal funds, we must use our best judgment and make a case-by-case determination on the appropriate form of agreement, whether for a subrecipient or a contractor. Our federal awarding agency may supply additional guidance to support these determinations.

The improper classification of subrecipients vs. contractors can have severe negative consequences on the university as subrecipient typically must receive the prior approval of the federal awarding agency, where contractors typically do not require the prior approval of the federal awarding agency.

[For further guidance on determining whether there is a subrecipient or contractor relationship, see Appendix G: Contractor vs. Subrecipient Guide.]

▪ FINANCIAL REPORTING

Generally, we only are required to provide the standard, OMB-approved governmentwide data elements for the collection of financial information.

Financial reporting to our federal awarding agencies typically takes place no less frequently than annually or more frequently than quarterly except in unusual circumstances.

The frequency of financial reporting should be specified in the award terms and conditions.

▪ **PERFORMANCE REPORTING**

We are required to submit a variety of reports on both non-construction and construction performance (as applicable).

Our federal awarding agency may occasionally waive requirements for some performance reports that they decide are not needed.

Finally, our federal awarding agency may make site visits as determined by program needs.

Frequency

We will submit performance reports at the interval required by the federal awarding agency or pass-through entity that best informs improvement in program outcomes and productivity.

Normally these intervals would be no less frequent than annually nor more frequent than quarterly except in unusual circumstances, such as when more frequent reporting is necessary for the effective monitoring of the federal award or the lack of current reporting could significantly affect program outcomes.

Deadlines

We will submit annual reports within 90 calendar days after the reporting period ends or as required by our federal awarding agency.

We will submit quarterly or semi-annual reports within 30 calendar days after the reporting period ends or as required by our federal awarding agency.

If the federal awarding agency requires annual reports before the anniversary dates of multiple-year federal awards, the final performance report submitted by the non-federal entity and/or pass-through entity must be due no later than 120 calendar days after the period of performance end date. A subrecipient must submit to the pass-through entity, no later than 90 calendar days after the period of performance end date, all final performance reports as required by the terms and conditions of the federal award.

If adequately justified, we may request an extension of the due date for any performance report from our federal awarding agency.

Reporting Format

We must submit financial and performance reports as required using OMB-approved common information collections, as applicable.

These reports typically contain information on each federal award, including:

- Comparison of actual accomplishments to the objectives of the federal award for the reporting period

- Calculation of costs to units of accomplishment, where possible and useful
- Analysis of performance trends that are informative to the federal awarding agency when required as a performance reporting requirement
- Reasons why established goals were not met, if appropriate
- Pertinent explanations and analysis of cost overruns or high unit costs when appropriate

Construction Reports [If applicable]

Construction performance reports rely heavily on on-site technical inspections and certified percentage of completion data to monitor progress. The federal awarding agency may require additional performance reports they consider necessary.

Reporting Significant Developments

Sometimes significant events occur between the scheduled performance reporting dates that have a significant impact on the supported activities.

Here are two types of examples:

1. Problems, delays, or adverse conditions which will materially impair the ability to meet the objectives of the federal award. This disclosure must include a statement of the action taken or contemplated and any assistance needed to resolve the situation
2. Favorable developments that enable the university to meet time schedules and objectives sooner or at less cost than anticipated or producing more or different beneficial results than originally planned

We must disclose significant developments to our federal awarding agency or pass-through entity as soon as they become known.

D. ALLOWABLE COSTS

▪ GENERAL CRITERIA

In addition to the procurement standards in the Uniform Guidance, procurement with federal funds must also be allowable to charge the federal award based on the cost principles and subsection §200.403 Factors affecting allowability of costs. Except where otherwise authorized by statute, costs must meet the following general criteria to be allowable under federal awards:

1. Be necessary and reasonable for the performance of the federal award and be allocable under these principles.

2. Conform to any limitations or exclusions outlined in these principles or the federal award as to types or amount of cost items.
3. Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the Non-federal entity.
4. Be accorded consistent treatment. A cost may not be assigned to a federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the federal award as an indirect cost. For example, 200.413 Direct Costs (c) states that Administrative and clerical staff should normally be treated as indirect (F&A) costs; however, direct charging may be appropriate if all the following conditions are met: (1) Services are integral to a project; (2) Individuals can be specifically identified with the project or activity; (3) Such costs are explicitly included in the budget or have the prior written approval and are (4) Not recovered in indirect costs.
5. Be determined in accordance with generally accepted accounting principles (GAAP), except for state and local governments and Indian tribes only, as otherwise provided for in this part.
6. 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. See also §200.306 Cost sharing or matching paragraph (b).
7. Be adequately documented. See also Subsection §200.300 Statutory and national policy requirements through 200.309 Modifications to Period of performance.
8. Incurred during the approved budget period

To avoid subsequent disallowance or dispute based on unreasonableness or non-allocability, the university may seek the prior written approval of the cognizant agency for indirect costs or the federal awarding agency in advance of the incurrence of special or unusual costs.

▪ **NECESSARY AND REASONABLE**

A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. The question of reasonableness is particularly important when the Non-federal entity is predominantly federally funded.

In determining the reasonableness of a given cost, consideration must be given to:

1. Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the university or the proper and efficient performance of the federal award
2. Restraints or requirements imposed by such factors as sound business practices; arms-length bargaining; federal, state, and other laws and regulations; and terms and conditions of the federal award

3. Market prices for comparable goods or services for the geographic area
4. Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the Non-federal entity, its employees, where applicable, its students or membership, the public at large, and the Federal Government
5. Whether the Non-federal entity significantly deviates from its established practices and policies regarding the incurrence of costs, which may unjustifiably increase the federal award's cost

▪ **ALLOCABLE**

A cost is allocable to a particular federal award or another cost objective if the goods or services involved are chargeable or assignable to that federal award or cost objective in accordance with relative benefits received.

This standard is met if the cost:

1. Is incurred specifically for the federal award
2. Benefits both the federal award and other work of the Non-federal entity and can be distributed in proportions that may be approximated using reasonable methods
3. Is necessary to the overall operation of the Non-federal entity and is assignable in part to the federal award in accordance with the cost principles

All activities which benefit from the Non-federal entity's indirect (F&A) cost, including unallowable activities and donated services by the Non-federal entity or third parties, will receive an appropriate allocation of indirect costs.

(c) Any cost allocable to a particular federal award under the cost principles may not be charged to other federal awards to overcome fund deficiencies, to avoid restrictions imposed by federal statutes, regulations, or terms and conditions of the federal awards, or for other reasons. However, this prohibition would not preclude the Non-federal entity from shifting costs that are allowable under two or more federal awards in accordance with existing federal statutes, regulations, or the terms and conditions of the federal awards.

(d) Direct cost allocation principles. If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost should be allocated to the projects based on the proportional benefit. If a cost benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved, then, notwithstanding paragraph (c) of this section, the costs may be allocated or transferred to benefitted projects on any reasonable documented basis. Where the purchase of equipment or other capital asset is specifically authorized under a federal award, the costs are assignable to the federal award regardless of the use that may be made of the equipment or other capital asset involved when no longer needed for the purpose for which it was originally required. See also §§200.310 Insurance coverage through 200.316 Property trust relationship and 200.439 Equipment and other capital expenditures.

(e) If the contract is subject to Cost Accounting Standards (CAS), costs must be allocated to the contract under the Cost Accounting Standards. To the extent that CAS is applicable, the allocation of costs in accordance with CAS takes precedence over the allocation provisions in this part.

- **NOT LIMITED BY COST PRINCIPLES**

The cost principles include a variety of costs, some of which are limited or unallowable to charge the federal award. For additional details, review 2 CFR Part 200 Sections 200.420 thru 200.476 titled General Provisions for Selected Items of Cost. In addition, §200.407 Prior written approval (prior approval) lists types of costs that may require the prior approval of the funding agency.

[See Appendix H for Selected Items of Costs that references many types of costs and Appendix I for examples of costs that require the prior written approval of the federal funding agency.]

- **NET OF APPLICABLE CREDITS**

(a) Applicable credits refer to those receipts or reduction-of-expenditure-type transactions that offset or reduce expense items allocable to the federal award as direct or indirect (F&A) costs. Examples of such transactions are purchase discounts, rebates or allowances, recoveries or indemnities on losses, insurance refunds or rebates, and adjustments of overpayments or erroneous charges. To the extent that such credits accruing to or received by the Non-federal entity relate to allowable costs, they must be credited to the federal award either as a cost reduction or cash refund, as appropriate.

(b) In some instances, the amounts received from the Federal Government to finance activities or service operations of the Non-federal entity should be treated as applicable credits. Specifically, the concept of netting such credit items (including any amounts used to meet cost sharing or matching requirements) should be recognized in determining the rates or amounts to be charged to the federal award. (See §§200.436 Depreciation and 200.468 Specialized service facilities for areas of potential application in the matter of federal financing of activities.)

E. PAYMENT MANAGEMENT

Below are the written procedures to implement the requirements of §200.305 Federal Payment.

- **SUMMARY OF PAYMENT METHODS**

There are two methods to received funds from the federal awarding agency in support of our federally sponsored programs:

Advance Payment

When we maintain and demonstrate the willingness to both written procedures that minimize the time elapsing between the transfer of funds and disbursement by the university and financial management systems that meet the financial management standards for fund control and accountability, advance payment is the preferred method of payment.

Reimbursement

There are several conditions under which we would use the reimbursement method instead of the advance payment method.

Examples include:

1. When we can't maintain and demonstrate the willingness to maintain both written procedures that minimize the time elapsing between the transfer of funds and disbursement by the university and financial management systems that meet the financial management standards for fund control and accountability, reimbursement is the preferred method of payment
2. When the federal awarding agency sets a specific condition for the reimbursement method
3. When we request payment by reimbursement
4. When there is a federal award for construction, or if the major portion of the construction project is accomplished through private market financing or federal loans, and the federal award constitutes a minor portion of the project

- **MINIMIZE TIMEFRAME AS REQUIRED**

When funds are advanced to the university from federal sources, our payment methods must be designed to minimize the time between the transfer of funds from the United States Treasury or the pass-through entity and the disbursement by the university in any form such as electronic transfer and checks.

In addition, our advance payment requests must be limited to the minimum amounts needed and be timed in accordance with the actual, immediate cash requirements of the university to carry out the purpose of the approved program or project.

The timing and amount of advance payments must be as close as is administratively feasible to the actual disbursements by the university for direct program or project costs and the proportionate share of any allowable indirect costs.

We also shall make timely payment to contractors in accordance with the contract provisions in support of our federal awards.

When possible, we will consolidate advance payments to cover our anticipated cash needs for all of our federal awards.

▪ **REQUESTS FOR PAYMENTS**

When requesting payment for work on federal awards, the university shall be authorized to submit requests for advance payments (as applicable) and reimbursements at least monthly when electronic fund transfers are not used and as often as needed when electronic transfers are used.

[See Appendix J for Example of Form SF-270 Request for Advance or Reimbursement.]

▪ **USE OF RESOURCES**

Before requesting additional cash advance payments, we will first disburse funds from program income, rebates, refunds, contract settlements, audit recoveries, and interest earned on advance funds, if applicable.

▪ **DEPOSITORIES FOR ADVANCE FUNDS**

Federal awarding agencies and pass-through entities are not allowed to require separate depository accounts for funds provided to the university. However, we must still be able to track the receipt, obligation, and expenditure of funds for each individual federal award.

Insured Account

When possible, we will deposit and maintain the advance federal funds in an insured account.

We recognize that the insurance coverage on the accounts may be insufficient to fully cover all risk of loss due to insurers such as the Federal Deposit Insurance Corporation (FDIC) limiting the losses per account category.

Interest-bearing Account

We will maintain advance payments in an interest-bearing account unless one or more of the following conditions apply:

- We received less than \$250,000 in federal awards per year.
- We do not expect to earn more than \$500 in interest on federal cash advances in the best reasonably available interest-bearing account.
- It is not feasible to maintain an average or minimum balance within the expected cash resources at the depository.
- A foreign government or banking system prohibits interest-bearing accounts.

▪ **INTEREST EARNED ON ADVANCE FUNDS**

If we earn up to \$500 per year on federal advance funds, we will retain the amounts as administrative fees.

If more than \$500 is earned on advance funds, we will remit the additional interest annually to the Department of Health and Human Services Payment Management System (PMS). The remittance must be submitted as described in §200.305 Federal Payment.

▪ **PROGRAM INCOME**

Consistent with the federal encouragement in §200.307 Program income, we will seek to earn income to reduce program costs when appropriate.

The following examples are *not* considered program income unless the revenues are specifically identified in the federal award or awarding agency regulations as program income:

- Governmental revenues, such as taxes, special assessments, levies, and fines
- Proceeds from the sale of real property, equipment, and supplies

If we incur costs for generating program income that were not charged to the federal award, and if authorized by federal regulations or the federal award, we will deduct incidental costs from gross program income to determine net program income.

Based on the terms and conditions of our federal awards and federal awarding agency regulations, we will use one of the following three methods below to account for program income proceeds as appropriate:

1. **Deduction Method:** Program income must be deducted from total allowable costs to determine the net allowable costs.
2. **Addition Method:** Program income may be added to the federal award by the federal agency and the Non-federal entity. The program income must be used for the purposes and under the conditions of the federal award.
3. **Cost share or match:** With prior approval of the federal awarding agency, program income may be used to meet the cost sharing or matching requirement of the federal award. The amount of the federal award remains the same.

After the period of performance, we will follow the requirements for program income included in our federal award terms and conditions and federal awarding agency regulations to determine any continuing requirements for reporting income.

F. PROPERTY MANAGEMENT

When we purchase property with federal funds, we follow the property management requirements in §200.310 Insurance coverage through §200.316 Property trust relationship.

There are four types of property that may be purchased with federal funds:

1. Real property
2. Equipment
3. Supplies and other expendables
4. Intangible property

Each type of property has specific requirements surrounding the property title (who owns it), use (how it can be used), and disposal (what to do when we no longer want or need it.) that are discussed in greater detail in this section.

Finally, the federal awarding agency or the federal award terms and conditions may impose additional requirements on how we track, use and dispose of property purchased with federal funds.

▪ **FEDERALLY-OWNED AND EXEMPT PROPERTY**

When property is purchased for federal awards, the title to the property may remain with the Federal Government. This is known as *federally-owned* property.

If the federal agency provides the title to the property to the university without further obligation to the Federal Government, based upon the explicit terms and conditions of the federal award, this is known as *exempt* property.

When title to property purchased with the federal award stays with the Federal Government, there are additional requirements for monitoring and oversight of the property, including:

- Submitting an annual inventory report of the federally owned property to the federal awarding agency
- Notifying the federal awarding agency when the federally owned property is no longer needed so that the agency can determine other utilization of the property

The additional requirements may last beyond the period of performance for the individual federal award that purchased the property.

[See Appendix K for Sample Property Tracking Form.]

▪ **REAL PROPERTY**

Real property includes land, including land improvements, structures, and things permanently attached to the structures. It does not include moveable machinery and equipment.

Title

Title to real property acquired or improved under a federal award will generally vest upon acquisition with the university.

Use

Unless otherwise provided by federal statutes or by the federal awarding agency, real property will be used for the originally authorized purpose as long as needed for that purpose, during which time we must not dispose of or encumber its title or other interests.

Disposal

When real property is no longer needed for the originally authorized purpose, we must get disposition instructions from the federal awarding agency or pass-through entity.

The instructions must provide for one of the following alternatives:

1. We will retain the title after compensating the federal awarding agency.
 - The amount paid to the federal awarding agency will be computed by applying the federal awarding agency's percentage of participation in the cost of the original purchase (and costs of any improvements) to the fair market value of the property. However, in those situations where we are disposing of real property acquired or improved with a federal award and acquiring replacement real property under the same federal award, the net proceeds from the disposition may be used as an offset to the cost of the replacement property.
2. We will sell the property and compensate the federal awarding agency.
 - The amount due to the federal awarding agency will be calculated by applying the federal awarding agency's percentage of participation in the cost of the original purchase (and cost of any improvements) to the proceeds of the sale after deduction of any actual and reasonable selling and fixing-up expenses. If the federal award has not been closed out, the net proceeds from the sale may be offset against the original cost of the property. When we are directed to sell the property, sales procedures must be followed that provide for competition to the extent practicable and result in the highest possible return.
3. We will transfer the title to the federal awarding agency or to a third party designated/approved by the federal awarding agency.
 - If we contributed to the purchase of the property, we are entitled to be paid an amount calculated by applying our percentage of participation in the purchase of the real property (and cost of any improvements) to the current fair market value of the property.

Reporting

We are required to submit reports at least annually on the status of real property in which the Federal Government retains an interest unless the federal interest in the real property extends 15 years or longer.

In those instances where the federal interest attached is for a period of 15 years or more, the federal awarding agency or pass-through entity, at its option, may require us to report at various multi-year frequencies (e.g., every two years or every three years, not to exceed a five-year reporting period, or a federal awarding agency or pass-through entity may require annual reporting for the first three years of a federal award and thereafter require reporting every five years).

- **EQUIPMENT**

Equipment includes tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the university for financial statement purposes, or \$5,000.

Title

Title to equipment acquired under a federal award generally will vest upon acquisition with the university unless the federal award terms and conditions specify the property remain federally owned property.

The terms and conditions of the federal award should include how the equipment title is held.

Use

We must use the equipment for the authorized purposes of the project until funding for the project ceases or until the property is no longer needed for the purposes of the project.

We must not encumber the property without approval of the federal awarding agency or pass-through entity.

During the time that equipment is used on the project or program for which it was acquired, we must also make the equipment available for use on other projects or programs currently or previously supported by the Federal Government, provided that such use will not interfere with the work on the projects or program for which it was originally acquired as directed by the federal awarding agency.

First preference for other use must be given to other programs or projects supported by the federal awarding agency that financed the equipment, and second preference must be given to programs or projects under federal awards from other federal awarding agencies.

Use for non-federally-funded programs or projects is also permissible. User fees should be considered if appropriate.

However, we must not use equipment acquired with the federal award to provide services for a fee that is less than private companies charge for equivalent services unless specifically authorized by federal statute for as long as the Federal Government retains an interest in the equipment.

Unless prohibited in the terms and conditions of the federal award, when acquiring replacement equipment, we may use the equipment to be replaced as a trade-in or sell the property and use the proceeds to offset the cost of the replacement property.

Management and Control

We are required to provide procedures for management and control of the equipment (including replacement equipment), whether acquired in whole or in part, under a federal award until disposition takes place.

Therefore, at a minimum, we use the following procedures.

1. We maintain property records that include:
 - Description of the property
 - Serial number or another identification number
 - Source of funding for the property (including the FAIN)
 - Who holds the title?
 - Acquisition date
 - Cost of the property
 - Percentage of federal participation in the project costs for the federal award under which the property was acquired
 - Location
 - Use and condition of the property
 - Date of disposal (if applicable)
 - The sale price of the property (if applicable)
2. A physical inventory of the property will be taken and the results reconciled with the property records at least once every two years.
3. A control system, such as physical security and periodic inventories, will be used to ensure adequate safeguards to prevent loss, damage, or theft of the property.
 - Any loss, damage, or theft must be investigated.
4. Adequate maintenance procedures will be used to keep the property in good condition.

