UNDERSTANDING AND APPLYING BASIC COST PRINCIPLES

2–C

Job Performance Situation 2:
Program Systems and Supporting Fiscal Management

HEAD START
MOVING AHEAD
COMPETENCY-BASED TRAINING PROGRAM®

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REFERENCE

This activity develops knowledge and skill competencies in three skill areas: defining the intent of basic cost principles, identifying critical cost areas for Regional Office reviews, and determining the appropriate application of cost principles to financial management practices.

Related skill activity: 2-D, Linking Budget Development to Planning.

Sources:

45 CFR Part 1301, Head Start Grants Administration.

45 CFR Part 92, Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments.

45 CFR Part 74, Uniform Administrative Requirements for Awards and Subawards to Institutions of Higher Education, Hospitals, Other Nonprofit Organizations, and Commercial; and Certain Grants and Agreements with States, Local Governments and Indian Tribal Governments.

OMB Circular A-21, Cost Principles for Educational Institutions.

OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments.

OMB Circular A-122, Cost Principles for Nonprofit Organizations.

OMB Circular-133, Audits of States, Local Governments, and Nonprofit Organizations.

ACF Discretionary Grants Administration Manual (for internal use by federal staff, not an official regulatory document).

UNDERSTANDING AND APPLYING BASIC COST PRINCIPLES

Outcomes. Participants who complete this activity will be able to:

- Define programmatic and fiscal intent of basic principles relating to allowable and reasonable costs, direct and indirect costs, allocable costs, and use of non-federal share resources
- Identify sources of guidance for the appropriate application of cost principles
- Understand how basic cost principles are applied during program reviews
- Demonstrate the application of principles to specific Head Start financial management situations
- Determine what constitutes appropriate use of matching funds.
- Identify common errors regarding the allocation and use of federal resources

Materials. Newsprint and markers, Cost Principles Application Game Cards. The following materials are used as guidance references:

- 45 CFR Part 1301, Head Start Grants Administration
- 45 CFR Part 92, Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments
- 45 CFR Part 74, Uniform Administrative Requirements for Awards and Subawards to Institutions of Higher Education, Hospitals, Other Nonprofit Organizations, and Commercial; and Certain Grants and Agreements with States, Local Governments and Indian Tribal Governments.
- OMB Circular A-21, Cost Principles for Educational Institutions
- OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments
- OMB Circular A-110, Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Nonprofit Organizations
- OMB Circular A-122, Cost Principles for Nonprofit Organizations
- OMB Circular-133, Audits of States, Local Governments, and Nonprofit Organizations
- ACF Discretionary Grants Administration Manual

Components.

This activity can be completed by one person, an informal group, or as part of a formal workshop. Suggested time limits are provided below, but participants and facilitators may wish to adjust these to their own timetables.

Step 1.	Background Reading: Fundamentals	15 minutes
Step 2.	Exercise: Using Fundamental Cost Principles in HS Situation Handout: Fundamental Cost Principles Exercise Guidance Sheet	30 minutes
Step 3.	Background Reading: Selected Items of Cost	30 minutes
Step 4.	Exercise: The Cost Principles Application Handout: Cost Principles Application Game	45 minutes
Step 5.	Background Reading: Allocating Costs and Application of Cost Principles	15 minutes
Step 6.	Exercise: Panel Discussion on Cost Principles	30 minutes
Step 7.	Background Reading: A Guide for Non-Federal Share	20 minutes
Step 8.	Exercise: Understanding Non-Federal Share Handout: Understanding Non-Federal Share Exercise-Guidance Citations	20 minutes
Step 9.	Exercise: Using Non-Federal Share Principles in HS situations	45 minutes
	Handout: Recommended Financial References Handout: Financial Information Web Sites	
Step 10.	Summary	10 minutes
Suggested Total Time		4 hours, 20 minutes

This activity contains 46 pages.

STEP 1. BACKGROUND READING: FUNDAMENTALS

Suggested time: 15 min.

Study the following reading. Feel free to highlight sections or write comments in the margin throughout these activities.

The federal government provides a substantial amount of financial assistance in the form of grants. A federal grant may be defined as a form of assistance in which a federal agency (the grantor) transfers funds to a party (the grantee) that is usually not part of the federal government. The purpose of the transfer is to support a designated grantee program or activity without substantial federal involvement (Federal Appropriations Law, USDA).

