

A-87 Federal Cost Principles

USOE Training
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OMB Circulars

- A-122 applies to non-profit organizations

http://www.whitehouse.gov/omb/circulars_a122_2004/

- A-87 applies to commercial organizations, state, local, or federal recognized Indian tribal government

http://www.whitehouse.gov/omb/circulars_a087_2004/

Composition of Total Costs

**The total cost of any grant program is
composed of the:**

**ALLOWABLE DIRECT and
ALLOCABLE INDIRECT COSTS**

less APPLICABLE CREDITS

Allowable Costs

- Reasonable and allocable
- Conform to grant or contract limitation and cost principles
- Consistent with policies & procedures that apply to both federally funded and other activities
- Consistent treatment
- Determined according to (GAAP)
- Not included as a cost or match in any other federally funded program
- Be adequately **DOCUMENTED**

When is a cost allocable?

- If goods and services are assignable or incurred for the purpose of a specific grant/contract.
- Allowable if it is treated consistently with other costs incurred for the same purpose.
- Costs may not be shifted to other Federal awards to overcome funding deficiencies, or to avoid restrictions imposed by law or by the terms of the award.” A87 C.3.c

Direct Costs

- Cost that can be identified specifically with an award.
- Need to be adequately documented and accounted for correctly.
- Examples
 - Compensation of employees who charge direct time
 - Materials acquired, consumed, or expended
 - Equipment and other approved capital expenditures
 - Travel expenses associated with award

Indirect Costs

- Costs that have been incurred for common or joint objectives and cannot be readily identified with a particular final costs objective.
- Need to be accounted for appropriately.
- Indirect rate calculated by USOE based on AFR.

www.schools.utah.gov/finance/finance/indirect_cost/about.htm

Selected Items of Costs A-87 Appendix B

- Alcoholic beverages-unallowable
- Contingency provisions-unallowable
- Defense/prosecution of criminal or civil proceedings, claims, appeals –Not always allowed
- Donations and contributions-unallowable
- Entertainment-unallowable
- Fines and penalties-usually unallowable
- Fund raising and investment management-unallowable
- Goods and services for personal use-unallowable

Selected Items of Costs A-87 Appendix B – cont'd

- Interest-not always allowable
- Lobbying-unallowable
- Losses on other awards or agreements-unallowable

Support for Salary and Wage Expense

- ✓ Charges to Federal awards for salaries and wages, whether direct or indirect costs, will be based on payrolls documented in accordance with GAAP and approved by a responsible official of the government unit.
- ✓ Allocation or distribution must be adequately supported.

Employees that work solely on a single Federal award

- Charges for salaries and wages will be supported by periodic certifications.
- Certifications must be prepared at least semi annually and will be signed by the employee or supervisor having first hand knowledge of the work performed.

Employees that charge time to a Federal source and other activities

- Distribution of salaries and wages will be supported by personnel activity reports (PAR).

Personnel Activity Reports

- 1) Must reflect an after the fact distribution of the actual activity of each employee.
- 2) They must account for the total activity for which each employee is compensated.
- 3) They must be prepared at least monthly and must coincide with one or more pay periods.
- 4) They must be signed by the employee.
- 5) BUDGET estimates or other distribution percentages before the services are performed **DO NOT QUALIFY** as support for charges to Federal awards. Estimates can be used for planning purposes provided:
 - a) System for establishing estimates produces a reasonable approximation of activity actually performed.
 - b) At least quarterly comparison of actual costs to budgeted distributions based on the monthly PAR reports are made. Costs charged to Federal awards are adjusted to reflect actual.
 - c) Budget estimates must be revised quarterly.