5. If we are authorized or required to sell the property, proper sales procedures must be used to ensure the highest possible return.

Disposal

When we no longer need the property for the original program or project, the equipment may be first be used in other activities supported by the federal awarding agency, in the following order of priority:

1. Activities under a federal award from the federal awarding agency which funded the original program or project, then
2. Activities under federal awards from other federal awarding agencies-This includes consolidating equipment for information technology systems to make more efficient use of computer resources and prevent servers and storage equipment from being under-utilized.

When original or replacement equipment acquired under a federal award is no longer needed for the original project or program or for other activities currently or previously supported by a federal awarding agency, except as otherwise provided in federal statutes, regulations, or federal awarding agency disposition instructions, we must request disposition instructions from the federal awarding agency if required by the terms and conditions of the federal award.

Disposition of the equipment will be made as follows, in accordance with federal awarding agency disposition instructions:

1. Items of equipment with a current per unit fair market value of \$5,000 or less may be retained, sold, or otherwise disposed of with no further obligation to the federal awarding agency.
2. Except as provided in §200.312 Federally-owned and exempt property, paragraph (b), or if the federal awarding agency fails to provide requested disposition instructions within 120 days, items of equipment with a current per-unit fair-market value in excess of \$5,000 may be retained by us or sold.
3. The federal awarding agency is entitled to an amount calculated by multiplying the current market value or proceeds from the sale by the federal awarding agency's percentage of participation in the cost of the original purchase. If the equipment is sold, the federal awarding agency may permit us to deduct and retain from the federal share \$500 or ten percent of the proceeds, whichever is less, for its selling and handling expenses.
4. We may transfer title to the property to the Federal Government or to an eligible third party provided that, in such cases, we are entitled to compensation for our attributable percentage of the current fair market value of the property.

5. In cases where we fail to take appropriate disposition actions, the federal awarding agency may provide additional instructions for disposition actions.

- **SUPPLIES AND OTHER EXPENDABLES**

Supplies include all tangible personal property other than property that meets the description of equipment. A computing device is a supply if the acquisition cost is less than the lesser of the capitalization level established us for financial statement purposes or \$5,000, regardless of the length of its useful life.

Title

Title to supplies generally will vest with us upon acquisition.

Use

As long as the Federal Government retains an interest in the supplies, we can't use supplies acquired under a federal award to provide services to other universities for a fee that is less than private companies charge for equivalent services unless specifically authorized by federal statute.

Management and Control

We are required to provide oversight and control of supplies and other expendables, just like other forms of property. On occasion, federal awarding agencies may add additional requirements in the terms and conditions of the federal award concerning computing devices and electronics.

Disposal

If there is a residual inventory of unused supplies exceeding \$5,000 in total aggregate value upon termination or completion of the project or program and the supplies are not needed for any other federal award, we must retain the supplies for use on other activities or sell them, but must, in either case, compensate the Federal Government for its share.

- **INTANGIBLE PROPERTY**

Intangible property includes property having no physical existence, such as trademarks, copyrights, patents, and patent applications and property, such as loans, notes, and other debt instruments, lease agreements, stock, and other instruments of property ownership (whether the property is tangible or intangible).

Title

Title to intangible property acquired under a federal award vest upon acquisition with the university.

Use

We must use that property for the originally authorized purpose and must not encumber the property without approval of the federal awarding agency.

We may copyright any work that is subject to copyright and was developed or for which ownership was acquired under a federal award. The federal awarding agency reserves a royalty-free, non-exclusive and irrevocable right to reproduce, publish, or otherwise use the work for federal purposes and to authorize others to do so.

We are subject to applicable regulations governing patents and inventions, including government-wide regulations issued by the Department of Commerce at 37 CFR Part 401, "Rights to Inventions Made by Nonprofit Organizations and Small Business Firms Under Government Awards, Contracts, and Cooperative Agreements."

Other Rights

In addition to the use of intellectual property discussed above, we support the Federal Government's right to:

1. Obtain, reproduce, publish, or otherwise use the data produced under a federal award.
2. Authorize others to receive, reproduce, publish, or otherwise use such data for federal purposes.
3. Comply with the Freedom of Information Act (FOIA) requirements.

Disposal

When we no longer needed for the originally authorized purpose, disposition of the intangible property must occur in accordance with the provisions in §200.313 Equipment paragraph (e).

▪ PROPERTY TRUST RELATIONSHIP

When real property, equipment, and intangible property is acquired or improved with federal awards, it must be held in trust for the beneficiaries of the program or project for which it was purchased.

Federal agencies can require the university to record liens or other notices to indicate that the property was acquired or improved with a federal award.

The federal agency can also apply certain conditions around the use and disposal of the property.

▪ **INSURANCE**

For property that the title is held by the university, at a minimum, we will provide equivalent insurance coverage for real property and equipment acquired or improved with federal funds as the other property owned by the university.

If the title to the property remains with the Federal Government, we will not insure federally-owned property unless required by the terms and conditions of the federal award.

G. COST ALLOCATION

▪ **TYPES OF COST ALLOCATIONS**

There are many types of cost allocation plans for allocating costs to federal awards. Some of the most common types are:

- Facilities cost allocation
- Fringe cost allocations
- Indirect cost allocation
- Other cost allocations such as shared-service allocations for Information Technology (IT) services and motor-pool support and public assistance cost allocations

The most appropriate type of allocation seeks to match the cost driver with the allocation method to ensure the federal award pays its fair share of costs.

▪ **FACILITIES ALLOCATIONS**

Facilities costs, including the costs of utilities, security, and taxes, are typically allocated across the square footage used by various programs and support functions.

Facilities cost could also be allocated to programs and departments using the actual costs for a dedicated building, or the entire facilities costs could be allocated to the indirect costs to be included in the indirect cost rate allocation.

At the university, we allocate facilities costs with the following method:

[Put the facilities allocation method used by the university here.]

▪ **FRINGE COST ALLOCATION**

Fringe costs are typically allocated across a method such as the percentage of wages, or wages plus paid time off, or a direct cost allocation of fringe costs.

See Appendix L for our current fringe cost allocation rate.

▪ **INDIRECT COST ALLOCATIONS**

Under 2 CFR Part 200, Indirect costs are typically recovered either through negotiating a Negotiated Indirect Cost Rate Agreement (NICRA) with our Cognizant agency or the election of the 10% de minimis rate under subsection 200.414 Indirect (F&A) costs (f).

See Appendix L for our current indirect cost allocation rate.

H. CLOSEOUT

▪ **CLOSEOUT**

We will close out each federal award at the end of the period of performance. As part of that process, we will complete the following actions:

- The recipient must submit, no later than 120 calendar days after the end date of the period of performance, all financial, performance, and other reports as required by the terms and conditions of the federal award. A subrecipient must submit to the pass-through entity, no later than 90 calendar days (or an earlier date as agreed upon by the pass-through entity and subrecipient) after the end date of the period of performance, all financial, performance, and other reports as required by the terms and conditions of the federal award.
- Unless the federal awarding agency or pass-through entity authorizes an extension, we will liquidate all obligations incurred under the federal award not later than 120 calendar days after the end date of the period of performance as specified in the terms and conditions of the federal award.
- Promptly refund any balances of unobligated cash that the federal awarding agency or pass-through entity paid in advance or paid and that are not authorized to be retained by use for us in other projects.
- Account for any real and personal property acquired with federal funds or received from the Federal Government in accordance with §200.310 Insurance coverage through 200.316 Property trust relationship and 200.330 Reporting on real property.
- Complete all closeout actions for the federal award.

We recognize that even after the award has been closed out, we have continuing responsibilities to the federal awarding agency, including record retention and access to records.

▪ **POST-CLOSEOUT ADJUSTMENTS AND RESPONSIBILITIES**

Even after the federal award is complete, we may have continuing responsibilities to our federal awarding agency.

Our responsibilities include:

- Our obligation is to return any funds due as a result of later refunds, corrections, or other transactions, including final indirect cost rate adjustments
- Audit requirements in 2 CFR Part 200 Subpart F
- Continuing requirements for property management and disposition
- Records retention as required

Similarly, the federal awarding agency has continuing rights after the federal award is completed.

These rights include:

- The right of the federal awarding agency or pass-through entity to disallow costs and recover funds on the basis of a later audit or other reviews

The federal awarding agency or pass-through entity is required to make any cost disallowance determination and notify us within the record retention period

Once a federal award is closed out, our relationship under that federal award may be modified or ended in whole or in part with the consent of the federal awarding agency or pass-through entity as long as our post-closeout responsibilities are considered and provisions are made for continuing responsibilities, as appropriate

▪ **RECORD RETENTION**

It is critical that adequate documentation is maintained to support the grant lifecycle as required by the 2 CFR Part 200. Therefore records must be retained consistent with our record retention policy.

[\[See Appendix M: Record Retention Policy\]](#)

Record retention requirements for federal award recipients appear in the *Record Retention and Access* section of 2 CFR Part 200 Sections 200.334 thru 200.338. The general rule for record retention is that the records must be retained for three years from the date of submission of the final expenditure report or, for federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the federal awarding agency or pass-through entity in the case of a subrecipient.

There are several exceptions to this general listed below.

Exceptions:

- For records supporting specific federal awards where the terms and conditions require a longer record retention period, we will follow the award terms and conditions.

- For records related to the production of tax returns and supporting financial reporting, we will follow the recommendations from the Internal Revenue Service (IRS) and state, local or tribal taxing authorities.
- For records related to litigation, claims or audits started before the three-year period expires, we must retain records until all actions have been resolved and final action related to the litigation, claims, or audits has been taken.
- When we are notified in writing by the federal awarding agency, cognizant agency for audit, oversight agency for audit, cognizant agency for indirect costs, or pass-through entity to extend the retention period.
- For real property and equipment, we must retain records for three years from the date of the final disposition of the property.
- When the federal awarding agency maintains the records, the three-year retention requirement does not apply to the federal award recipient.
- For program income received after the period of performance, the federal award recipient must retain such records for three years after the end of the federal award recipient's fiscal year during which the program income was earned.
- For indirect cost rate proposals and cost allocations plans that are submitted for negotiating, the 3-year retention period starts from the date of submission. If not submitted for negotiation, the 3-year retention period starts from the end of the fiscal year covered by the proposal, plan, computation, and its supporting records.

In addition, the federal awarding agency must request the transfer of certain records to its custody when it determines that the records possess long-term retention value. However, the federal awarding agency may decide for us to retain any records that are continuously needed for joint use.

Halt Destruction Process

If we receive a request for records related to litigation, claims or audits started before the three-year period expires or when we are notified in writing to extend the retention period, all employees must preserve all documents and records related to the request.

In order to avoid any destruction of the documents and records pertaining to that matter or subject, every employee must halt destruction that would otherwise be authorized by this record retention policy.

▪ DATA AND INFORMATION

When practical, we will collect, transmit, and store federal award-related information in open and machine-readable formats rather than in closed formats or on paper. When original records are paper, we may substitute electronic versions provided that they are subject to

periodic quality control reviews, provide reasonable safeguards against alteration, and remain readable.

▪ **ACCESS TO RECORDS**

The federal awarding agency, Inspectors General, the Comptroller General of the United States, and the pass-through entity, or any of their authorized representatives, have the right of access to any documents, papers, or other records of the university that are pertinent to the federal award, in order to make audits, examinations, excerpts, and transcripts.

This right also includes timely and reasonable access to our personnel for the purpose of interviews and discussions related to such documents.

The rights of access in this section are not limited to the required record retention period but continue as long as the records are retained.

▪ **RESTRICTIONS ON PUBLIC ACCESS**

The university or the federal awarding agency may place restrictions on disclosure of protected personally identifiable information.

Unless required by federal, state, local, and tribal statutes, we are not required to permit public access to our records.

When our records are provided to a federal agency, they will generally be subject to the Freedom of Information Act (FOIA) and applicable exemptions.

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VI. APPENDICES

▪ APPENDIX A: SIGNATORY AUTHORIZATION

Board Resolution (B) Contract Authority*:

RESOLVED, THAT: The following officers (the "Designated Officers") of the University of Puget Sound (the "University") are hereby authorized and empowered to enter into contracts or other undertakings and to execute and deliver instruments in the name of and on behalf of the University within the scope of their normal duties in the administration of the University and the usual and normal activities relating thereto, except as specifically limited or denied by the Corporate Bylaws or other Resolutions of the Board of Trustees:

1. President
2. Provost
3. Vice President and University Counsel
4. Executive Vice President and Chief Financial Officer
5. Any other financial officer elected by the Board of Trustees. Currently:
 - a. Associate Vice President for Finance
 - b. Associate Vice President for Financial Planning & Analysis

Notwithstanding the foregoing to the contrary, contracts, undertakings or instruments valued in excess of \$10,000,000 require the signature of a Designated Officer and approval by the Executive Committee except in the following instances (which require the signature of a Designated Officer only):

1. contracts related to expenditures routinely covered in the annual operating budget or through accumulations of set-aside funds from the operating budget; and
2. contracts related to expenditures previously approved by the Board or its committees or subcommittees.

*Full documentation of Corporate Resolutions is maintained with the Office of University Counsel.

▪ **APPENDIX B: IN-KIND CONTRIBUTION FORM**

Sample In-Kind Contribution Form

Grantee University:	
Award #:	
Project:	
Authorizing Official Name/Email:	
Contact Person/Email:	

To the best of our knowledge, the below goods and/or services were donated to the university in support of the project and are allowable costs per the approved project budget and 2 CFR 200 - Subpart E Cost Principles.

Donor Name: (Print)	
Donor Email:	
Donor Phone:	
Description of Donation:	
Date Provided/Used:	
Fair Market Value:	

2 CFR §200.306

(j) For third-party in-kind contributions, the fair market value of goods and services must be documented and to the extent feasible supported by the same methods used internally by the Non-federal entity.

Volunteer Name: (Print)	
Volunteer Email:	
Volunteer Phone:	
Total Hours Worked:	
Location of Services:	
Service Performed:	
Fair Market Value of Services:	
Rate Based on:	

2 CFR §200.306 (e) Rates for third-party volunteer services must be consistent with those paid for similar work by the nonfederal entity. In those instances in which the required skills are not found in the Non-federal entity, rates must be consistent with those paid for similar work in the labor market in which the Non-federal entity competes for the kind of services involved.

(j) For third-party in-kind contributions, the fair market value of goods and services must be documented and to the extent feasible supported by the same methods used internally by the Non-federal entity.

▪ **APPENDIX C: COST TRANSFERS**

Cost Transfer Information

The following information is typically included in a KACE ticket request for grant transfer or reclassification, initiated via email to finance@pugetsound.edu

Requested by:
Date:
Why was this originally charged to the account from which it is now being transferred? (Explain the reason for originally charging the incorrect account)?
Why should this expense be transferred? (Explain how this expense benefits the project)?
How will you prevent this type of error or situation from happening in the future?
From Award #
From Account #
Amount (\$)
Does this transaction involve personnel expenses? (Y/N)
Date:
Cost Transfer Authorized (Y/N)
Authorizing Official Name
Authorizing Official Title
Date Authorized:

▪ **APPENDIX D: PERSONNEL ACTIVITY REPORT (PAR)**

Sample Personnel Activity Report (Time and Effort Report)

University Name: _____	
Employee's Name: _____	Week Ending: _____
<u>Activity</u>	<u>Distribution of Time</u>
Project:	
1. Grant #: _____	_____ %
2. Grant #: _____	_____ %
Other:	
3. Project name: _____	_____ %
4. Project name: _____	_____ %
5. Project name: _____	_____ %
Administrative: _____	_____ %
Fundraising: _____	_____ %
Leave:	
Sick _____	_____ %
Vacation _____	_____ %
Other (specify): _____	_____ %
TOTAL:	100 %
Employee's Signature: _____	Date: _____
Supervisor's Signature: _____	Date: _____

§200.430 Compensation—personal services. (i) Standards for Documentation of Personnel Expenses (1) Charges to federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must: (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated; (ii) Be incorporated into the official records of the Non-federal entity; (iii) Reasonably reflect the total activity for which the employee is compensated by the Non-federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS); (iv) Encompass both federally assisted and all other activities compensated by the Non-federal entity on an integrated basis, but may include the use of subsidiary records as defined in the Non-federal entity's written policy; (v) Comply with the established accounting policies and practices of the Non-federal entity (See paragraph (h)(1)(ii) above for treatment of incidental work for IHEs.); and (vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one federal award; a federal award and Non-federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.

▪ **APPENDIX E: SUBRECIPIENT RISK ASSESSMENT CHECKLIST**

Sample Subrecipient Risk Assessment Checklist

§200.332 Requirements for pass-through entities require an evaluation of each subrecipient's risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate level of subrecipient monitoring.

Here are some areas to consider in your subrecipient risk assessment:

- ☐ The subrecipient's prior experience with the same or similar subawards
- ☐ Results of previous audits (including whether or not the subrecipient receives a Single Audit) such as findings and questioned costs
- ☐ Whether the subrecipient has new personnel or new or substantially changed systems
- ☐ The extent and results of other federal awarding agency monitoring (for example, the subrecipient also receives federal awards directly from a federal awarding agency)
- ☐ Financial stability of the university
- ☐ History of filing reporting in a timely manner
- ☐ Prior compliance with award terms and conditions

Pass-through entity monitoring of the subrecipient must include:

- ☐ Review financial and performance reports required by the pass-through entity
- ☐ Follow-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the federal award
- ☐ Issue a management decision for applicable audit findings pertaining only to the award
- ☐ Resolve audit findings specifically related to the subaward

Depending upon the assessment of risk, the following monitoring tools may be added to ensure proper accountability and compliance with program requirements and achievement of performance goals:

- ☐ Provide subrecipients with training and technical assistance on program-related matters
- ☐ Perform on-site reviews of the subrecipient's program operations and arrange for agreed-upon-procedures engagements

▪ **APPENDIX F: SUBCONTRACTOR EVALUATION CHECKLIST**

Sample Contractor Evaluation Checklist

The university is required to award contracts only to responsible contractors possessing the ability to perform successfully under the terms and conditions of a proposed procurement. Consideration will be given to such matters as contractor integrity, compliance with public policy, a record of past performance, and financial and technical resources.

Contractor Integrity

- ☐ Do they have a Code of Conduct and Conflict of Interest Policy?
- ☐ What is their Better Business Bureau (BBB) Rating?
- ☐ Do they have a Board of Directors providing oversight?
- ☐ Do they have an annual audit? If so, have there been findings?

Compliance with Public Policy

- ☐ Do they have a history of complaints about discrimination or other public policy violations?
- ☐ How do they stay up to date on public policy requirements?