Grantees are expected to use the funds for the purpose stated in the grant award. Expenditures or costs that meet the stated purpose and cost principles are called "allowable costs." An expenditure that does not further grant purposes or that is contrary to the cost principles or conditions of the grant may not be charged to the grant even if it would result in substantial savings or other benefits to the federal government.

Guidance on cost principles is found in Office of Management and Budget (OMB) circulars. The primary purpose of cost principles is to ensure that federal funds are spent correctly and that the federal government bears its fair share of costs. Three OMB circulars govern Head Start and Early Head Start grantees: A-122, Cost Principles For Non-Profit Organizations; A-87, Cost Principles For State, Local and Indian Tribal Organizations; and A-21, Cost Principles for Educational Institutions. If a grantee delegates some part of the grant to an outside agency, the delegate agency is subject to the cost principles that apply to its type of organization unless the grantee imposes a different set of cost principles as part of the delegate agreement. OMB has not issued any circulars for commercial organizations, but for-profit organizations are discussed in 45 CFR part 74.27 and are required to follow the principles outlined in the Federal Acquisition Regulation (FAR) in 48 CFR part 31.

Cost principles are also the basis for a sound financial system. A sound financial system ensures that federal funds are used only for grant operations, protects the integrity of the funds, and assists the grantee in achieving efficient and effective use of funds. Additionally, sound financial systems provide accurate cost information so that management can control financial resources, prevent cost overruns, and manage programs. Accurate accounting of costs allows for better control of the

various cost components, provides reliable data for future budgeting activities and allows generation of accurate reports.

Allowable Costs

The allowable costs to any federal grant are identified as direct and shared costs. A direct cost benefits only one program or activity. Shared costs benefit more than one program or activity of the grantee. An indirect or common cost is a shared administrative cost that benefits all programs. Common costs usually include space, utilities, the executive director's salary, accounting, personnel, and all costs that support these activities. Grantees must identify the different types of costs and charge correctly to ensure that Head Start pays its fair share, but does not pay for costs that should be met by other funding sources.

Costs must meet certain factors to be allowable. The costs must be reasonable, necessary, and conform to limitations set forth in the circulars or grant award. They must be consistent with the grantee's policies and procedures that are applied uniformly for both federal and non-federal activities. Grantees are required to determine and adequately document costs in accordance with generally accepted accounting principles. All costs must be treated consistently and cannot be charged to other funding sources. Failure to follow these principles may result in an inappropriate use of federal funds, which the grantee will have to repay.

Reasonable Costs

A cost is reasonable if it does not exceed, in nature or amount, what an organization would normally incur regardless of the source of funding. The organization should determine if the cost is the type that is generally incurred for the operations of the organization or the performance of the award. Organizations must consider program quality and sound business practices; appropriate and competitive procurement practices; and whether federal and state laws, regulations, and the conditions of the award allow the cost. Consistency means that the particular cost is treated the same as other costs incurred for the same purpose in similar circumstances. For example, a grantee cannot claim Head Start's share of a cost as a direct cost and other funding sources' share of the same cost as indirect. Nor can the grantee charge Head Start for its share of equipment on a one-time basis while it uses depreciation for other funding sources.

Charging Of Allocable Costs to Head Start

Before charging a cost to Head Start, the cost must be:

- Incurred specifically for Head Start or to benefit Head Start

- Distributed in a reasonable proportion to the benefit received when the cost benefits other programs or activities
- Necessary for the overall operation of the organization if a direct relationship to any program or activity cannot be shown

In addition, the goods must have been received or the services performed before payment. Costs cannot be charged to other funds because of lack of funding; excess spending (cost overruns); or to avoid requirements of law, regulations, or grant conditions.

Cost Credits

Credits are reductions to allowable costs. Typically these are purchase discounts, rebates, recoveries on losses, insurance refunds, and adjustments to overpayments or erroneous charges. Credits must be treated as cost reductions or cash refunds to the federal government. Program income consists of revenues earned because of Head Start activities. Common examples of income include: fees for services, rental of real or personal property acquired with federal funds, and sale of real or personal property in which the federal government maintains an interest. Interest earned on advances of federal funds is not considered program income. Nonprofit grantees may keep up to $250 annually for administrative expenses involved with the requirement to deposit advances in interest-bearing accounts. Interest amounts in excess of $250 must be returned to the federal government. Local governments and Indian Tribal governments are not required to deposit advances in interest bearing accounts. However, if advances earn interest, the organizations must return interest in excess of $100 annually. Furthermore, program income does not include rebates, discounts, credits, etc. Credits for 1 year's expenditures that are used in the subsequent year become carry over funds. Prior Regional Office approval is necessary before using funds in this manner.

Ensuring Costs Are Necessary and Reasonable

Attachment B of OMB Circulars A-87 and A-122 lists several items of cost. A cost is not necessarily unallowable just because it is not listed in these circulars. Also, even though the cost appears on the list, the cost must meet the "necessary and reasonable" principle before being charged to the grant. Costs that are listed as unallowable under certain paragraphs cannot be shifted to another category to make them allowable. (For example: charging costs of meals, lodging, rentals, transportation, and gratuities related to amusement or social activities as parent activities rather than entertainment.)

Costs Obligated to the Grant Year

Even though a cost is allowable and necessary, it also must meet the "bona fide need" rule. This rule requires that grant year funds be obligated (orders placed, contracts awarded) only to meet a legitimate need in the grant year for which the grant was awarded. If a grantee has a legitimate need, it must obligate the funds by the last day of the grant year. Grantees are required to have a formal system for obligating funds (e.g., written purchase orders).

Funds for a given grant year are not available for the needs of the following grant years. This rule prohibits year-end spending designed to "use up" the funds or spending carry over balances for ongoing operational costs in a future grant year. Unspent funds revert to the federal government. The federal government is only authorized to carry over funds from one budget period to the next. Funds carried over should only be used to complete program objectives that remain unmet from the previous budget period.

The following identifies some common reasons for questioning costs within Head Start program budgets and expenditures.

Common Reasons for Questioning Costs

1. Lack of documentation
2. Credits not handled correctly
3. Non-compliance with procurement requirements
4. Improper dispersal of bonuses, COLAs, performance awards
5. Claiming a cost as both direct and indirect
6. Charging a federal grant differently than other funds
7. Written cost allocation and/or indirect cost plan not on file
8. Costs not allocated or allocated incorrectly
9. Year-end spending
10. No formal system for recording obligations.

STEP 2. EXERCISE: USING FUNDAMENTAL COST PRINCIPLES IN HEAD START SITUATIONS

Suggested time: 30 min.

Purpose: Participants will have an opportunity to recognize and apply cost principles governing the use of grant funds. Read each vignette and discuss with a colleague how this situation should be addressed, given the principles in the previous reading. If there are more than four participants, divide the group into two teams with an observer. Each team should read and discuss its own approach to the situation. The observer should be prepared to discuss the reasons for disagreement among the teams.

Vignettes

1. The Regional Office approved additional funds for two buses. The manufacturer has notified the grantee that shipping will be delayed. The grantee will not take possession of the buses in the grant year. The director wants to issue a check before receipt, or use the funds for other allowable Head Start expenditures. If they did this, the following year's grant funds could be used for the buses.

2. The grantee has received the COLA funds. A critical need exists for a qualified disabilities specialist because this area was cited as needing improvement during a recent review. The director wants to use a portion of the funds to increase the salary paid for a disabilities specialist so that they can be more competitive during recruitment. This action will reduce the funding available for COLAs for other Head Start staff.

3. An auditor has questioned expenditures for supplies for educational services that were claimed as unliquidated obligations on the SF-269 because of lack of supporting documentation. The grantee's defense is that the education coordinator called the suppliers and placed the orders on the last day of the grant year.

4. Two weeks before the end of the grant year, the financial director determines that all of the grant year funds will not be expended. He orders office supplies and non-perishable food items to be used in the following grant year.

5. An organization successfully competed for an Early Head Start grant. Before this, all services were funded through private donations. The

organization's policy has been to lease vehicles for staff use. They now want to purchase a new vehicle in addition to their leased vehicles. Also, they will finance the vehicle by charging Early Head Start its share of the purchase price for the down payment. The other funding sources will be charged depreciation for the monthly payments.

6. A grantee (a public entity) has a delegate agreement with a non-profit organization. The financial director states that the grantee's oversight responsibility is limited to reimbursing the delegate for costs claimed, because the cost principles outlined in A-87 do not pertain to non-profit entities.

Stop! Please complete this exercise before turning the page.