Record of Past Performance

- ☐ What is their past performance with the university?
- ☐ Who are some previous and current clients that you can check with?
- ☐ Do they have a reputation for completing their work on schedule?

Financial Resources

- ☐ How long have they been in business?
- ☐ Who owns the company?
- ☐ How strong is their Balance Sheet?
- ☐ What is the D & B Rating or another credit rating?

Technical Resources

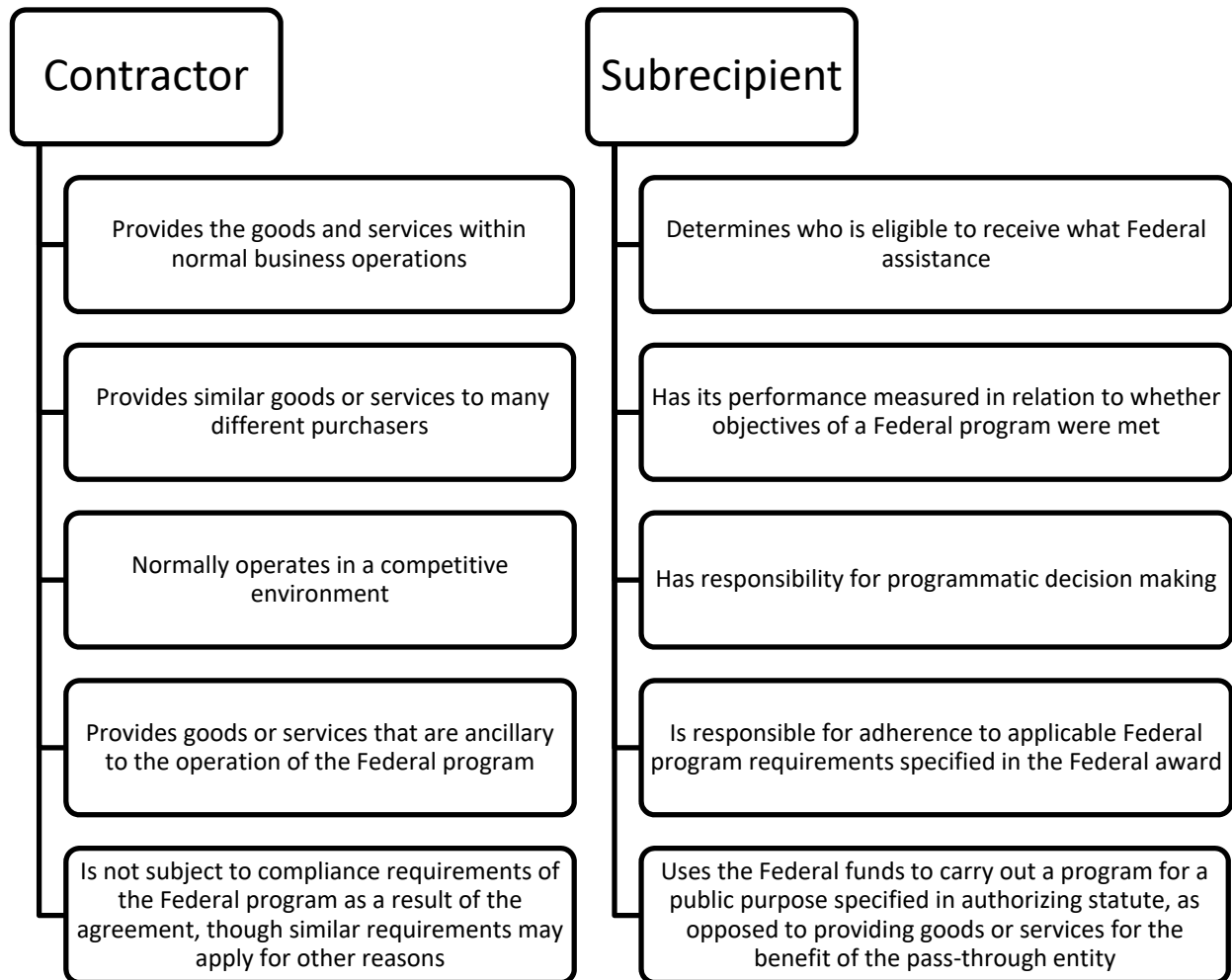
- ☐ Who will be providing technical expertise?
- ☐ If required, is their license current and in good standing?

Suspension and Debarment

- ☐ Is the company suspended or debarred?
- ☐ Is the principal suspended or debarred?
- ☐ Other _____

▪ **APPENDIX G: CONTRACTOR VS. SUBRECIPIENT GUIDE**

Contractor Vs. Subrecipient Guide



Determination:

▪ **APPENDIX H: SELECTED ITEMS OF COST**

2 CFR Part 200 Sections 200.420 thru 200.476 titled General Provisions for Selected Items of Cost 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 of allowability in each case should be based on the treatment standards provided for similar or related items of cost.

General Provisions for Selected Items of Cost

200.420 Considerations for selected items of cost.	200.449 Interest.
200.421 Advertising and public relations.	200.450 Lobbying.
200.422 Advisory Councils.	200.451 Losses on other awards or contracts.
200.423 Alcoholic beverages.	200.452 Maintenance and repair costs.
200.424 Alumni/ae activities.	200.453 Materials and supplies costs, including costs of computing devices.
200.425 Audit services.	200.454 Memberships, subscriptions, and professional activity costs.
200.426 Bad debts.	200.455 University costs.
200.427 Bonding costs.	200.456 Participant support costs.
200.428 Collections of improper payments.	200.457 Plant and security costs.
200.429 Commencement and convocation costs.	200.458 Pre-award costs.
200.430 Compensation—personal services.	200.459 Professional service costs.
200.431 Compensation—fringe benefits.	200.460 Proposal costs.
200.432 Conferences.	200.461 Publication and printing costs.
200.433 Contingency provisions.	200.462 Rearrangement and reconversion costs.
200.434 Contributions and donations.	200.463 Recruiting costs.
200.435 Defense and prosecution of criminal and civil proceedings and claims, appeals and patent infringements.	200.464 Relocation costs of employees.
200.436 Depreciation.	200.465 Rental costs of real property and equipment.
200.437 Employee health and welfare costs.	200.466 Scholarships and student aid costs.
200.438 Entertainment costs.	200.467 Selling and marketing costs.
200.439 Equipment and other capital expenditures.	200.468 Specialized service facilities.
200.440 Exchange rates.	200.469 Student activity costs.
200.441 Fines, penalties, damages, and other settlements.	200.470 Taxes (including Value Added Tax).
200.442 Fundraising and investment management costs.	200.470 Taxes (including Value Added Tax).
200.443 Gains and losses on disposition of depreciable assets.	200.471 Telecommunication costs and video surveillance costs.
200.444 General costs of government.	200.472 Termination costs.
200.445 Goods or services for personal use.	200.473 Training and education costs.
200.446 Idle facilities and idle capacity.	200.474 Transportation costs.
200.447 Insurance and indemnification.	200.475 Travel costs.
200.448 Intellectual property.	200.476 Trustees.

§ 200.420 Considerations for selected items of cost.

This section provides principles to be applied in establishing the allowability of certain items involved in determining cost, in addition to the requirements of Subtitle II of this subpart. These principles apply whether or not a particular item of cost is properly treated as direct cost or indirect (F&A) cost. Failure to mention a particular item of cost is not intended to imply that it is either allowable or unallowable; rather, determination as to allowability in each case should be based on the treatment provided for similar or related items of cost, and based on the principles described in §§ 200.402 through 200.411. In case of a discrepancy between the provisions of a specific federal award and the provisions below, the federal award governs. Criteria outlined in § 200.403 must be applied in determining allowability. See also § 200.102.

[85 FR 49564, Aug. 13, 2020]

§ 200.421 Advertising and public relations.

(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 only allowable advertising costs are those which are solely for:

(1) The recruitment of personnel required by the non-federal entity for the performance of a federal award (See also § 200.463);

(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-federal entities are reimbursed for disposal costs at a predetermined amount; or

(4) Program outreach and other specific purposes necessary to meet the requirements of the federal award.

(c) The term “public relations” includes community relations and means those activities dedicated to maintaining the image of the non-federal entity or maintaining or promoting understanding and favorable relations with the community or public at large or any segment of the public.

(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 the performance of the federal award (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 to keep the public informed on matters of public concern, such as notices of funding opportunities, financial matters, etc.

(e) Unallowable advertising and public relations costs include the following:

(1) All advertising and public relations costs other than as specified in paragraphs (b) and (d) of this section;

(2) Costs of meetings, conventions, convocations, or other events related to other activities of the entity (see also § 200.432), including:

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

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

(iii) 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-federal entity.

[78 FR 76808, Dec. 26, 2013, as amended at 85 FR 49564, Aug. 13, 2020]

§ 200.422 Advisory councils.

Costs incurred by advisory councils or committees are unallowable unless authorized by statute, the federal awarding agency, or as an indirect cost where allocable to federal awards. See § 200.444, applicable to States, local governments, and Indian tribes.

[85 FR 49564, Aug. 13, 2020]

§ 200.423 Alcoholic beverages.

Costs of alcoholic beverages are unallowable.

§ 200.424 Alumni/ae activities.

Costs incurred by IHEs for, or in support of, alumni/ae activities are unallowable.

§ 200.425 Audit services.

(a) A reasonably proportionate share of the costs of audits required by, and performed in accordance with, the Single Audit Act Amendments of 1996 (31 U.S.C. 7501-7507), as

implemented by requirements of this part, are allowable. However, the following audit costs are unallowable:

(1) Any costs when audits required by the Single Audit Act and subpart F of this part have not been conducted or have been conducted but not in accordance therewith; and

(2) Any costs of auditing a non-federal entity that is exempted from having an audit conducted under the Single Audit Act and subpart F of this part because its expenditures under federal awards are less than \$750,000 during the non-federal entity's fiscal year.

(b) The costs of a financial statement audit of a non-federal entity that does not currently have a federal award may be included in the indirect cost pool for a cost allocation plan or indirect cost proposal.

(c) Pass-through entities may charge federal awards for the cost of agreed-upon-procedures engagements to monitor subrecipients (in accordance with subpart D, §§ 200.331-333) who are exempted from the requirements of the Single Audit Act and subpart F of this part. This cost is allowable only if the agreed-upon-procedures engagements are:

(1) Conducted in accordance with GAGAS attestation standards;

(2) Paid for and arranged by the pass-through entity; and

(3) Limited in scope to one or more of the following types of compliance requirements: activities allowed or unallowed; allowable costs/cost principles; eligibility; and reporting.

[78 FR 78608, Dec. 26, 2013, as amended at 85 FR 49564, Aug. 13, 2020]

§ 200.426 Bad debts.

Bad debts (debts which have been determined to be uncollectable), including losses (whether actual or estimated) arising from uncollectable accounts and other claims, are unallowable. Related collection costs, and related legal costs, arising from such debts after they have been determined to be uncollectable are also unallowable. See also § 200.428.

[85 FR 49565, Aug. 13, 2020]

§ 200.427 Bonding costs.

(a) Bonding costs arise when the federal awarding agency requires assurance against financial loss to itself or others by reason of the act or default of the non-federal entity. They also arise in instances where the non-federal entity requires similar assurance, including bonds as bid, performance, payment, advance payment, infringement, and fidelity bonds for employees and officials.

(b) Costs of bonding required pursuant to the terms and conditions of the federal award are allowable.

(c) Costs of bonding required by the non-federal entity in the general conduct of its operations are allowable as an indirect cost to the extent that such bonding is in accordance with sound business practice and the rates and premiums are reasonable under the circumstances.

§ 200.428 Collections of improper payments.

The costs incurred by a non-federal entity to recover improper payments are allowable as either direct or indirect costs, as appropriate. Amounts collected may be used by the non-federal entity in accordance with cash management standards set forth in § 200.305.

[85 FR 49565, Aug. 13, 2020]

§ 200.429 Commencement and convocation costs.

For IHEs, costs incurred for commencements and convocations are unallowable, except as provided for in (B)(9) Student Administration and Services, in appendix III to this part, as activity costs.

[85 FR 49565, Aug. 13, 2020]

§ 200.430 Compensation - personal services.

(a) General. Compensation for personal services includes all remuneration, paid currently or accrued, for services of employees rendered during the period of performance under the federal award, including but not necessarily limited to wages and salaries. Compensation for personal services may also include fringe benefits which are addressed in § 200.431. Costs of compensation are allowable to the extent that they satisfy the specific requirements of this part and that the total compensation for individual employees:

(1) Is reasonable for the services rendered and conforms to the established written policy of the non-federal entity consistently applied to both federal and non-federal activities;

(2) Follows an appointment made in accordance with a non-federal entity's laws and/or rules or written policies and meets the requirements of federal statute, where applicable; and

(3) Is determined and supported as provided in paragraph (i) of this section, when applicable.

(b) Reasonableness. Compensation for employees engaged in work on federal awards will be considered reasonable to the extent that it is consistent with that paid for similar work in other activities of the non-federal entity. In cases where the kinds of employees required for federal awards are not found in the other activities of the non-federal entity, compensation will be considered reasonable to the extent that it is comparable to that paid for similar work in the labor market in which the non-federal entity competes for the kind of employees involved.

(c) Professional activities outside the non-federal entity. Unless an arrangement is specifically authorized by a federal awarding agency, a non-federal entity must follow its written non-federal entity-wide policies and practices concerning the permissible extent of professional services that can be provided outside the non-federal entity for non-organizational compensation. Where such non-federal entity-wide written policies do not exist or do not adequately define the permissible extent of consulting or other non-organizational activities undertaken for extra outside pay, the Federal Government may require that the effort of professional staff working on federal awards be allocated between:

(1) Non-federal entity activities, and

(2) Non-organizational professional activities. If the federal awarding agency considers the extent of non-organizational professional effort excessive or inconsistent with the conflicts-of-interest terms and conditions of the federal award, appropriate arrangements governing compensation will be negotiated on a case-by-case basis.

(d) Unallowable costs.

(1) Costs which are unallowable under other sections of these principles must not be allowable under this section solely on the basis that they constitute personnel compensation.

(2) The allowable compensation for certain employees is subject to a ceiling in accordance with statute. For the amount of the ceiling for cost-reimbursement contracts, the covered compensation subject to the ceiling, the covered employees, and other relevant provisions, see 10 U.S.C. 2324(e)(1)(P), and 41 U.S.C. 1127 and 4304(a)(16). For other types of federal awards, other statutory ceilings may apply.

(e) Special considerations. Special considerations in determining allowability of compensation will be given to any change in a non-federal entity's compensation policy resulting in a substantial increase in its employees' level of compensation (particularly when the change was concurrent with an increase in the ratio of federal awards to other activities) or any change in the treatment of allowability of specific types of compensation due to changes in federal policy.

(f) Incentive compensation. Incentive compensation to employees based on cost reduction, or efficient performance, suggestion awards, safety awards, etc., is 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 non-federal entity and the employees before the services were rendered, or pursuant to an established plan followed by the non-federal entity so consistently as to imply, in effect, an agreement to make such payment.

(g) Nonprofit organizations. For compensation to members of nonprofit organization, trustees, directors, associates, officers, or the immediate families thereof, determination must be made that such compensation is reasonable for the actual personal services rendered rather than a distribution of earnings in excess of costs. This may include directors and executive committee

member's fees, incentive awards, allowances for off-site pay, incentive pay, location allowances, hardship pay, and cost-of-living differentials.

(h) Institutions of Higher Education (IHEs).

(1) Certain conditions require special consideration and possible limitations in determining allowable personnel compensation costs under federal awards. Among such conditions are the following:

(i) Allowable activities. Charges to federal awards may include reasonable amounts for activities contributing and directly related to work under an agreement, such as delivering special lectures about specific aspects of the ongoing activity, writing reports and articles, developing and maintaining protocols (human, animals, etc.), managing substances/chemicals, managing and securing project-specific data, coordinating research subjects, participating in appropriate seminars, consulting with colleagues and graduate students, and attending meetings and conferences.

(ii) Incidental activities. Incidental activities for which supplemental compensation is allowable under written institutional policy (at a rate not to exceed institutional base salary) need not be included in the records described in paragraph (i) of this section to directly charge payments of incidental activities; such activities must either be specifically provided for in the federal award budget or receive prior written approval by the federal awarding agency.

(2) Salary basis. Charges for work performed on federal awards by faculty members during the academic year are allowable at the IBS rate. Except as noted in paragraph (h)(1)(ii) of this section, in no event will charges to federal awards, irrespective of the basis of computation, exceed the proportionate share of the IBS for that period. This principle applies to all members of faculty at an institution. IBS is defined as the annual compensation paid by an IHE for an individual's appointment, whether that individual's time is spent on research, instruction, administration, or other activities. IBS excludes any income that an individual earns outside of duties performed for the IHE. Unless there is prior approval by the federal awarding agency, charges of a faculty member's salary to a federal award must not exceed the proportionate share of the IBS for the period during which the faculty member worked on the award.

(3) Intra-Institution of Higher Education (IHE) consulting. Intra-IHE consulting by faculty should be undertaken as an IHE responsibility requiring no compensation in addition to IBS. However, in unusual cases where consultation is across departmental lines or involves a separate or remote operation, and the work performed by the faculty member is in addition to his or her regular responsibilities, any charges for such work representing additional compensation above IBS are allowable provided that such consulting arrangements are specifically provided for in the federal award or approved in writing by the federal awarding agency.

(4) Extra Service Pay normally represents overload compensation, subject to institutional compensation policies for services above and beyond IBS. Where extra service pay is a result of

Intra-IHE consulting, it is subject to the same requirements of paragraph (b) above. It is allowable if all of the following conditions are met:

(i) The non-federal entity establishes consistent written policies which apply uniformly to all faculty members, not just those working on federal awards.

(ii) The non-federal entity establishes a consistent written definition of work covered by IBS which is specific enough to determine conclusively when work beyond that level has occurred. This may be described in appointment letters or other documentations.

(iii) The supplementation amount paid is commensurate with the IBS rate of pay and the amount of additional work performed. See paragraph (h)(2) of this section.

(iv) The salaries, as supplemented, fall within the salary structure and pay ranges established by and documented in writing or otherwise applicable to the non-federal entity.

(v) The total salaries charged to federal awards, including extra service pay are subject to the Standards of Documentation as described in paragraph (i) of this section.

(5) Periods outside the academic year.

(i) Except as specified for teaching activity in paragraph (h)(5)(ii) of this section, charges for work performed by faculty members on federal awards during periods not included in the base salary period will be at a rate not in excess of the IBS.

(ii) Charges for teaching activities performed by faculty members on federal awards during periods not included in IBS period will be based on the normal written policy of the IHE governing compensation to faculty members for teaching assignments during such periods.

(6) Part-time faculty. Charges for work performed on federal awards by faculty members having only part-time appointments will be determined at a rate not in excess of that regularly paid for part-time assignments.