HANDOUT: FUNDMENTAL COST PRINCIPLES EXERCISE GUIDANCE SHEET

Vignette 1: Failure to buy the buses is a violation of the terms and conditions of the grant award. The conditions restricted the use of funds to the purchase of buses. The grantee is not allowed to expend the funds on other costs, even if these costs are allowable Head Start expenditures. Also, the funds are for the current year and cannot be used for future year expenditures.

Vignette 2: COLA funds must be distributed in an equitable manner to all Head Start employees; this is a specific condition of the grant. An exception is if the grantee can demonstrate that employees' salaries are comparable with those paid for similar work in the community and the Regional Office approves the exception. Quality Improvement funds may be used to increase the salary of a specific position to bring it up to "market rate."

Vignette 3: Grantees are required to have a formal system for obligating funds. Phone orders alone do not meet the requirement.

Vignette 4: These purchases do not meet the "bona fide" need rule in that the supplies support the following grant year. Salaries, supplies, travel, etc. are normally charged to the year benefited.

Vignette 5: This would violate the cost principle that requires consistent treatment of costs. A cost must be treated in the manner same for all funding sources.

Vignette 6: Although not subject to OMB Circular A-87, the non-profit delegate is required to follow OMB Circular A-122. As a "pass-through" entity, the grantee is required to ensure that the delegate agency adheres to all rules and regulations, including the cost principles.

STEP 3. BACKGROUND READING: SELECTED ITEMS OF COST

Suggested time: 30 min.

Study the following reading. Feel free to highlight sections or write comments in the margin throughout these activities.

Attachment B of OMB Circulars A-87 and A-122 identifies and discusses in depth certain costs. Grantees should review the list before charging a cost. The following tables are a synopsis of Attachment B. The first table lists the most common allowable and non-allowable costs. The second table identifies the restrictions on the allowable costs listed in the first table.

ALLOWED*	NOT ALLOWED
Advertising	Alcoholic beverages
Audits	Bad debts
Bonding	Contingencies
Communications	Contributions/donations
Compensation for personnel services	Prosecution of claims against the federal government
Depreciation or use allowance	Entertainment
Employee morale, health and welfare	Fines and penalties
Equipment (with prior approval)	Fundraising and investment management costs
Facilities (with prior approval)	
Insurance, including self-insurance	Losses that could have been covered by insurance
Interest on approved purchases of facilities and equipment	Interest on bad debts, overdraft charges, etc.
Labor relations	Lobbying costs
Maintenance and repairs	Losses on other awards
Organization memberships in professional and civic organizations	Personal memberships

* General allowances—should consult with Regional Office when in doubt.

ALLOWED*	NOT ALLOWED
Materials and supplies	Organizing and reorganizing costs
Professional service costs	Proposal costs, unless approved
Publication and printing costs	Public relations, unless part of the award
Rental costs	
Severance pay	
Training	
Travel	

* General allowances—should consult with Regional Office when in doubt.

COST	ALLOWED**	NOT ALLOWED
Advertising/Public Relations	Recruitment of personnel Procurement of goods or services Disposal of materials Outreach	Meetings, events, or other fund raising activities Other grantee promotional activities such as displays, demonstrations, exhibits, and the salaries involved The cost of meeting rooms, hospitality suites, etc., for organizational events Promotional items including gifts and souvenirs
Equipment	Direct cost if approved by federal agency Depreciation if included in an indirect cost pool	
Facilities	Costs associated with purchase, construction or major renovation, if approved by federal agency	

** Should consult with Regional Office, as many costs require prior approval.

COST	ALLOWED**	NOT ALLOWED
Fund Reserves	Self-insurance funds Pension plans Normal severance pay Accrued leave	Contingency funds
Legal Costs	Required for the administration of the grant	Prosecution of claims against the federal government
Lobbying	Providing a technical or factual presentation of information	Any activity that involves campaigns, elections, political parties, influencing legislation, etc.
Memberships	Cost of the organization's membership in business, professional technical, civic, and community organizations, if approved by ACF	Personal memberships County, social, or dining club Memberships in organization with a primary purpose of lobbying
Organization Costs	Costs necessary and reasonable for grant operations	Fees for incorporation, promoters, brokers, management consultants, attorneys, accountants, or investment counselors for establishing or reorganizing without prior approval
Professional Service	Allowable, if reasonable and not contingent on federal funds	
Rearrangements and Alterations	Costs of $5,000 or more require prior approval	

COST	ALLOWED**	NOT ALLOWED
Rental Costs	Allowable; limits on amounts claimed for sale and leaseback arrangements, less than arms-length leases, capital leases	Management fees and taxes that would not have been charged if the organization had purchased the facility
Training	Majority of costs	Contributions or donations to educational or training institutions Straight time compensation in excess of 156 hour per year for time spent attending classes during working hours (non-profit organizations)
Travel	Official business of the organization	Difference between first class and less than first class accommodations

** Should consult with Regional Office, as many costs require prior approval.

STEP 4. EXERCISE: THE COST PRINCIPLES APPLICATION GAME

Suggested time: 45 min.

Note: For Part I the facilitator/trainer should prepare 3x5 index cards by cutting them in half and pasting one concept on each half-index card; see the template that follows for concepts. Place a stack of 15 cards face down for each team to draw from. For Part II: Have available a copy of each of the following: (1.) the OMB circular(s) that are applicable to the participants' programs; (2.) a copy of a grant award where the terms and conditions of the grant are clearly specified; (3.) 45 CFR Parts 74 and 92; (4.) OMB Circular A-110; and (5.) ACF Discretionary Grants Administration Manual.

Purpose: To facilitate the comprehension of cost principles for Head Start grants by giving participants an opportunity to apply the concepts discussed in the background readings.

Part I (30 minutes) Divide the group of participants into two teams, Team A and Team X. Ideally one to four persons will be on each team. If there are more than eight group members, divide the group and make multiple Teams A and X.

Team A begins the game by flipping over the first card. Without using notes, handouts, or training materials, Team A tries to determine if the cost is allowable and can be charged to the Head Start grant. Team X uses its notes and training materials to determine if the answer is correct. Correct answers earn 1 point, incorrect answers lose 1 point. Turns alternate until each team has had 7 turns.

Part II (15 minutes) After the game concludes, discuss the following:

- Which items were the most difficult to answer or needed further clarification?
- Where could you go to find clarification for these or any other fiscal questions? (If there are participants who have not read or seen the ACF Discretionary Grants Administration Manual, OMB Circulars, or 45 CFR parts 74 and 92, let them take time to scan them.)
- Are you familiar with the OMB Circular that governs your program's grant (A-122, A-87, or A-21)? If not, whom could you ask to help you locate a copy? (If there are participants who have not read or seen the circular, let them take some time to scan it.)

- Have you read and do you understand the terms and conditions of your grant? If not, do you know where to go for clarification on anything you do not understand? (If there are participants who have not read or seen the grant award, let them take some time to scan it.)

TEMPLATE:

COST PRINCIPLES APPLICATION GAME CARDS

$25 annual donation to the Police Benevolent Association. **1**	Attorney's fees to fight an unemployment claim from an employee who was justifiably terminated. **2**	Parent and Volunteer Appreciation Ceremony including dinner on a riverboat in the Mississippi. **3**
Cost of three new computers that were not originally in the budget, but are purchased at the end of the year with extra money that was in the budget. The Regional Office doesn't know about it. **4**	Membership dues to NHSA (National Head Start Association). **5**	Upon request from the governor, the Head Start agency compiled a list of their services, as well as numbers of families served and eligible for the program. They did a nice layout and printed it on high quality paper. **6**
The bank for the Head Start account is charging interest on the loan for the new facility. They are also charging a late payment fee because the fiscal office was late in mailing the payments. **7**	The federal Review team is questioning costs incurred for three employees who were terminated and received pay for 6 months afterward. Is this an allowable cost? **8**	Each member of the Federal Review team was given a souvenir from the program. The Team Leader's gift was an expensive one, costing over $50. Can they charge these gifts to the grant? **9**

The Board of Directors wants to spin off a for-profit organization to help parents start their own businesses. Can the Head Start grant pay the costs of establishing this new venture? **10**	The revised performance standards require programs to have a process for resolving internal disputes. Can a program hire a consultant to help them develop that process? **11**	A Head Start program located in an elementary school building has classrooms that are too open for toddlers. They got three bids, all under $5,000 to put up partitions. The expense was included in their annual application, which was funded. **12**
A new Early Head Start program needs space and enters into a 10-year lease with the local hospital to use the nursery in the "old wing;" they agree on a rental price that is below market value. **13**	A Head Start employee is in training to work in the fiscal department. She is collecting her full time salary for the semester she is in school even though she only works half time for those 14 weeks. **14**	The Head Start Director flew to a conference upon request and approval of the Regional Office. Her ticket was coach, but she used her frequent flyer points to get an upgrade to first class. **15**