(7) Sabbatical leave costs. Rules for sabbatical leave are as follow:

(i) Costs of leaves of absence by employees for performance of graduate work or sabbatical study, travel, or research are allowable provided the IHE has a uniform written policy on sabbatical leave for persons engaged in instruction and persons engaged in research. Such costs will be allocated on an equitable basis among all related activities of the IHE.

(ii) Where sabbatical leave is included in fringe benefits for which a cost is determined for assessment as a direct charge, the aggregate amount of such assessments applicable to all work of the institution during the base period must be reasonable in relation to the IHE's actual experience under its sabbatical leave policy.

(8) Salary rates for non-faculty members. Non-faculty full-time professional personnel may also earn “extra service pay” in accordance with the non-federal entity's written policy and consistent with paragraph (h)(1)(i) of this section.

(i) Standards for Documentation of Personnel Expenses

(1) Charges to federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

(i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;

(ii) Be incorporated into the official records of the non-federal entity;

(iii) Reasonably reflect the total activity for which the employee is compensated by the non-federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS);

(iv) Encompass federally-assisted and all other activities compensated by the non-federal entity on an integrated basis but may include the use of subsidiary records as defined in the non-federal entity's written policy;

(v) Comply with the established accounting policies and practices of the non-federal entity (See paragraph (h)(1)(ii) above for treatment of incidental work for IHEs.); and

(vi) [Reserved]

(vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one federal award; a federal award and non-federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.

(viii) Budget estimates (i.e., estimates determined before the services are performed) alone do not qualify as support for charges to federal awards, but may be used for interim accounting purposes, provided that:

(A) The system for establishing the estimates produces reasonable approximations of the activity actually performed;

(B) Significant changes in the corresponding work activity (as defined by the non-federal entity's written policies) are identified and entered into the records in a timely manner. Short term (such as one or two months) fluctuation between workload categories need not be considered as long as the distribution of salaries and wages is reasonable over the longer term; and

(C) The non-federal entity's system of internal controls includes processes to review after-the-fact interim charges made to a federal award based on budget estimates. All necessary adjustments must be made such that the final amount charged to the federal award is accurate, allowable, and properly allocated.

(ix) Because practices vary as to the activity constituting a full workload (for IHEs, IBS), records may reflect categories of activities expressed as a percentage distribution of total activities.

(x) It is recognized that teaching, research, service, and administration are often inextricably intermingled in an academic setting. When recording salaries and wages charged to federal awards for IHEs, a precise assessment of factors that contribute to costs is therefore not always feasible, nor is it expected.

(2) For records that meet the standards required in paragraph (i)(1) of this section, the non-federal entity will not be required to provide additional support or documentation for the work performed, other than that referenced in paragraph (i)(3) of this section.

(3) In accordance with Department of Labor regulations implementing the Fair Labor Standards Act (FLSA) (29 CFR part 516), charges for the salaries and wages of nonexempt employees, in addition to the supporting documentation described in this section, must also be supported by records indicating the total number of hours worked each day.

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

(5) For states, local governments, and Indian tribes, substitute processes or systems for allocating salaries and wages to federal awards may be used in place of or in addition to the records described in paragraph (1) if approved by the cognizant agency for indirect cost. Such systems may include, but are not limited to, random moment sampling, "rolling" time studies, case counts, or other quantifiable measures of work performed.

(i) Substitute systems that use sampling methods (primarily for Temporary Assistance for Needy Families (TANF), the Supplemental Nutrition Assistance Program (SNAP), Medicaid, and other public assistance programs) must meet acceptable statistical sampling standards including:

(A) The sampling universe must include all of the employees whose salaries and wages are to be allocated based on sample results except as provided in paragraph (i)(5)(iii) of this section;

(B) The entire time period involved must be covered by the sample; and

(C) The results must be statistically valid and applied to the period being sampled.

(ii) Allocating charges for the sampled employees' supervisors, clerical, and support staffs, based on the results of the sampled employees, will be acceptable.

(iii) Less than full compliance with the statistical sampling standards noted in subsection (5)(i) may be accepted by the cognizant agency for indirect costs if it concludes that the amounts to be allocated to federal awards will be minimal, or if it concludes that the system proposed by the non-federal entity will result in lower costs to federal awards than a system which complies with the standards.

(6) Cognizant agencies for indirect costs are encouraged to approve alternative proposals based on outcomes and milestones for program performance where these are clearly documented. Where approved by the federal cognizant agency for indirect costs, these plans are acceptable as an alternative to the requirements of paragraph (i)(1) of this section.

(7) For federal awards of similar purpose activity or instances of approved blended funding, a non-federal entity may submit performance plans that incorporate funds from multiple federal awards and account for their combined use based on performance-oriented metrics, provided that such plans are approved in advance by all involved federal awarding agencies. In these instances, the non-federal entity must submit a request for waiver of the requirements based on documentation that describes the method of charging costs, relates the charging of costs to the specific activity that is applicable to all fund sources, and is based on quantifiable measures of the activity in relation to time charged.

(8) For a non-federal entity where the records do not meet the standards described in this section, the Federal Government may require personnel activity reports, including prescribed certifications, or equivalent documentation that support the records as required in this section.

[78 FR 78608, Dec. 26, 2013, as amended at 79 FR 75886, Dec. 19, 2014; 85 FR 49565, Aug. 13, 2020]

§ 200.431 Compensation - fringe benefits.

(a) General. Fringe benefits are allowances and services provided by employers to their employees as compensation in addition to regular salaries and wages. Fringe benefits include, but are not limited to, the costs of leave (vacation, family-related, sick, or military), employee insurance, pensions, and unemployment benefit plans. Except as provided elsewhere in these principles, the costs of fringe benefits are allowable provided that the benefits are reasonable and are required by law, non-federal entity-employee agreement, or an established policy of the non-federal entity.

(b) Leave. The cost of fringe benefits in the form of regular compensation paid to employees during periods of authorized absences from the job, such as for annual leave, family-related leave, sick leave, holidays, court leave, military leave, administrative leave, and other similar benefits, are allowable if all of the following criteria are met:

(1) They are provided under established written leave policies;

(2) The costs are equitably allocated to all related activities, including federal awards; and,

(3) The accounting basis (cash or accrual) selected for costing each type of leave is consistently followed by the non-federal entity or specified grouping of employees.

(i) When a non-federal entity uses the cash basis of accounting, the cost of leave is recognized in the period that the leave is taken and paid for. Payments for unused leave when an employee retires or terminates employment are allowable in the year of payment.

(ii) The accrual basis may be only used for those types of leave for which a liability as defined by GAAP exists when the leave is earned. When a non-federal entity uses the accrual basis of accounting, allowable leave costs are the lesser of the amount accrued or funded.

(c) Fringe benefits. The cost of fringe benefits in the form of employer contributions or expenses for social security; employee life, health, unemployment, and worker's compensation insurance (except as indicated in § 200.447); pension plan costs (see paragraph (i) of this section); and other similar benefits are allowable, provided such benefits are granted under established written policies. Such benefits, must be allocated to federal awards and all other activities in a manner consistent with the pattern of benefits attributable to the individuals or group(s) of employees whose salaries and wages are chargeable to such federal awards and other activities, and charged as direct or indirect costs in accordance with the non-federal entity's accounting practices.

(d) Cost objectives. Fringe benefits may be assigned to cost objectives by identifying specific benefits to specific individual employees or by allocating on the basis of entity-wide salaries and wages of the employees receiving the benefits. When the allocation method is used, separate allocations must be made to selective groupings of employees, unless the non-federal entity demonstrates that costs in relationship to salaries and wages do not differ significantly for different groups of employees.

(e) Insurance. See also § 200.447(d)(1) and (2).

(1) 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 must not exceed the present value of the liability.

(2) 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 non-federal entity is named as beneficiary are unallowable.

(3) Actual claims paid to or on behalf of employees or former employees for workers' compensation, unemployment compensation, severance pay, and similar employee benefits

(e.g., post-retirement health benefits), are allowable in the year of payment provided that the non-federal entity follows a consistent costing policy.

(f) Automobiles. That portion of automobile costs furnished by the non-federal entity that relates to personal use by employees (including transportation to and from work) is unallowable as fringe benefit or indirect (F&A) costs regardless of whether the cost is reported as taxable income to the employees.

(g) Pension plan costs. Pension plan costs which are incurred in accordance with the established policies of the non-federal entity are allowable, provided that:

(1) Such policies meet the test of reasonableness.

(2) The methods of cost allocation are not discriminatory.

(3) Except for State and Local Governments, the cost assigned to each fiscal year should be determined in accordance with GAAP.

(4) 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 calendar days after each quarter of the year to which such costs are assignable are unallowable. Non-federal entity may elect to follow the "Cost Accounting Standard for Composition and Measurement of Pension Costs" (48 CFR 9904.412).

(5) Pension plan termination insurance premiums paid pursuant to the Employee Retirement Income Security Act (ERISA) of 1974 (29 U.S.C. 1301-1461) are allowable. Late payment charges on such premiums are unallowable. Excise taxes on accumulated funding deficiencies and other penalties imposed under ERISA are unallowable.

(6) Pension plan costs may be computed using a pay-as-you-go method or an acceptable actuarial cost method in accordance with established written policies of the non-federal entity.

(i) For pension plans financed on a pay-as-you-go method, allowable costs will be limited to those representing actual payments to retirees or their beneficiaries.

(ii) Pension costs calculated using an actuarial cost-based method recognized by GAAP are allowable for a given fiscal year if they are funded for that year within six months after the end of that year. Costs funded after the six-month period (or a later period agreed to by the cognizant agency for indirect costs) are allowable in the year funded. The cognizant agency for indirect costs may agree to an extension of the six-month period if an appropriate adjustment is made to compensate for the timing of the charges to the Federal Government and related federal reimbursement and the non-federal entity's contribution to the pension fund. Adjustments may be made by cash refund or other equitable procedures to compensate the Federal Government for the time value of federal reimbursements in excess of contributions to the pension fund.

(iii) Amounts funded by the non-federal entity in excess of the actuarially determined amount for a fiscal year may be used as the non-federal entity's contribution in future periods.

(iv) When a non-federal entity converts to an acceptable actuarial cost method, as defined by GAAP, and funds pension costs in accordance with this method, the unfunded liability at the time of conversion is allowable if amortized over a period of years in accordance with GAAP.

(v) The Federal Government must receive an equitable share of any previously allowed pension costs (including earnings thereon) which revert or inure to the non-federal entity in the form of a refund, withdrawal, or other credit.

(h) Post-retirement health. Post-retirement health plans (PRHP) refer to costs of health insurance or health services not included in a pension plan covered by paragraph (g) of this section for retirees and their spouses, dependents, and survivors. PRHP costs may be computed using a pay-as-you-go method or an acceptable actuarial cost method in accordance with established written policies of the non-federal entity.

(1) For PRHP financed on a pay-as-you-go method, allowable costs will be limited to those representing actual payments to retirees or their beneficiaries.

(2) PRHP costs calculated using an actuarial cost method recognized by GAAP are allowable if they are funded for that year within six months after the end of that year. Costs funded after the six-month period (or a later period agreed to by the cognizant agency) are allowable in the year funded. The federal cognizant agency for indirect costs may agree to an extension of the six-month period if an appropriate adjustment is made to compensate for the timing of the charges to the Federal Government and related federal reimbursements and the non-federal entity's contributions to the PRHP fund. Adjustments may be made by cash refund, reduction in current year's PRHP costs, or other equitable procedures to compensate the Federal Government for the time value of federal reimbursements in excess of contributions to the PRHP fund.

(3) Amounts funded in excess of the actuarially determined amount for a fiscal year may be used as the non-federal entity contribution in a future period.

(4) When a non-federal entity converts to an acceptable actuarial cost method and funds PRHP costs in accordance with this method, the initial unfunded liability attributable to prior years is allowable if amortized over a period of years in accordance with GAAP, or, if no such GAAP period exists, over a period negotiated with the cognizant agency for indirect costs.

(5) To be allowable in the current year, the PRHP costs must be paid either to:

(i) An insurer or other benefit provider as current year costs or premiums, or

(ii) An insurer or trustee to maintain a trust fund or reserve for the sole purpose of providing post-retirement benefits to retirees and other beneficiaries.

(6) The Federal Government must receive an equitable share of any amounts of previously allowed post-retirement benefit costs (including earnings thereon) which revert or inure to the non-federal entity in the form of a refund, withdrawal, or other credit.

(i) Severance pay.

(1) Severance pay, also commonly referred to as dismissal wages, is a payment in addition to regular salaries and wages, by non-federal entities 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

(i) Law;

(ii) Employer-employee agreement;

(iii) Established policy that constitutes, in effect, an implied agreement on the non-federal entity's part; or

(iv) Circumstances of the particular employment.

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

(i) Actual normal turnover severance payments must be allocated to all activities; or, where the non-federal entity 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 non-federal entity.

(ii) Measurement of costs of abnormal or mass severance pay 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 responsibility to participate, to the extent of its fair share, in any specific payment. Prior approval by the federal awarding agency or cognizant agency for indirect cost, as appropriate, is required.

(3) Costs incurred in certain severance pay packages which are in an amount in excess of the normal severance pay paid by the non-federal entity 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 non-federal entity's assets, are unallowable.

(4) Severance payments to foreign nationals employed by the non-federal entity outside the United States, to the extent that the amount exceeds the customary or prevailing practices for the non-federal entity in the United States, are unallowable, unless they are necessary for the performance of federal programs and approved by the federal awarding agency.

(5) Severance payments to foreign nationals employed by the non-federal entity 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 non-federal entity in that country, are unallowable, unless they are necessary for the performance of federal programs and approved by the federal awarding agency.

(j) For IHEs only.

(1) Fringe benefits in the form of undergraduate and graduate tuition or remission of tuition for individual employees are allowable, provided such benefits are granted in accordance with established non-federal entity policies, and are distributed to all non-federal entity activities on an equitable basis. Tuition benefits for family members other than the employee are unallowable.

(2) Fringe benefits in the form of tuition or remission of tuition for individual employees not employed by IHEs are limited to the tax-free amount allowed per section 127 of the Internal Revenue Code as amended.

(3) IHEs may offer employees tuition waivers or tuition reductions, provided that the benefit does not discriminate in favor of highly compensated employees. Employees can exercise these benefits at other institutions according to institutional policy. See § 200.466, for treatment of tuition remission provided to students.

(k) Fringe benefit programs and other benefit costs. For IHEs whose costs are paid by state or local governments, fringe benefit programs (such as pension costs and FICA) and any other benefits costs specifically incurred on behalf of, and in direct benefit to, the non-federal entity, are allowable costs of such non-federal entities whether or not these costs are recorded in the accounting records of the non-federal entities, subject to the following:

(1) The costs meet the requirements of Basic Considerations in §§ 200.402 through 200.411;

(2) The costs are properly supported by approved cost allocation plans in accordance with applicable federal cost accounting principles; and

(3) The costs are not otherwise borne directly or indirectly by the Federal Government.

[85 FR 49565, Aug. 13, 2020]

§ 200.432 Conferences.

A conference is defined as a meeting, retreat, seminar, symposium, workshop or event whose primary purpose is the dissemination of technical information beyond the non-federal entity and is necessary and reasonable for successful performance under the federal award. Allowable conference costs paid by the non-federal entity as a sponsor or host of the conference may include rental of facilities, speakers' fees, costs of meals and refreshments, local transportation, and other items incidental to such conferences unless further restricted by the terms and conditions of the federal award. As needed, the costs of identifying, but not providing, locally available dependent-care resources are allowable. Conference hosts/sponsors must exercise

discretion and judgment in ensuring that conference costs are appropriate, necessary and managed in a manner that minimizes costs to the federal award. The federal awarding agency may authorize exceptions where appropriate for programs including Indian tribes, children, and the elderly. See also §§ 200.438, 200.456, and 200.475.

[85 FR 49567, Aug. 13, 2020]

§ 200.433 Contingency provisions.

(a) Contingency is that part of a budget estimate of future costs (typically of large construction projects, IT systems, or other items as approved by the federal awarding agency) which is associated with possible events or conditions arising from causes the precise outcome of which is indeterminable at the time of estimate, and that experience shows will likely result, in aggregate, in additional costs for the approved activity or project. Amounts for major project scope changes, unforeseen risks, or extraordinary events may not be included.

(b) It is permissible for contingency amounts other than those excluded in paragraph (a) of this section to be explicitly included in budget estimates, to the extent they are necessary to improve the precision of those estimates. Amounts must be estimated using broadly-accepted cost estimating methodologies, specified in the budget documentation of the federal award, and accepted by the federal awarding agency. As such, contingency amounts are to be included in the federal award. In order for actual costs incurred to be allowable, they must comply with the cost principles and other requirements in this part (see also §§ 200.300 and 200.403 of this part); be necessary and reasonable for proper and efficient accomplishment of project or program objectives, and be verifiable from the non-federal entity's records.

(c) Payments made by the federal awarding agency to the non-federal entity's "contingency reserve" or any similar payment made for events the occurrence of which cannot be foretold with certainty as to the time or intensity, or with an assurance of their happening, are unallowable, except as noted in §§ 200.431 and 200.447.

[78 FR 78608, Dec. 26, 2013, as amended at 79 FR 75886, Dec. 19, 2014; 85 FR 49567, Aug. 13, 2020]

§ 200.434 Contributions and donations.

(a) Costs of contributions and donations, including cash, property, and services, from the non-federal entity to other entities, are unallowable.

(b) The value of services and property donated to the non-federal entity may not be charged to the federal award either as a direct or indirect (F&A) cost. The value of donated services and property may be used to meet cost sharing or matching requirements (see § 200.306). Depreciation on donated assets is permitted in accordance with § 200.436, as long as the donated property is not counted towards cost sharing or matching requirements.

(c) Services donated or volunteered to the non-federal entity may be furnished to a non-federal entity by professional and technical personnel, consultants, and other skilled and unskilled labor. The value of these services may not be charged to the federal award 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 provisions of § 200.306.

(d) To the extent feasible, services donated to the non-federal entity will be supported by the same methods used to support the allocability of regular personnel services.

(e) The following provisions apply to nonprofit organizations. The value of services donated to the nonprofit university utilized in the performance of a direct cost activity must be considered in the determination of the non-federal entity's indirect cost rate(s) and, accordingly, must be allocated a proportionate share of applicable indirect costs when the following circumstances exist:

(1) The aggregate value of the services is material;

(2) The services are supported by a significant amount of the indirect costs incurred by the non-federal entity;

(i) In those instances where there is no basis for determining the fair market value of the services rendered, the non-federal entity and the cognizant agency for indirect costs must negotiate an appropriate allocation of indirect cost to the services.

(ii) Where donated services directly benefit a project supported by the federal 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 federal award or used to meet cost sharing or matching requirements.

(f) Fair market value of donated services must be computed as described in § 200.306.

(g) Personal Property and Use of Space.

(1) Donated personal property and use of space may be furnished to a non-federal entity. The value of the personal property and space may not be charged to the federal award 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 § 200.300 of this part. The value of the donations must be determined in accordance with § 200.300. Where donations are treated as indirect costs, indirect cost rates will separate the value of the donations so that reimbursement will not be made.

[78 FR 78608, Dec. 26, 2013, as amended at 79 FR 75886, Dec. 19, 2014; 85 FR 49567, Aug. 13, 2020]

§ 200.435 Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringements.

(a) Definitions for the purposes of this section.

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

(2) Costs include the services of in-house or private counsel, accountants, consultants, or others engaged to assist the non-federal entity before, during, and after commencement of a judicial or administrative proceeding, that bear a direct relationship to the proceeding.

(3) Fraud means:

(i) Acts of fraud or 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. 3729-3732) or the Anti-kickback Act (41 U.S.C. 1320a-7b(b)).

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

(5) Proceeding includes an investigation.

(b) Costs.

(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, a state, local government, or foreign government, or joined by the Federal Government (including a proceeding under the False Claims Act), against the non-federal entity, (or commenced by third parties or a current or former employee of the non-federal entity who submits a whistleblower complaint of reprisal in accordance with 10 U.S.C. 2409 or 41 U.S.C. 4712), are not allowable if the proceeding:

(i) Relates to a violation of, or failure to comply with, a federal, state, local or foreign statute, regulation or the terms and conditions of the federal award, by the non-federal entity (including its agents and employees); and

(ii) 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 non-federal entity liability.

(C) In the case of any civil or administrative proceeding, the disallowance of costs or the imposition of a monetary penalty, or an order issued by the federal awarding agency head or delegate to the non-federal entity to take corrective action under 10 U.S.C. 2409 or 41 U.S.C. 4712.

(D) A final decision by an appropriate federal official to debar or suspend the non-federal entity, to rescind or void a federal award, or to terminate a federal award by reason of a violation or failure to comply with a statute, regulation, or the terms and conditions of the federal award.

(E) A disposition by consent or compromise, if the action could have resulted in any of the dispositions described in paragraphs (b)(1)(ii)(A) through (D) of this section.

(2) If more than one proceeding involves the same alleged misconduct, the costs of all such proceedings are unallowable if any results in one of the dispositions shown in paragraph (b) of this section.

(c) If a proceeding referred to in paragraph (b) of this section is commenced by the Federal Government and is resolved by consent or compromise pursuant to an agreement by the non-federal entity and the Federal Government, then the costs incurred may be allowed to the extent specifically provided in such agreement.

(d) If a proceeding referred to in paragraph (b) of this section is commenced by a state, local or foreign government, the authorized federal official may allow the costs incurred if such authorized official determines that the costs were incurred as a result of:

(1) A specific term or condition of the federal award, or

(2) Specific written direction of an authorized official of the federal awarding agency.

(e) Costs incurred in connection with proceedings described in paragraph (b) of this section, which are not made unallowable by that subsection, may be allowed but only to the extent that:

(1) The costs are reasonable and necessary in relation to the administration of the federal award and activities required to deal with the proceeding and the underlying cause of action;

(2) Payment of the reasonable, necessary, allocable and otherwise allowable costs incurred is not prohibited by any other provision(s) of the federal award;

(3) The costs are not recovered from the Federal Government or a third party, either directly as a result of the proceeding or otherwise; and,

(4) An authorized federal official must determine the percentage of costs allowed considering the complexity of litigation, generally accepted principles governing the award of legal fees in civil actions involving the United States, and such other factors as may be appropriate. Such percentage must not exceed 80 percent. However, if an agreement reached under paragraph (c) of this section has explicitly considered this 80 percent limitation and permitted a higher percentage, then the full amount of costs resulting from that agreement are allowable.

(f) Costs incurred by the non-federal entity in connection with the defense of suits brought by its employees or ex-employees under section 2 of the Major Fraud Act of 1988 (18 U.S.C. 1031), including the cost of all relief necessary to make such employee whole, where the non-federal entity was found liable or settled, are unallowable.

(g) Costs of prosecution of claims against the Federal Government, including appeals of final federal agency decisions, 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 federal award.

(i) Costs which may be unallowable under this section, including directly associated costs, must be segregated and accounted for separately. During the pendency of any proceeding covered by paragraphs (b) and (f) of this section, the Federal Government must generally withhold payment of such costs. However, if in its best interests, the Federal Government may provide for conditional payment upon provision of adequate security, or other adequate assurance, and agreement to repay all unallowable costs, plus interest, if the costs are subsequently determined to be unallowable.

[78 FR 78608, Dec. 26, 2013, as amended at 79 FR 75886, Dec. 19, 2014]

§ 200.436 Depreciation.

(a) Depreciation is the method for allocating the cost of fixed assets to periods benefitting from asset use. The non-federal entity may be compensated for the use of its buildings, capital improvements, equipment, and software projects capitalized in accordance with GAAP, provided that they are used, needed in the non-federal entity's activities, and properly allocated to federal awards. Such compensation must be made by computing depreciation.

(b) The allocation for depreciation must be made in accordance with Appendices III through IX.

(c) Depreciation is computed applying the following rules. The computation of depreciation must be based on the acquisition cost of the assets involved. For an asset donated to the non-federal entity by a third party, its fair market value at the time of the donation must be considered as the acquisition cost. Such assets may be depreciated or claimed as matching but not both. For the computation of depreciation, the acquisition cost 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 is presently located;

(3) Any portion of the cost of buildings and equipment contributed by or for the non-federal entity that are already claimed as matching or where law or agreement prohibits recovery;

(4) Any asset acquired solely for the performance of a non-federal award; and

(d) When computing depreciation charges, the following must be observed:

(1) The period of useful service or useful life established in each case for usable capital assets must take into consideration such factors as type of construction, nature of the equipment, technological developments in the particular area, historical data, and the renewal and replacement policies followed for the individual items or classes of assets involved.

(2) The depreciation method used to charge the cost of an asset (or group of assets) to accounting periods must 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 in the early portions than in the later portions of its useful life, the straight-line method must be presumed to be the appropriate method. Depreciation methods once used may not be changed unless approved in advance by the cognizant agency. The depreciation methods used to calculate the depreciation amounts for indirect (F&A) rate purposes must be the same methods used by the non-federal entity for its financial statements.

(3) The entire building, including the shell and all components, may be treated as a single asset and depreciated over a single useful life. A building may also be divided into multiple components. Each component item may then be depreciated over its estimated useful life. The building components must be grouped into three general components of a building: building shell (including construction and design costs), building services systems (e.g., elevators, HVAC, plumbing system and heating and air-conditioning system) and fixed equipment (e.g., sterilizers, casework, fume hoods, cold rooms and glassware/washers). In exceptional cases, a cognizant agency may authorize a non-federal entity to use more than these three groupings. When a non-federal entity elects to depreciate its buildings by its components, the same depreciation methods must be used for indirect (F&A) purposes and financial statements purposes, as described in paragraphs (d)(1) and (2) of this section.

(4) No depreciation may be allowed on any assets that have outlived their depreciable lives.

(5) Where the depreciation method is introduced to replace the use allowance method, depreciation must be computed as if the asset had been depreciated over its entire life (i.e., from the date the asset was acquired and ready for use to the date of disposal or withdrawal from service). The total amount of use allowance and depreciation for an asset (including imputed depreciation applicable to periods prior to the conversion from the use allowance method as well as depreciation after the conversion) may not exceed the total acquisition cost of the asset.

(e) Charges for depreciation must be supported by adequate property records, and physical inventories must be taken at least once every two years to ensure that the assets exist and are usable, used, and needed. Statistical sampling techniques may be used in taking these inventories. In addition, adequate depreciation records showing the amount of depreciation must be maintained.

[78 FR 78608, Dec. 26, 2013, as amended at 79 FR 75886, Dec. 19, 2014; 85 FR 49568, Aug. 13, 2020]

§ 200.437 Employee health and welfare costs.

(a) Costs incurred in accordance with the non-federal entity's documented policies for the improvement of working conditions, employer-employee relations, employee health, and employee performance are allowable.

(b) Such costs will be equitably apportioned to all activities of the non-federal entity. Income generated from any of these activities will be credited to the cost thereof unless such income has been irrevocably sent to employee welfare organizations.

(c) Losses resulting from operating food services are allowable only if the non-federal entity's objective is to operate such services on a break-even basis. Losses sustained because of operating objectives other than the above are allowable only:

(1) Where the non-federal entity can demonstrate unusual circumstances; and

(2) With the approval of the cognizant agency for indirect costs.

§ 200.438 Entertainment costs.

Costs of entertainment, including amusement, diversion, and social activities and any associated costs are unallowable, except where specific costs that might otherwise be considered entertainment have a programmatic purpose and are authorized either in the approved budget for the federal award or with prior written approval of the federal awarding agency.

§ 200.439 Equipment and other capital expenditures.

(a) See § 200.1 for the definitions of capital expenditures, equipment, special purpose equipment, general purpose equipment, acquisition cost, and capital assets.

(b) The following rules of allowability must apply to equipment and other capital expenditures:

(1) Capital expenditures for general purpose equipment, buildings, and land are unallowable as direct charges, except with the prior written approval of the federal awarding agency or pass-through entity.

(2) Capital expenditures for special purpose equipment are allowable as direct costs, provided that items with a unit cost of \$5,000 or more have the prior written approval of the federal awarding agency or pass-through entity.

(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 written approval of the federal awarding agency, or pass-through entity. See § 200.436, for rules on the allowability of depreciation on buildings, capital improvements, and equipment. See also § 200.465.

(4) When approved as a direct charge pursuant to paragraphs (b)(1) through (3) of this section, capital expenditures will be charged in the period in which the expenditure is incurred, or as otherwise determined appropriate and negotiated with the federal awarding agency.

(5) 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 depreciation on the equipment, or by amortizing the amount to be written off over a period of years negotiated with the federal cognizant agency for indirect cost.

(6) Cost of equipment disposal. If the non-federal entity is instructed by the federal awarding agency to otherwise dispose of or transfer the equipment the costs of such disposal or transfer are allowable.

(7) Equipment and other capital expenditures are unallowable as indirect costs. See § 200.436.

[78 FR 78608, Dec. 26, 2013, as amended at 79 FR 75886, Dec. 19, 2014; 85 FR 49568, Aug. 13, 2020]

§ 200.440 Exchange rates.

(a) Cost increases for fluctuations in exchange rates are allowable costs subject to the availability of funding. Prior approval of exchange rate fluctuations is required only when the change results in the need for additional federal funding, or the increased costs result in the need to significantly reduce the scope of the project. The federal awarding agency must however ensure that adequate funds are available to cover currency fluctuations in order to avoid a violation of the Anti-Deficiency Act.

(b) The non-federal entity is required to make reviews of local currency gains to determine the need for additional federal funding before the expiration date of the federal award. Subsequent adjustments for currency increases may be allowable only when the non-federal entity provides the federal awarding agency with adequate source documentation from a commonly used source in effect at the time the expense was made, and to the extent that sufficient federal funds are available.

[78 FR 78608, Dec. 26, 2013, as amended at 79 FR 75886, Dec. 19, 2014]

§ 200.441 Fines, penalties, damages and other settlements.

Costs resulting from non-federal entity violations of, alleged violations of, or failure to comply with, federal, state, tribal, local or foreign laws and regulations are unallowable, except when incurred as a result of compliance with specific provisions of the federal award, or with prior written approval of the federal awarding agency. See also § 200.435.

[85 FR 49568, Aug. 13, 2020]

§ 200.442 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 to raise capital or obtain contributions are unallowable. Fund raising costs for the purposes of meeting the federal program objectives are allowable with prior written approval from the federal awarding agency. Proposal costs are covered in § 200.460.

(b) Costs of investment counsel and staff and similar expenses incurred to enhance income from investments are unallowable except when associated with investments covering pension, self-insurance, or other funds which include federal participation allowed by this part.

(c) Costs related to the physical custody and control of monies and securities are allowable.

(d) Both allowable and unallowable fund-raising and investment activities must be allocated as an appropriate share of indirect costs under the conditions described in § 200.413.

[85 FR 49568, Aug. 13, 2020]

§ 200.443 Gains and losses on disposition of depreciable assets.

(a) Gains and losses on the sale, retirement, or other disposition of depreciable property must be included in the year in which they occur as credits or charges to the asset cost grouping(s) in which the property was included. The amount of the gain or loss to be included as a credit or charge to the appropriate asset cost grouping(s) is the difference between the amount realized on the property and the undepreciated basis of the property.

(b) Gains and losses from the disposition of depreciable property must not be recognized as a separate credit or charge under the following conditions:

(1) The gain or loss is processed through a depreciation account and is reflected in the depreciation allowable under §§ 200.436 and 200.439.

(2) 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.

(3) A loss results from the failure to maintain permissible insurance, except as otherwise provided in § 200.447.

(4) Compensation for the use of the property was provided through use allowances in lieu of depreciation.

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

(c) Gains or losses of any nature arising from the sale or exchange of property other than the property covered in paragraph (a) of this section, e.g., land, must be excluded in computing federal award costs.

(d) When assets acquired with federal funds, in part or wholly, are disposed of, the distribution of the proceeds must be made in accordance with §§ 200.310 through 200.316 of this part.

[78 FR 78608, Dec. 26, 2013, as amended at 79 FR 75886, Dec. 19, 2014; 85 FR 49568, Aug. 13, 2020]

§ 200.444 General costs of government.

(a) For states, local governments, and Indian Tribes, the general costs of government are unallowable (except as provided in § 200.475). Unallowable costs include:

(1) Salaries and expenses of the Office of the Governor of a state or the chief executive of a local government or the chief executive of an Indian tribe;

(2) Salaries and other expenses of a state legislature, tribal council, or similar local governmental body, such as a county supervisor, city council, school board, etc., whether incurred for purposes of legislation or executive direction;

(3) Costs of the judicial branch of a government;

(4) Costs of prosecutorial activities unless treated as a direct cost to a specific program if authorized by statute or regulation (however, this does not preclude the allowability of other legal activities of the Attorney General as described in § 200.435); and

(5) Costs of other general types of government services normally provided to the general public, such as fire and police, unless provided for as a direct cost under a program statute or regulation.

(b) For Indian tribes and Councils of Governments (COGs) (see definition for Local government in § 200.1 of this part), up to 50% of salaries and expenses directly attributable to managing and operating federal programs by the chief executive and his or her staff can be included in the indirect cost calculation without documentation.

[78 FR 78608, Dec. 26, 2013, as amended at 79 FR 75886, Dec. 19, 2014; 85 FR 49568, Aug. 13, 2020]

§ 200.445 Goods or services for personal use.

(a) Costs of goods or services for personal use of the non-federal entity's employees are unallowable regardless of whether the cost is reported as taxable income to the employees.

(b) Costs of housing (e.g., depreciation, maintenance, utilities, furnishings, rent), housing allowances and personal living expenses are only allowable as direct costs regardless of whether reported as taxable income to the employees. In addition, to be allowable direct costs must be approved in advance by a federal awarding agency.

§ 200.446 Idle facilities and idle capacity.

(a) As used in this section the following terms have the meanings set forth in this section:

(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-federal entity.

(2) Idle facilities mean completely unused facilities that are excess to the non-federal entity's current needs.

(3) Idle capacity means the unused capacity of partially used facilities. It is the difference between:

(i) 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;

(ii) 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, and depreciation. These costs could include the costs of idle public safety emergency facilities, telecommunications, or information technology system capacity that is built to withstand major fluctuations in load, e.g., consolidated data centers.

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

(1) They are necessary to meet workload requirements which may fluctuate and are allocated appropriately to all benefiting programs; 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 subsection, 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 to carry out the purpose of the federal award 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.

§ 200.447 Insurance and indemnification.

(a) Costs of insurance required or approved and maintained, pursuant to the federal award, are allowable.

(b) Costs of other insurance in connection with the general conduct of activities are allowable subject to the following limitations:

(1) Types and extent and cost of coverage are in accordance with the non-federal entity's policy and sound business practice.

(2) Costs of insurance or of contributions to any reserve covering the risk of loss of, or damage to, Federal Government property are unallowable except to the extent that the federal awarding agency has specifically required or approved such costs.

(3) Costs allowed for business interruption or other similar insurance must exclude coverage of management fees.

(4) 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 § 200.431). The cost of such insurance when the non-federal entity is identified as the beneficiary is unallowable.

(5) Insurance against defects. Costs of insurance with respect to any costs incurred to correct defects in the non-federal entity's materials or workmanship are unallowable.

(6) 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 must

be treated as a direct cost and must be assigned to individual projects based on the manner in which the insurer allocates the risk to the population covered by the insurance.

(c) Actual losses which could have been covered by permissible insurance (through a self-insurance program or otherwise) are unallowable, unless expressly provided for in the federal award. However, costs incurred because of losses not covered under nominal deductible insurance coverage provided in keeping with sound management practice, and minor losses not covered by insurance, such as spoilage, breakage, and disappearance of small hand tools, which occur in the ordinary course of operations, are allowable.

(d) Contributions to a reserve for certain self-insurance programs including workers' compensation, unemployment compensation, and severance pay are allowable subject to the following provisions:

(1) The type of coverage and the extent of coverage and the rates and premiums would have been allowed had insurance (including reinsurance) 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, must not exceed the discounted present value of the liability. The rate used for discounting the liability must be determined by giving consideration to such factors as the non-federal entity's settlement rate for those liabilities and its investment rate of return.

(2) Earnings or investment income on reserves must be credited to those reserves.

(3)

(i) Contributions to reserves must be based on sound actuarial principles using historical experience and reasonable assumptions. Reserve levels must be analyzed and updated at least biennially for each major risk being insured and take into account any reinsurance, coinsurance, etc. Reserve levels related to employee-related coverages will normally be limited to the value of claims:

(A) Submitted and adjudicated but not paid;

(B) Submitted but not adjudicated; and

(C) Incurred but not submitted.

(ii) Reserve levels in excess of the amounts based on the above must be identified and justified in the cost allocation plan or indirect cost rate proposal.

(4) Accounting records, actuarial studies, and cost allocations (or billings) must recognize any significant differences due to types of insured risk and losses generated by the various insured activities or agencies of the non-federal entity. If individual departments or agencies of the non-federal entity experience significantly different levels of claims for a particular risk, those

differences are to be recognized by the use of separate allocations or other techniques resulting in an equitable allocation.

(5) Whenever funds are transferred from a self-insurance reserve to other accounts (e.g., general fund or unrestricted account), refunds must be made to the Federal Government for its share of funds transferred, including earned or imputed interest from the date of transfer and debt interest, if applicable, chargeable in accordance with applicable federal cognizant agency for indirect cost, claims collection regulations.

(e) Insurance refunds must be credited against insurance costs in the year the refund is received.

(f) Indemnification includes securing the non-federal entity against liabilities to third persons and other losses not compensated by insurance or otherwise. The Federal Government is obligated to indemnify the non-federal entity only to the extent expressly provided for in the federal award, except as provided in paragraph (c) of this section.

[78 FR 78608, Dec. 26, 2013, as amended at 85 FR 49568, Aug. 13, 2020]

§ 200.448 Intellectual property.

(a) Patent costs.

(1) The following costs related to securing patents and copyrights are allowable:

(i) Costs 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) Costs 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 intellectual property agreements (See also § 200.459).

(2) The following costs related to securing patents and copyrights are unallowable:

(i) Costs of preparing disclosures, reports, and other documents, and of searching the art to make disclosures not required by the federal award;

(ii) 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.

(b) Royalties and other costs for use of patents and copyrights.

(1) 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 federal award are allowable unless:

(i) The Federal Government already has a license or the right to free use of the patent or copyright.

(ii) The patent or copyright has been adjudicated to be invalid, or has been administratively determined to be invalid.

(iii) The patent or copyright is considered to be unenforceable.

(iv) The patent or copyright is expired.

(2) Special care should be exercised in determining reasonableness where the royalties may have been arrived at as a result of less-than-arm's-length bargaining, such as:

(i) Royalties paid to persons, including corporations, affiliated with the non-federal entity.

(ii) Royalties paid to unaffiliated parties, including corporations, under an agreement entered into in contemplation that a federal award would be made.

(iii) Royalties paid under an agreement entered into after a federal award is made to a non-federal entity.

(3) In any case involving a patent or copyright formerly owned by the non-federal entity, the amount of royalty allowed must not exceed the cost which would have been allowed had the non-federal entity retained title thereto.

[78 FR 78608, Dec. 26, 2013, as amended at 79 FR 75886, Dec. 19, 2014; 85 FR 49569, Aug. 13, 2020]

§ 200.449 Interest.

(a) General. Costs incurred for interest on borrowed capital, temporary use of endowment funds, or the use of the non-federal entity's own funds, however represented, are unallowable. Financing costs (including interest) to acquire, construct, or replace capital assets are allowable, subject to the conditions in this section.

(b) Capital assets.

(1) Capital assets is defined as noted in § 200.1 of this part. An asset cost includes (as applicable) acquisition costs, construction costs, and other costs capitalized in accordance with GAAP.

(2) For non-federal entity fiscal years beginning on or after January 1, 2016, intangible assets include patents and computer software. For software development projects, only interest attributable to the portion of the project costs capitalized in accordance with GAAP is allowable.

(c) Conditions for all non-federal entities.

(1) The non-federal entity uses the capital assets in support of federal awards;

(2) The allowable asset costs to acquire facilities and equipment are limited to a fair market value available to the non-federal entity from an unrelated (arm's length) third party.

(3) The non-federal entity obtains the financing via an arm's-length transaction (that is, a transaction with an unrelated third party); or claims reimbursement of actual interest cost at a rate available via such a transaction.

(4) The non-federal entity limits claims for federal reimbursement of interest costs to the least expensive alternative. For example, a lease contract that transfers ownership by the end of the contract may be determined less costly than purchasing through other types of debt financing, in which case reimbursement must be limited to the amount of interest determined if leasing had been used.

(5) The non-federal entity expenses or capitalizes allowable interest cost in accordance with GAAP.

(6) Earnings generated by the investment of borrowed funds pending their disbursement for the asset costs are used to offset the current period's allowable interest cost, whether that cost is expensed or capitalized. Earnings subject to being reported to the federal Internal Revenue Service under arbitrage requirements are excludable.

(7) The following conditions must apply to debt arrangements over \$1 million to purchase or construct facilities, unless the non-federal entity makes an initial equity contribution to the purchase of 25 percent or more. For this purpose, "initial equity contribution" means the amount or value of contributions made by the non-federal entity for the acquisition of facilities prior to occupancy.

(i) The non-federal entity must reduce claims for reimbursement of interest cost by an amount equal to imputed interest earnings on excess cash flow attributable to the portion of the facility used for federal awards.

(ii) The non-federal entity must impute interest on excess cash flow as follows:

(A) Annually, the non-federal entity must prepare a cumulative (from the inception of the project) report of monthly cash inflows and outflows, regardless of the funding source. For this purpose, inflows consist of federal reimbursement for depreciation, amortization of capitalized construction interest, and annual interest cost. Outflows consist of initial equity contributions,

debt principal payments (less the pro-rata share attributable to the cost of land), and interest payments.

(B) To compute monthly cash inflows and outflows, the non-federal entity must divide the annual amounts determined in step (i) by the number of months in the year (usually 12) that the building is in service.

(C) For any month in which cumulative cash inflows exceed cumulative outflows, interest must be calculated on the excess inflows for that month and be treated as a reduction to allowable interest cost. The rate of interest to be used must be the three-month Treasury bill closing rate as of the last business day of that month.

(8) Interest attributable to a fully depreciated asset is unallowable.

(d) Additional conditions for states, local governments and Indian tribes. For costs to be allowable, the non-federal entity must have incurred the interest costs for buildings after October 1, 1980, or for land and equipment after September 1, 1995.

(1) The requirement to offset interest earned on borrowed funds against current allowable interest cost (paragraph (c)(5), above) also applies to earnings on debt service reserve funds.

(2) The non-federal entity will negotiate the amount of allowable interest cost related to the acquisition of facilities with asset costs of \$1 million or more, as outlined in paragraph (c)(7) of this section. For this purpose, a non-federal entity must consider only cash inflows and outflows attributable to that portion of the real property used for federal awards.

(e) Additional conditions for IHEs. For costs to be allowable, the IHE must have incurred the interest costs after July 1, 1982, in connection with acquisitions of capital assets that occurred after that date.

(f) Additional condition for nonprofit organizations. For costs to be allowable, the nonprofit university incurred the interest costs after September 29, 1995, in connection with acquisitions of capital assets that occurred after that date.

(g) The interest allowability provisions of this section do not apply to a nonprofit university subject to “full coverage” under the Cost Accounting Standards (CAS), as defined at 48 CFR 9903.201-2(a). The non-federal entity's federal awards are instead subject to CAS 414 (48 CFR 9904.414), “Cost of Money as an Element of the Cost of Facilities Capital”, and CAS 417 (48 CFR 9904.417), “Cost of Money as an Element of the Cost of Capital Assets Under Construction”.

[78 FR 78608, Dec. 26, 2013, as amended at 80 FR 54409, Sept. 10, 2015; 85 FR 49569, Aug. 13, 2020]

§ 200.450 Lobbying.

(a) The cost of certain influencing activities associated with obtaining grants, contracts, or cooperative agreements, or loans is an unallowable cost. Lobbying with respect to certain grants, contracts, cooperative agreements, and loans is governed by relevant statutes, including among others, the provisions of 31 U.S.C. 1352, as well as the common rule, "New Restrictions on Lobbying" published on February 26, 1990, including definitions, and the Office of Management and Budget "Governmentwide Guidance for New Restrictions on Lobbying" and notices published on December 20, 1989, June 15, 1990, January 15, 1992, and January 19, 1996.

(b) 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 federal award 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 federal award or regulatory matter on any basis other than the merits of the matter.

(c) In addition to the above, the following restrictions are applicable to nonprofit organizations and IHEs:

(1) Costs associated with the following activities are unallowable:

(i) 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;

(ii) Establishing, administering, contributing to, or paying the expenses of a political party, campaign, political action committee, or other university established for the purpose of influencing the outcomes of elections in the United States;

(iii) Any attempt to influence:

(A) The introduction of federal or state legislation;

(B) 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);

(C) 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, fund raising drive, lobbying campaign or letter writing or telephone campaign; or

(D) Any government official or employee in connection with a decision to sign or veto enrolled legislation;

(iv) 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.

(2) The following activities are excepted from the coverage of paragraph (c)(1) of this section:

(i) Technical and factual presentations on topics 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 non-federal entity's member of congress, legislative body or a 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 hearings;

(ii) Any lobbying made unallowable by paragraph (c)(1)(iii) of this section to influence state legislation in order to directly reduce the cost, or to avoid material impairment of the non-federal entity's authority to perform the grant, contract, or other agreement; or

(iii) Any activity specifically authorized by statute to be undertaken with funds from the federal award.

(iv) Any activity excepted from the definitions of "lobbying" or "influencing legislation" by the Internal Revenue Code provisions that require nonprofit organizations to limit their participation in direct and "grass roots" lobbying activities in order to retain their charitable deduction status and avoid punitive excise taxes, I.R.C. §§ 501(c)(3), 501(h), 4911(a), including:

(A) Nonpartisan analysis, study, or research reports;

(B) Examinations and discussions of broad social, economic, and similar problems; and

(C) Information provided upon request by a legislator for technical advice and assistance, as defined by I.R.C. § 4911(d)(2) and 26 CFR 56.4911-2(c)(1)-(c)(3).

(v) When a non-federal entity seeks reimbursement for indirect (F&A) costs, total lobbying costs must be separately identified in the indirect (F&A) cost rate proposal, and thereafter treated as other unallowable activity costs in accordance with the procedures of § 200.413.

(vi) The non-federal entity must submit as part of its annual indirect (F&A) cost rate proposal a certification that the requirements and standards of this section have been complied with. (See also § 200.415.)

(vii)

(A) Time logs, calendars, or similar records are not required to be created for purposes of complying with the record keeping requirements in § 200.302 with respect to lobbying costs during any particular calendar month when:

(1) The employee engages in lobbying (as defined in paragraphs (c)(1) and (c)(2) of this section) 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 non-federal entity has not materially misstated allowable or unallowable costs of any nature, including legislative lobbying costs.

(B) When conditions in paragraph (c)(2)(vii)(A)(1) and (2) of this section are met, non-federal entities are not required to establish records to support the allowability of claimed costs in addition to records already required or maintained. Also, when conditions in paragraphs (c)(2)(vii)(A)(1) and (2) of this section 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.

(viii) The federal awarding agency must establish procedures for resolving in advance, in consultation with OMB, any significant questions or disagreements concerning the interpretation or application of this section. Any such advance resolutions must be binding in any subsequent settlements, audits, or investigations with respect to that grant or contract for purposes of interpretation of this part, provided, however, that this must not be construed to prevent a contractor or non-federal entity from contesting the lawfulness of such a determination.

[78 FR 78608, Dec. 26, 2013, as amended at 85 FR 49569, Aug. 13, 2020]

§ 200.451 Losses on other awards or contracts.

Any excess of costs over income under any other award or contract of any nature is unallowable. This includes, but is not limited to, the non-federal entity's contributed portion by reason of cost-sharing agreements or any under-recoveries through negotiation of flat amounts for indirect (F&A) costs. Also, any excess of costs over authorized funding levels transferred from any award or contract to another award or contract is unallowable. All losses are not allowable indirect (F&A) costs and are required to be included in the appropriate indirect cost rate base for allocation of indirect costs.

§ 200.452 Maintenance and repair costs.

Costs incurred for utilities, insurance, security, necessary maintenance, janitorial services, 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 must be treated as capital expenditures (see § 200.439). These costs are only allowable to the extent not paid through rental or other agreements.

[85 FR 49569, Aug. 13, 2020]

§ 200.453 Materials and supplies costs, including costs of computing devices.

(a) Costs incurred for materials, supplies, and fabricated parts necessary to carry out a federal award are allowable.

(b) Purchased materials and supplies must be charged at their actual prices, net of applicable credits. Withdrawals from general stores or stockrooms must 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) Materials and supplies used for the performance of a federal award may be charged as direct costs. In the specific case of computing devices, charging as direct costs is allowable for devices that are essential and allocable, but not solely dedicated, to the performance of a federal award.

(d) Where federally-donated or furnished materials are used in performing the federal award, such materials will be used without charge.

[78 FR 78608, Dec. 26, 2013, as amended at 79 FR 75887, Dec. 19, 2014]

§ 200.454 Memberships, subscriptions, and professional activity costs.

(a) Costs of the non-federal entity's membership in business, technical, and professional organizations are allowable.

(b) Costs of the non-federal entity'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 the federal awarding agency or pass-through entity.

(d) Costs of membership in any country club or social or dining club or university are unallowable.

(e) Costs of membership in organizations whose primary purpose is lobbying are unallowable. See also § 200.450.

[78 FR 78608, Dec. 26, 2013, as amended at 85 FR 49569, Aug. 13, 2020]

§ 200.455 University costs.

Costs such as incorporation fees, brokers' fees, fees to promoters, organizers or management consultants, attorneys, accountants, or investment counselor, whether or not employees of the non-federal entity in connection with establishment or reorganization of an organization, are unallowable except with prior approval of the federal awarding agency.

§ 200.456 Participant support costs.

Participant support costs as defined in § 200.1 are allowable with the prior approval of the federal awarding agency.

[85 FR 49569, Aug. 13, 2020]

§ 200.457 Plant and security costs.

Necessary and reasonable expenses incurred for protection and security of 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; protective (non-military) gear, devices, and equipment; contractual security services; and consultants. Capital expenditures for plant security purposes are subject to § 200.439.

[85 FR 49569, Aug. 13, 2020]

§ 200.458 Pre-award costs.

Pre-award costs are those incurred prior to the effective date of the federal award or subaward directly pursuant to the negotiation and in anticipation of the federal award where such costs are necessary for efficient and timely performance of the scope of work. Such costs are allowable only to the extent that they would have been allowable if incurred after the date of the federal award and only with the written approval of the federal awarding agency. If charged to the award, these costs must be charged to the initial budget period of the award, unless otherwise specified by the federal awarding agency or pass-through entity.

[85 FR 49569, Aug. 13, 2020]

§ 200.459 Professional service 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-federal entity, are allowable, subject to paragraphs (b) and (c) of this section 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 § 200.435.

(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-federal entity'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-federal entity's business (i.e., what new problems have arisen).
 - (5) Whether the proportion of federal work to the non-federal entity's total business is such as to influence the non-federal entity 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 awards.
 - (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-federally funded activities.
 - (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 paragraph (b) of this section, to be allowable, retainer fees must be supported by evidence of bona fide services available or rendered.

[78 FR 78608, Dec. 26, 2013, as amended at 85 FR 49569, Aug. 13, 2020]

§ 200.460 Proposal costs.

Proposal costs are the costs of preparing bids, proposals, or applications on potential federal and non-federal awards or projects, including the development of data necessary to support the non-federal entity's bids or proposals. Proposal costs of the current accounting period of both successful and unsuccessful bids and proposals normally should be treated as indirect (F&A) costs and allocated currently to all activities of the non-federal entity. No proposal costs of past accounting periods will be allocable to the current period.

§ 200.461 Publication and printing costs.

(a) Publication costs for electronic and print media, including distribution, promotion, and general handling are allowable. 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-federal entity.

(b) Page charges for professional journal publications are allowable where:

(1) The publications report work supported by the Federal Government; and

(2) The charges are levied impartially on all items published by the journal, whether or not under a federal award.

(3) The non-federal entity may charge the federal award during closeout for the costs of publication or sharing of research results if the costs are not incurred during the period of performance of the federal award. If charged to the award, these costs must be charged to the final budget period of the award, unless otherwise specified by the federal awarding agency.

[78 FR 78608, Dec. 26, 2013, as amended at 85 FR 49569, Aug. 13, 2020]

§ 200.462 Rearrangement and reconversion costs.

(a) Costs incurred for ordinary and normal rearrangement and alteration of facilities are allowable as indirect costs. Special arrangements and alterations costs incurred specifically for a federal award are allowable as a direct cost with the prior approval of the federal awarding agency or pass-through entity.

(b) Costs incurred in the restoration or rehabilitation of the non-federal entity'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.

§ 200.463 Recruiting costs.

(a) Subject to paragraphs (b) and (c) of this section, 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 the non-federal entity's standard recruitment program. Where the non-federal entity uses employment agencies, costs not in excess of standard commercial rates for such services are allowable.

(b) Special emoluments, fringe benefits, and salary allowances incurred to attract professional personnel that do not meet the test of reasonableness or do not conform with the established practices of the non-federal entity, are unallowable.

(c) Where relocation costs incurred incident to recruitment of a new employee have been funded in whole or in part to a federal award, and the newly hired employee resigns for reasons

within the employee's control within 12 months after hire, the non-federal entity will be required to refund or credit the federal share of such relocation costs to the Federal Government. See also § 200.464.

(d) Short-term, travel visa costs (as opposed to longer-term, immigration visas) are generally allowable expenses that may be proposed as a direct cost. Since short-term visas are issued for a specific period and purpose, they can be clearly identified as directly connected to work performed on a federal award. For these costs to be directly charged to a federal award, they must:

- (1) Be critical and necessary for the conduct of the project;
- (2) Be allowable under the applicable cost principles;
- (3) Be consistent with the non-federal entity's cost accounting practices and non-federal entity policy; and
- (4) Meet the definition of "direct cost" as described in the applicable cost principles.

[78 FR 78608, Dec. 26, 2013, as amended at 79 FR 75887, Dec. 19, 2014; 85 FR 49569, Aug. 13, 2020]

§ 200.464 Relocation costs of employees.

(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 limitations described in paragraphs (b), (c), and (d) of this section, 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 or her 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 calendar days.

(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 per cent of the sales price of the employee's former home.

(4) The continuing costs of ownership (for up to six months) 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, transportation of personal property, 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 paragraphs (b)(1) and (2) of this section. When relocation costs incurred incident to the recruitment of new employees have been charged to a federal award and the employee resigns for reasons within the employee's control within 12 months after hire, the non-federal entity must refund or credit the Federal Government for its share of the cost. If dependents are not permitted at the location for any reason and the costs do not include costs of transporting household goods, the costs of travel to an overseas location must be considered travel costs in accordance with § 200.474 Travel costs, and not this relocations costs of employees (See also § 200.464).

(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.

[78 FR 78608, Dec. 26, 2013, as amended at 79 FR 75887, Dec. 19, 2014; 85 FR 49570, Aug. 13, 2020]

§ 200.465 Rental costs of real property and equipment.

(a) Subject to the limitations described in paragraphs (b) through (d) of this section, 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-federal entity continued to own the property. This amount would include expenses such as depreciation, maintenance, taxes, and insurance.

(c) Rental costs under “less-than-arm's-length” leases are allowable only up to the amount (as explained in paragraph (b) of this section). For this purpose, a less-than-arm's-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:

(1) Divisions of the non-federal entity;

(2) The non-federal entity under common control through common officers, directors, or members; and

(3) The non-federal entity and a director, trustee, officer, or key employee of the non-federal entity or an immediate family member, either directly or through corporations, trusts, or similar arrangements in which they hold a controlling interest. For example, the non-federal entity may establish a separate corporation for the sole purpose of owning property and leasing it back to the non-federal entity.

(4) Family members include one party with any of the following relationships to another party:

(i) Spouse, and parents thereof;

(ii) Children, and spouses thereof;

(iii) Parents, and spouses thereof;

(iv) Siblings, and spouses thereof;

(v) Grandparents and grandchildren, and spouses thereof;

(vi) Domestic partner and parents thereof, including domestic partners of any individual in 2 through 5 of this definition; and

(vii) Any individual related by blood or affinity whose close association with the employee is the equivalent of a family relationship.

(5) 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 paragraph (b) of this section) that would be allowed had the non-federal entity purchased the property on the date the lease agreement was executed. The provisions of GAAP must 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 § 200.449 Interest. Unallowable costs include amounts paid for profit, management fees, and taxes that would not have been incurred had the non-federal entity purchased the property.

(6) The rental of any property owned by any individuals or entities affiliated with the non-federal entity, to include commercial or residential real estate, for purposes such as the home office workspace is unallowable.

(d) Rental costs under leases which are required to be accounted for as a financed purchase under GASB standards or a finance lease under FASB standards under GAAP are allowable only up to the amount (as explained in paragraph (b) of this section) that would be allowed had the non-federal entity purchased the property on the date the lease agreement was executed. Interest costs related to these leases are allowable to the extent they meet the criteria in § 200.449. Unallowable costs include amounts paid for profit, management fees, and taxes that would not have been incurred had the non-federal entity purchased the property.

(e) Rental or lease payments are allowable under lease contracts where the non-federal entity is required to recognize an intangible right-to-use lease asset (per GASB) or right of use operating lease asset (per FASB) for purposes of financial reporting in accordance with GAAP.

(f) The rental of any property owned by any individuals or entities affiliated with the non-federal entity, to include commercial or residential real estate, for purposes such as the home office workspace is unallowable.

[78 FR 78608, Dec. 26, 2013, as amended at 85 FR 49569, Aug. 13, 2020]

§ 200.466 Scholarships and student aid costs.

(a) Costs of scholarships, fellowships, and other programs of student aid at IHEs are allowable only when the purpose of the federal award is to provide training to selected participants and the charge is approved by the federal awarding agency. However, tuition remission and other forms of compensation paid as, or in lieu of, wages to students performing necessary work are allowable provided that:

(1) The individual is conducting activities necessary to the federal award;

(2) Tuition remission and other support are provided in accordance with established policy of the IHE and consistently provided in a like manner to students in return for similar activities conducted under federal awards as well as other activities; and

(3) During the academic period, the student is enrolled in an advanced degree program at a non-federal entity or affiliated institution and the activities of the student in relation to the federal award are related to the degree program;

(4) The tuition or other payments are reasonable compensation for the work performed and are conditioned explicitly upon the performance of necessary work; and

(5) It is the IHE's practice to similarly compensate students under federal awards as well as other activities.

(b) Charges for tuition remission and other forms of compensation paid to students as, or in lieu of, salaries and wages must be subject to the reporting requirements in § 200.430, and must be treated as direct or indirect cost in accordance with the actual work being performed. Tuition remission may be charged on an average rate basis. See also § 200.431.

[78 FR 78608, Dec. 26, 2013, as amended at 85 FR 49569, Aug. 13, 2020]

§ 200.467 Selling and marketing costs.

Costs of selling and marketing any products or services of the non-federal entity (unless allowed under § 200.421) are unallowable, except as direct costs, with prior approval by the federal awarding agency when necessary for the performance of the federal award.

[85 FR 49570, Aug. 13, 2020]

§ 200.468 Specialized service facilities.

(a) The costs of services provided by highly complex or specialized facilities operated by the non-federal entity, such as computing facilities, wind tunnels, and reactors are allowable, provided the charges for the services meet the conditions of either paragraph (b) or (c) of this section, and, in addition, take into account any items of income or federal financing that qualify as applicable credits under § 200.406.

(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:

(1) Does not discriminate between activities under federal awards and other activities of the non-federal entity, including usage by the non-federal entity for internal purposes, and

(2) Is designed to recover only the aggregate costs of the services. The costs of each service must consist normally of both its direct costs and its allocable share of all indirect (F&A) costs. Rates must be adjusted at least biennially, and must 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 (F&A) costs.

(d) Under some extraordinary circumstances, where it is in the best interest of the Federal Government and the non-federal entity to establish alternative costing arrangements, such arrangements may be worked out with the federal cognizant agency for indirect costs.

[78 FR 78608, Dec. 26, 2013, as amended at 85 FR 49569, Aug. 13, 2020]

§ 200.469 Student activity costs.

Costs incurred for intramural activities, student publications, student clubs, and other student activities, are unallowable, unless specifically provided for in the federal award.

§ 200.470 Taxes (including Value Added Tax).

(a) For states, local governments and Indian tribes:

(1) Taxes that a governmental unit is legally required to pay are allowable, except for self-assessed taxes that disproportionately affect federal programs or changes in tax policies that disproportionately affect federal programs.

(2) Gasoline taxes, motor vehicle fees, and other taxes that are in effect user fees for benefits provided to the Federal Government are allowable.

(3) This provision does not restrict the authority of the federal awarding agency to identify taxes where federal participation is inappropriate. Where the identification of the amount of unallowable taxes would require an inordinate amount of effort, the cognizant agency for indirect costs may accept a reasonable approximation thereof.

(b) For nonprofit organizations and IHEs:

(1) In general, taxes which the non-federal entity 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 non-federal entity directly or which are available to the non-federal entity based on an exemption afforded the Federal Government and, in the latter case, when the federal awarding agency makes available the necessary exemption certificates,

(ii) Special assessments on land which represent capital improvements, and

(iii) federal income taxes.

(2) Any refund of taxes, and any payment to the non-federal entity of interest thereon, which were allowed as federal award costs, will be credited either as a cost reduction or cash refund, as appropriate, to the Federal Government. However, any interest actually paid or credited to a non-federal entity incident to a refund of tax, interest, and penalty will be paid or credited to the Federal Government only to the extent that such interest accrued over the period during which the non-federal entity has been reimbursed by the Federal Government for the taxes, interest, and penalties.

(c) Value Added Tax (VAT) Foreign taxes charged for the purchase of goods or services that a non-federal entity is legally required to pay in country is an allowable expense under federal awards. Foreign tax refunds or applicable credits under federal awards refer to receipts, or reduction of expenditures, which operate to offset or reduce expense items that are allocable

to federal awards as direct or indirect costs. To the extent that such credits accrued or received by the non-federal entity relate to allowable cost, these costs must be credited to the federal awarding agency either as costs or cash refunds. If the costs are credited back to the federal award, the non-federal entity may reduce the federal share of costs by the amount of the foreign tax reimbursement, or where federal award has not expired, use the foreign government tax refund for approved activities under the federal award with prior approval of the federal awarding agency.

§ 200.471 Telecommunication costs and video surveillance costs.

(a) Costs incurred for telecommunications and video surveillance services or equipment such as phones, internet, video surveillance, cloud servers are allowable except for the following circumstances:

(b) Obligor or expending covered telecommunications and video surveillance services or equipment or services as described in § 200.216 to:

- (1) Procure or obtain, extend or renew a contract to procure or obtain;
- (2) Enter into a contract (or extend or renew a contract) to procure; or
- (3) Obtain the equipment, services, or systems.

[85 FR 49570, Aug. 13, 2020]

§ 200.472 Termination costs.

Termination of a federal award 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 in this section. They are to be used in conjunction with the other provisions of this part in termination situations.

(a) The cost of items reasonably usable on the non-federal entity's other work must not be allowable unless the non-federal entity 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-federal entity, the federal awarding agency should consider the non-federal entity's plans and orders for current and scheduled activity. Contemporaneous purchases of common items by the non-federal entity must be regarded as evidence that such items are reasonably usable on the non-federal entity's other work. Any acceptance of common items as allocable to the terminated portion of the federal award must 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-federal entity, certain costs cannot be discontinued immediately after the effective date of termination, such costs are generally allowable within the limitations set forth in this part, except that any such costs

continuing after termination due to the negligent or willful failure of the non-federal entity to discontinue such costs must be unallowable.

(c) Loss of useful value of special tooling, machinery, and equipment 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-federal entity,

(2) The interest of the Federal Government is protected by transfer of title or by other means deemed appropriate by the federal awarding agency (see also § 200.313 (d)), 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, 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-federal entity 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:

(i) The preparation and presentation to the federal awarding agency of settlement claims and supporting data with respect to the terminated portion of the federal award, unless the termination is for cause (see subpart D, including §§ 200.339-200.343); and

(ii) 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.

(f) Claims under subawards, including the allocable portion of claims which are common to the federal award and to other work of the non-federal entity, are generally allowable. An appropriate share of the non-federal entity's indirect costs may be allocated to the amount of settlements with contractors and/or subrecipients, provided that the amount allocated is

otherwise consistent with the basic guidelines contained in § 200.414. The indirect costs so allocated must exclude the same and similar costs claimed directly or indirectly as settlement expenses.

[78 FR 78608, Dec. 26, 2013. Redesignated and amended at 85 FR 49570, Aug. 13, 2020]

§ 200.473 Training and education costs.

The cost of training and education provided for employee development is allowable.

[78 FR 78608, Dec. 26, 2013. Redesignated at 85 FR 49570, Aug. 13, 2020]

§ 200.474 Transportation costs.

Costs incurred for freight, express, cartage, postage, and other transportation services relating either to goods purchased, in process, or delivered, are allowable. When such costs can readily be identified with the items involved, they may be charged directly as transportation costs or added to the cost of such items. Where identification with the materials received cannot readily be made, inbound transportation cost may be charged to the appropriate indirect (F&A) cost accounts if the non-federal entity follows a consistent, equitable procedure in this respect. Outbound freight, if reimbursable under the terms and conditions of the federal award, should be treated as a direct cost.

[78 FR 78608, Dec. 26, 2013. Redesignated at 85 FR 49570, Aug. 13, 2020]

§ 200.475 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-federal entity. 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-federal entity's non-federally-funded activities and in accordance with non-federal entity's written travel reimbursement policies. Notwithstanding the provisions of § 200.444, travel costs of officials covered by that section are allowable with the prior written approval of the federal awarding agency or pass-through entity when they are specifically related to the federal award.

(b) Lodging and subsistence. Costs incurred by employees and officers for travel, including costs of lodging, other subsistence, and incidental expenses, must be considered reasonable and otherwise allowable only to the extent such costs do not exceed charges normally allowed by the non-federal entity in its regular operations as the result of the non-federal entity's written travel policy. In addition, if these costs are charged directly to the federal award documentation must justify that:

(1) Participation of the individual is necessary to the federal award; and

(2) The costs are reasonable and consistent with non-federal entity's established travel policy.

(c)

(1) Temporary dependent care costs (as dependent is defined in 26 U.S.C. 152) above and beyond regular dependent care that directly results from travel to conferences is allowable provided that:

(i) The costs are a direct result of the individual's travel for the federal award;

(ii) The costs are consistent with the non-federal entity's documented travel policy for all entity travel; and

(iii) Are only temporary during the travel period.

(2) Travel costs for dependents are unallowable, except for travel of duration of six months or more with prior approval of the federal awarding agency. See also § 200.432.

(d) In the absence of an acceptable, written non-federal entity policy regarding travel costs, the rates and amounts established under 5 U.S.C. 5701-11, ("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 must apply to travel under federal awards (48 CFR 31.205-46(a)).

(e) Commercial air travel.

(1) Airfare costs in excess of the basic least expensive unrestricted accommodations class offered by commercial airlines are unallowable except when such accommodations would:

(i) Require circuitous routing;

(ii) Require travel during unreasonable hours;

(iii) Excessively prolong travel;

(iv) Result in additional costs that would offset the transportation savings; or

(v) Offer accommodations not reasonably adequate for the traveler's medical needs. The non-federal entity must justify and document these conditions on a case-by-case basis in order for the use of first-class or business-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-federal entity's determinations that customary standard airfare or other discount airfare is unavailable for specific trips if the non-federal entity can demonstrate that such airfare was not available in the specific case.

(f) Air travel by other than commercial carrier. Costs of travel by non-federal entity-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 airfare as provided for in paragraph (d) of this section, is unallowable.

[78 FR 78608, Dec. 26, 2013, as amended at 79 FR 75887, Dec. 19, 2014. Redesignated and amended at 85 FR 49570, Aug. 13, 2020]

§ 200.476 Trustees.

Travel and subsistence costs of trustees (or directors) at IHEs and nonprofit organizations are allowable. See also § 200.475.

[85 FR 49571, Aug. 13, 2020]

View the electronic version of the Selected Principles of Cost online at <https://ecfr.federalregister.gov/current/title-2/subtitle-A/chapter-II/part-200#subject-group-ECFRed1f39f9b3d4e72>

▪ **APPENDIX I: PRIOR WRITTEN APPROVAL**

2 CFR Part 200 Section § 200.407 titled *Prior written approval* (prior approval) provide additional guidance on items of cost that may require the prior approval of the federal agency to be allowable costs.

Under any given federal award, the reasonableness and allocability of certain items of costs may be difficult to determine. In order to avoid subsequent disallowance or dispute based on unreasonableness or non-allocability, the non-federal entity may seek the prior written approval of the cognizant agency for indirect costs or the federal awarding agency in advance of the incurrence of special or unusual costs. Prior written approval should include the timeframe or scope of the agreement. The absence of prior written approval on any element of cost will not, in itself, affect the reasonableness or allocability of that element, unless prior approval is specifically required for allowability.

These sections listed below under certain circumstances may require the prior written approval of the federal agency:

(a) § 200.201 Use of grant agreements (including fixed amount awards), cooperative agreements, and contracts, paragraph (b)(5);

(b) § 200.306 Cost sharing or matching;

(c) § 200.307 Program income;

(d) § 200.308 Revision of budget and program plans;

(e) § 200.311 Real property;

(f) § 200.313 Equipment;

(g) § 200.333 Fixed amount subawards;

(h) § 200.413 Direct costs, paragraph (c);

(i) § 200.430 Compensation - personal services, paragraph (h);

(j) § 200.431 Compensation - fringe benefits;

(k) § 200.438 Entertainment costs;

(l) § 200.439 Equipment and other capital expenditures;

(m) § 200.440 Exchange rates;

- (n) § 200.441 Fines, penalties, damages and other settlements;
- (o) § 200.442 Fund raising and investment management costs;
- (p) § 200.445 Goods or services for personal use;
- (q) § 200.447 Insurance and indemnification;
- (r) § 200.454 Memberships, subscriptions, and professional activity costs, paragraph (c);
- (s) § 200.455 University costs;
- (t) § 200.456 Participant support costs;
- (u) § 200.458 Pre-award costs;
- (v) § 200.462 Rearrangement and reconversion costs;
- (w) § 200.467 Selling and marketing costs;
- (x) § 200.470 Taxes (including Value Added Tax); and
- (y) § 200.475 Travel costs.

▪ **APPENDIX J: EXAMPLE: SF-270 REQUEST FOR ADVANCE OR REIMBURSEMENT**

Form SF-270 Request for Advance or Reimbursement

OMB Number: 4040-0012
Expiration Date: 01/31/2019

REQUEST FOR ADVANCE OR REIMBURSEMENT	1. TYPE OF PAYMENT REQUESTED	a. "X" one or both boxes <input type="checkbox"/> ADVANCE <input type="checkbox"/> REIMBURSEMENT	2. BASIS OF REQUEST <input type="checkbox"/> CASH <input type="checkbox"/> ACCRUAL
		b. "X" the applicable box <input type="checkbox"/> FINAL <input type="checkbox"/> PARTIAL	
3. FEDERAL SPONSORING AGENCY AND ORGANIZATIONAL ELEMENT TO WHICH THIS REPORT IS SUBMITTED <div style="border: 1px solid black; height: 20px; width: 100%;"></div>		4. FEDERAL GRANT OR OTHER IDENTIFYING NUMBER ASSIGNED BY FEDERAL AGENCY <div style="border: 1px solid black; height: 20px; width: 100%;"></div>	
5. PARTIAL PAYMENT REQUEST NUMBER FOR THIS REQUEST <div style="border: 1px solid black; height: 20px; width: 100%;"></div>	6. EMPLOYER IDENTIFICATION NUMBER <div style="border: 1px solid black; height: 20px; width: 100%;"></div>	7. FINANCIAL ASSISTANCE IDENTIFICATION NUMBER <div style="border: 1px solid black; height: 20px; width: 100%;"></div>	
8. PERIOD COVERED BY THIS REQUEST From: <div style="border: 1px solid black; width: 50px; height: 15px;"></div> To: <div style="border: 1px solid black; width: 50px; height: 15px;"></div>			
9. RECIPIENT ORGANIZATION Name: <div style="border: 1px solid black; width: 100%; height: 15px;"></div> Street1: <div style="border: 1px solid black; width: 90%; height: 15px;"></div> Street2: <div style="border: 1px solid black; width: 90%; height: 15px;"></div> City: <div style="border: 1px solid black; width: 50%; height: 15px;"></div> County: <div style="border: 1px solid black; width: 40%; height: 15px;"></div> State: <div style="border: 1px solid black; width: 60%; height: 15px;"></div> Province: <div style="border: 1px solid black; width: 40%; height: 15px;"></div> Country: <div style="border: 1px solid black; width: 90%; height: 15px;"></div> <div style="border: 1px solid black; width: 10px; height: 15px; text-align: center;">▼</div> ZIP / Postal Code: <div style="border: 1px solid black; width: 50%; height: 15px;"></div>			
10. PAYEE <i>(Where check is to be sent if different than item 9)</i> Name: <div style="border: 1px solid black; width: 100%; height: 15px;"></div> Street1: <div style="border: 1px solid black; width: 90%; height: 15px;"></div> Street2: <div style="border: 1px solid black; width: 90%; height: 15px;"></div> City: <div style="border: 1px solid black; width: 50%; height: 15px;"></div> County: <div style="border: 1px solid black; width: 40%; height: 15px;"></div> State: <div style="border: 1px solid black; width: 60%; height: 15px;"></div> Province: <div style="border: 1px solid black; width: 40%; height: 15px;"></div> Country: <div style="border: 1px solid black; width: 90%; height: 15px;"></div> <div style="border: 1px solid black; width: 10px; height: 15px; text-align: center;">▼</div> ZIP / Postal Code: <div style="border: 1px solid black; width: 50%; height: 15px;"></div>			

11. COMPUTATION OF AMOUNT OF REIMBURSEMENTS/ADVANCES REQUESTED

PROGRAMS/FUNCTIONS/ ACTIVITIES	(a)	(b)	(c)	TOTAL
a. Total program outlays to date <i>(As of date)</i>	\$	\$	\$	\$
b. Less: Cumulative program income				
c. Net program outlays <i>(Line a minus line b)</i>				
d. Estimated net cash outlays for advance period				
e. Total <i>(Sum of lines c & d)</i>				
f. Non-Federal share of amount on line e				
g. Federal share of amount on line e				
h. Federal payments previously requested				
i. Federal share now requested <i>(Line g minus line h)</i>				
j. Advances required by month, when requested by Federal grantor agency for use in making prescheduled advances				
1st month				
2nd month				
3rd month				

12. ALTERNATE COMPUTATION FOR ADVANCES ONLY

a. Estimated Federal cash outlays that will be made during period covered by the advance	\$
b. Less: Estimated balance of Federal cash on hand as of beginning of advance period	
c. Amount requested <i>(Line a minus line b)</i>	\$

13. CERTIFICATION

I certify that to the best of my knowledge and belief the data on the reverse are correct and that all outlays were made in accordance with the grant conditions or other agreement and that payment is due and has not been previously requested.

SIGNATURE OR AUTHORIZED CERTIFYING OFFICIAL

DATE REQUEST SUBMITTED

TYPED OR PRINTED NAME AND TITLE

Prefix: First Name: Middle Name:
 Last Name: Suffix:
 Title:

TELEPHONE (AREA CODE, NUMBER, EXTENSION)

This space for agency use

Public reporting burden for this collection of information is estimated to average 60 minutes per response, including time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding the burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the Office of Management and Budget, Paperwork Reduction Project (4040-0012), Washington, DC 20503.

PLEASE DO NOT RETURN YOUR COMPLETED FORM TO THE OFFICE OF MANAGEMENT AND BUDGET. SEND IT TO THE ADDRESS PROVIDED BY THE SPONSORING AGENCY.

STANDARD FORM 270 (REV. 1/2016)

■ **APPENDIX K: SAMPLE PROPERTY RECORDS TRACKING FORM**

Inventory Count Sheet
December 2021

ID	Tag Number	Federal Sponsoring Agency	Federal Grant Number:	Principal Investigator:	Department:	Location of Equipment:	Condition	Vendor:	Date Purchased	Full Description of Equipment:	Serial Number	Technology Services Tag Number
15-01	271029-01A (CPU) 271029-01B (Monitor)	National Science Foundation	CHE-1306366	Neshyba, Steven	Chemistry	Harned 329b	Good	DELL MARKETING LP	7/25/2014	210-AAUG Dell Precision T7610 with 24 inch monitor P2414H	CPU Service Tag #: DNLVY12 Monitor: CN0524N3-74261-458-08KL	
15-02	271029-02	National Science Foundation	CHE-1306366	Neshyba, Steven	Chemistry	Harned 329b	Good	Edmund Optics/Thor Labs	5/22/2017	Parts for construction of microscope		

▪ **APPENDIX L: INDIRECT COST AND FRINGE BENEFIT ALLOCATION LETTER**

COLLEGES AND UNIVERSITIES RATE AGREEMENT

EIN: 91-0564961

DATE:06/29/2022

ORGANIZATION:

FILING REF.: The preceding
agreement was dated
07/06/2021

University of Puget Sound
Office of Finance
1500 North Warner
Tacoma, WA 98416-0075

The rates approved in this agreement are for use on grants, contracts and other agreements with the Federal Government, subject to the conditions in Section III.

SECTION I: INDIRECT COST RATES

RATE TYPES: FIXED FINAL PROV. (PROVISIONAL) PRED. (PREDETERMINED)

EFFECTIVE PERIOD

<u>TYPE</u>	<u>FROM</u>	<u>TO</u>	<u>RATE(%)</u>	<u>LOCATION</u>	<u>APPLICABLE TO</u>
PRED.	07/01/2019	06/30/2023	50.40	On-Campus	All Programs
PROV.	07/01/2023	Until Amended	50.40	On-Campus	All Programs

*BASE

Direct salaries and wages excluding all fringe benefits.

ORGANIZATION: University of Puget Sound Office of Finance
 AGREEMENT DATE: 6/29/2022

SECTION I: FRINGE BENEFIT RATES**

TYPE	FROM	TO	RATE(%)	LOCATION	APPLICABLE TO
FIXED	7/1/2022	6/30/2023	25.90	All	Faculty
FIXED	7/1/2022	6/30/2023	8.50	All	Adjunct Faculty
FIXED	7/1/2022	6/30/2023	31.30	All	Regular Staff
FIXED	7/1/2022	6/30/2023	13.20	All	Temporary Staff
FIXED	7/1/2022	6/30/2023	6.50	All	Student Staff
PROV.	7/1/2023	6/30/2025	25.90	All	Faculty
PROV.	7/1/2023	6/30/2025	8.50	All	Adjunct Faculty
PROV.	7/1/2023	6/30/2025	31.30	All	Regular Staff
PROV.	7/1/2023	6/30/2025	13.20	All	Temporary Staff
PROV.	7/1/2023	6/30/2025	6.50	All	Student Staff

**** DESCRIPTION OF FRINGE BENEFITS RATE BASE:**

Salaries and wages including vacation, holiday and sick leave pay and other paid absences.

▪ **APPENDIX M: RECORD RETENTION**

UNIVERSITY *of* PUGET SOUND

Est. 1888

Office of Finance Procedure for Record Retention and Destruction

Proposed by:	<i>Administrative Assistant Office of Finance</i>
Approved by:	<i>Associate Vice President for Office of Finance</i>
Date approved or last reviewed:	
Frequency of review:	<i>Annually or when staff changes</i>
This procedure should be read by:	<i>Accounting Operations Coordinator, Administrative Assistant, Director of Financial Systems & Disbursements, Payroll Manager & Analyst, Senior Accountants, and Senior Accountant & Analyst, AP Specialists</i>

Note: the person holding the position identified on the “proposed by” line above will be responsible for initiating the periodic review of the document, as identified by the “frequency of review.”

Purpose of this procedure:

The purpose of this procedure is to ensurew/record retention/procedure record retention & destruction 2013.doc that necessary records and documents are adequately protected and maintained and to ensure that records that are no longer needed or of no value are discarded at the appropriate time and in the appropriate manner.

Regulatory or Authoritative references:

The Business Record Retention Policy for the University of Puget Sound at: <https://www.pugetsound.edu/office-university-counsel/policies/campuswide-policies-and-information/document-retention-and> is the authoritative document. This procedure document clarifies Accounting & Budget Services staff roles and responsibilities related to the retention policy.

Responsibilities:

Responsibility for record retention and destruction of documents belongs to each of the persons listed below. This responsibility includes following the procedure and timeline as follows.

Procedure steps:

- **Labeling Boxes/Files**
 - Label boxes with printed labels inserted in self-adhesive vinyl pockets attached to both front and back of box for visibility
 - Contents (be sure the description is complete – i.e. not just “Journal Entries” but also their numbers to and from)
 - Current date
 - Date of destruction or PERMANENT indicator
 - Section of Office of Finance responsible for retention
 - Operations
 - A/P
 - P - Cards
 - Payroll

- Procurement
 - General – Accounting & Budget Services
- **Storage Areas**
 - Iron Mountain (off-site storage)
 - McIntyre 4th Floor
 - The key may be obtained from the Administrative Assistant.
 - Anyone wishing to check the key out must indicate:
 - Date/time out
 - Name
 - Activity/purpose
 - Time returned
- **Iron Mountain**
 Iron Mountain is our off-site storage. Any requests for movement of boxes/files from or to this facility must be requested of the Administrative Assistant (backup: AVP for Finance). Before any items are sent to Iron Mountain:
 - All boxes MUST be properly labeled as instructed above (see Labeling Boxes/Files).
 - The Administrative Assistant and/or the AVP for Finance must be assured that these items will not be frequently required.
- **McIntyre 4th Floor**
 - This storage is often referred to as “Alaska”.
 - Boxes/Files that will need frequent access (i.e. less than one year old or the previous fiscal year) will be held in this storage.
- **Destruction**
 - **Inspection**
 - At the time determined for document destruction, the individual identified as sign-off responsibility will inspect the actual contents of the box/file for accuracy of contents and appropriate destruction period.
 - **Log**
 - That individual will request, from the Administrative Assistant, an updated log to be printed that includes their name and title, a list of relevant documents, and the date and type of destruction.
 - That individual will sign the printed log.
 - The Administrative Assistant will maintain all logs and signatures in a master file.
- **Requesting a Change to the Retention Policy**
 - Requests for changes in retention periods or deviations from specified retention periods should be made to the Associate Vice President for Finance and accompanied by appropriate authoritative guidance (e.g. law, regulation, or industry best practice citation). In most cases, the Associate Vice President will need to seek approval from the Vice President for Finance and Administration for the change. This may include requesting the opinion or advice of legal counsel to confirm the change is appropriate.
- **Maintenance of Records**
 - The following information identifies
 - Categories of documents stored
 - Retention period

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(Please refer to the official record retention policy posted on the UPS website <http://www.pugetsound.edu/about/offices-services/finance-administration/policies-documents/business-record-retention/> for retention periods for any documents not listed below.)

- Who is responsible for the retention of the records
- Who is authorized to sign off on their destruction

- Related Documents
 - Procedure AP Vendor File Archive

Document	Retention Period	Retention Responsibility	Sign-Off Responsibility
ACCOUNTS PAYABLE RECORDS (Maintained in the A/P Office)			
<u>Accounts Payable Vendor Files</u>			
Processed/Paid Purchase Orders	7 years	ABS	Angela Markos
Original Invoices (Includes those records maintained by the Bookstore, Dining Services & HR)	7 years	ABS	Angela Markos
Expense Reimbursement Reports and Backup	7 years	ABS	Angela Markos
Accounts Payable Subsidiary Reports	7 years	ABS	Angela Markos
Accounts Payable Post Reports	7 years	ABS	Angela Markos
Accounts Payable Check Prep Reports	until the Annual Audit is completed	ABS	Angela Markos
1099 and 1042 Reports	7 years	ABS	Angela Markos
A/P Check Registers	7 years	ABS	Angela Markos
City & State Excise Tax Reports (Include support documentation)	5 years	ABS	Robin Andrews
BANK RECORDS			
<u>Wire Transfer Records (Kept in the JV files)</u>			
Bank Statements	7 years	ABS	Cheri Finnegan
Deposit Records	7 years	ABS	Cheri Finnegan
Bank Reconciliations & Support	7 years	ABS	Cheri Finnegan
Cancelled Checks	7 years	ABS	Cheri Finnegan
BUDGET RECORDS (Maintained by Financial Services Office)			
Budget Entries (and support)	7 years	ABS	Dana Kapla
Budget Task Force Records (and support)	7 years	ABS	Dana Kapla
Budget Variance Reports (and support)	7 years	ABS	Dana Kapla
CAPITAL PROPERTY RECORDS			
Property Records	PERM	ABS	
Inventory	7 years	ABS	Stefanie Lund
Depreciation Schedules	PERM	ABS	
Mortgage, Bonds, and Other Long-Term Debt Records	PERM	ABS	
Property Improvement Records	PERM	ABS	
Sales	5 years	ABS	Stefanie Lund

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Property Tax Exemption Records	PERM	ABS	
ENDOWMENT RECORDS (And other Permanently Restricted Net Asset Records)	PERM	ABS	Cheri Finnegan
FEDERAL TAX RECORDS			
Form 990 and Support	PERM		Robin Andrews
Form 990-T and Support	PERM		Robin Andrews
Unitrust Tax Returns and Support	7 years	ABS	Robin Andrews
FINANCIAL RECORDS			
Description of Accounting System	While active or employed	ABS	Janet Hallman
General Ledgers and Operating Ledgers	PERM	ABS	
<i>Includes: Old Pointe System, Chart of Accounts, General Ledger Trial Balance (GLTB), Balance Sheet Operating Ledger, Income Operating Ledger, Expense Operating Ledger, Small funds Operating Ledger, Financial Statement code Ledger, Object Code Ledger, and Budget Operating Ledgers (Annual Budget)</i>			
Subsidiary Ledgers:	7 years	Various	
<i>Bookstore, Dining and Conference Services, and Facilities Services</i>			Robin Andrews
<i>University Relations/Gift Processing</i>			Cheri Finnegan
Journal Vouchers and backup (including budget entries, electronic filed documents and backup)	7 years	ABS	Robin Andrews
Account Reconciliations	7 years	ABS	Account Assignment
Annual Financial Report (audited)	PERM	ABS	
Audit Reports and Workpapers in support of the Annual Financial Report	7 years	ABS	Robin Andrews
Unclaimed Property Records	PERM	ABS	
GRANT AND GIFT RECORDS			
Government Grant Files	While active or employed +3 years	ABS	Stefanie Lund
Private Grant Files	While active or employed +6 years	ABS	Stefanie Lund
Deeds and Titles for Donated Real Property subsequently sold	PERM	ABS	
Life Income Agreements (May need to retain as Endowment records)	While active or employed +6 years	ABS	Stefanie Lund

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■ APPENDIX N: GRANT PROPOSAL REVIEW AND APPROVAL FORM

University of Puget Sound
Grant Proposal Review and Approval Form

Grant Summary		
Proposal Due Date:		
Current Date:		
Funding Source:		
Project Title:		
PI/Faculty:		
Department:		
Funding Period:		
Description:		
Grant Review and Approvals		
	Initial Here	Comments
Grant Manager		
has reviewed budget for reasonableness, calculated and verified salary, benefits and indirect cost calculations (if applicable), and verified that all costs appear to be allowable by grant documentation or Uniform Guidance.		
Assoe VP for Human Resources		
has reviewed and approves proposal regarding staff compensation related issues including rate of pay.		
Dean of Faculty Affairs		
has reviewed and approves faculty compensation for reasonableness based on current faculty position, current faculty salary scale and approves budget for items requiring institutional cost sharing.		
Associate Dean		
approves budget request for student summer research stipends and any matching support.		
Provost		
supports proposal and terms thereof, including faculty/staff load issues, facilities issues, institutional cost sharing, etc.		
Assoe VP for Finance		
has reviewed budget and related materials for overall reasonableness; implications (if any) for Puget Sound are satisfactorily addressed (e.g. fringe benefit rates, required university funding, compliance, audit, or tax issues)		
Executive Vice President and CFO		
has reviewed and provides hardcopy signature, as needed, representing the University of Puget Sound's commitment to contractual obligations should the grant proposal be successful.		

▪ APPENDIX O: CONTRACT REVIEW CHECKLIST – UNIVERSITY OF PUGET SOUND

View online at: <https://www.pugetsound.edu/general-counsel-and-risk-management/contracts/contract-policy>

Contract Review Checklist – University of Puget Sound

Use This Checklist to Review Contractor Forms of Agreement or Contractors' Changes to Puget Sound Template Forms of Agreement Before Signing the Contract

Questions? Please send questions to: contracts@pugetsound.edu or contact Office of University Counsel at campus extension 2735.

Contract Planning Checklist

Has the [Contract Planning Checklist](#) been reviewed and applicable sections completed?

Form of Agreement

1. Can a Puget Sound Template Agreement be used for the Contract? Review should take much less time because our templates have already been reviewed by campus stakeholders, external legal counsel, and other advisors. See the [contracts webpage](#) for current, approved template agreements.
 - a) When using a template agreement, use the corresponding [Puget Sound Template Agreement checklist](#) to complete and review it.
 - b) Use [this checklist](#) to review changes to the template agreement proposed by the Contractor.
2. If the Contractor's form of agreement must be used, use this checklist and Puget Sound's approved [Professional Services Template Agreement](#) to evaluate the Contractor's form of agreement. Note: use the Speaker/Performer Template Agreement to evaluate Speaker/Performer (or Agent) forms of agreement.
 - a) In the checklist below, applicable section numbers from Puget Sound's Professional Services Template Agreement (PSA) are noted for reference. (For example: PSA 6 = Professional Services (Template) Agreement Section 6 and SOW 8 = PSA Statement of Work Section 8.)
 - b) If wording from a Puget Sound template agreement is added to a Contractor's form of agreement, be sure terms or abbreviations are defined or are changed to an equivalent term or abbreviation already defined in the agreement. (For example: Puget Sound's template agreement defines and refers to the university as "Puget Sound," and the contractor as "Contractor". If different abbreviations are used for the university and the Contractor in the Contractor's form of agreement, be sure to use them and not the abbreviations from Puget Sound's template agreement.)

General Contract Terms:

Parties to the Contract are Accurately Identified:

Identify the legal names of the parties in two (2) places within the contract:

1. At the beginning (opening paragraph), where an abbreviation is defined to substitute for the legal name throughout the rest of the contract (PSA page 1)
2. At the beginning of signature sections for each party (PSA page 7; SOW page 2)

NOTE:

- o The university's legal name is "The University of Puget Sound"
- o "Puget Sound" is the preferred abbreviation
- o Other abbreviations (e.g., "Licensee", "Company") are acceptable provided they are defined and consistently used throughout the contract
- o Avoid using "UPS"

Additional:

- o If there is an Insurance Section and the Contractor is required to name "The University of Puget Sound" and its trustees, officers and employees as additional insureds in a Commercial General Liability policy, the university's full legal name should be identified so (hopefully) that is the name the Contractor uses when naming Puget Sound as an additional insured.

Page 1 of 9

■ APPENDIX P: CHARTFIELD SETUP CHECKLIST

New Project Set Up Checklist

Prepare chartfield set up form for new project

<Y:\everyone\PeopleSoft Chartfield Setup & Security\0-BlankForms>

Typically you can work with the requestor to fill in the Detail tab of the form. The Office of Finance updates the Project tab of the form which includes:

Project Tab -

Project Number: Reference the GL_MAINT_PROJ tree for assistance to determine proper placement within the tree and next available project code number.

Project Title: This will typically come from the information provided to you on the Detail tab and is limited to 30 characters.

Short Title: Create a shortened version of the project title. This is limited to 10 characters: use no spaces and use upper/lower case characters to maximize.

Effective date: Set this to the beginning of the fiscal year.

Project Start and End Date: This will typically come from the information provided to you on the Detail tab. If no end date is provided (i.e. is open-ended), enter the PeopleSoft system date of 06/30/2050.

Default Fund: Reference the GL_MAINT_PROJ tree for assistance and other project code set up forms for similar projects. Generally (but not always) the first two numbers of the project code number will be the fund code.

Default Department: This will typically come from the information provided to you on the Detail tab. Verify reasonability of the department code entered based on the person submitting the set up form.

Functional Classification: Determine functional classification based on the purpose of the project code. Resources include other set up forms for similar projects and NACUBO definitions (see link below).

[See NACUBO guidelines for assistance](#)

Provide purpose / description: If this information is provided in Detail tab, you can just reference that tab. Add any other notes from conversations, etc. here.

Email support: Save screen snip of any email or Kace ticket in support of the new project code request

Detail Tab -

The budget manager for the new project and/or appropriate VP should populate this portion of the form.

Route set up form to Director of Finance for review and approval

Move the set up form to the 2-NeedsChartfieldApproval folder

Send email to Director of Finance with link to folder seeking approval (or can send the KACE ticket).

Save email or KACE response with director approval into the Project tab of the set up form.

Set up new project in PeopleSoft

You can set up the new account in one of two ways:

Via the GL_MAINT_PROJECT tree (Navigator > Tree Manager > Tree Manager) - recommend using until you are familiar with the chart of accounts and are not setting up multiple accounts