HANDOUT: COST PRINCIPLES APPLICATION GAME

ANSWER GUIDE

1. $25 annual donation: No, contributions and donations by an organization to others are unallowable. (A-122, Attachment B, 9; A-87, Attachment B, 13)

2. Attorney's fees: Doubtful, this cost could have been covered by insurance. (A-122, Attachment B, 22; A-87, Attachment B, 25)

3. Parent & Volunteer Appreciation Ceremony: No, Cost of amusement, diversion, social activities, and ceremonials is unallowable. (A-122, Attachment B, 14; A-87, Attachment B, 18)

4. Cost of 3 new computers: Allowable unless the unit acquisition cost is $5,000 or more; then the computers are equipment and the purchase requires Regional Office approval. (A-122, Attachment B, 15; A-87, Attachment B, 19)

5. Membership dues: Yes, if the membership is for the organization and not an individual. (A-122, Attachment B, 30; A-87, Attachment B, 30)

6. Request from governor: Yes, providing a technical or factual presentation of information is allowable. (A-122, Attachment B, 25.b; A-87, Attachment B, 2.c(3))

7. Interest on facility loan and late payment fee: Interest on the facility loan is allowable if the federal agency approved the acquisition. (A-122, Attachment B, 23; A-87, Attachment B, 26) Late payment fees are considered a form of interest and are not an allowable cost. Allowable interest costs are restricted to the approved acquisition of facilities or equipment.

8. Pay for terminated employees: Payments in addition to regular salaries and wages made to terminated workers are allowable if required by law, employer-employee agreement, or established written policy. Must be charged to all funding streams. (A-122, Attachment B, 49; A-87, Attachment B, 11.g)

9. Souvenirs: No, costs of promotional items and memorabilia, including models, gifts, and souvenirs are unallowable. (A-122, Attachment B, 1.f(3); A-87, Attachment B, 2,(e)3)

10. For nonprofit organization: Unallowable except with prior approval of the awarding agency. (A-122, Attachment B, 31; not applicable to state, local, or Indian governments or Indian tribal organizations)

11. Consultant: Yes. (A-122, Attachment B, 39; A-87, Attachment B, 33)

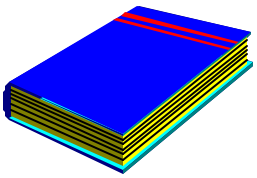
12. Partitions: Allowable, amounts of $5,000 or more require prior approval. (A-122, Attachment B, 42, A-87, Attachment B, 36; ACF Grants Administration Manual Chapter 3.10.405 A3)

13. Lease: Yes. (A-122, Attachment B, 46; A-87, Attachment B, 38)

14. Salary for employee attending school: For non-profits, straight time compensation not in excess of 156 hours is allowable if circumstances do not permit the operation of classes or attendance in classes after regular working hours. (A-122, Attachment B. 53) Allowable for state, local, and Indian tribal governments if it is for employee development. (A-87, Attachment B. 40)

15. Upgrade to first class: Action is allowable if the cost to the federal government did not exceed the coach or equivalent airfare. (A-122, Attachment B., 55.c; A-87, Attachment B, 41.c)

STEP 5. BACKGROUND READING: ALLOCATING COSTS AND APPLICATION OF COST PRINCIPLES



Suggested time: 15 min.

Study the following reading. Feel free to highlight sections or write comments in the margin throughout these activities.

Cost Allocation

Cost allocation is the process of assigning a cost or a group of costs to one or more programs or activities. Cost allocation is a fundamental part of the grantee's accounting system, since cost allocation will affect the reliability of financial reports, as well as funding received.

Before determining how to allocate costs, grantees must first identify all direct and shared costs. Direct costs are charged 100 percent to the activity or program benefited. Shared costs are charged to each program or activity using a method that distributes the cost, based on the benefits received.

Cost pooling may be used for those costs that can be charged using the same method. For example, since the costs associated with the executive director (e.g., clerical support, communication costs, and supplies) benefit all programs similarly, the costs could be pooled. The pooled costs are then charged using an acceptable allocation rather than allocating each shared cost separately. Common costs such as the executive director's salary, support, accounting services, personnel, space, etc., could be grouped into one pool and charged using an indirect rate.

For accuracy, and to ensure that the program actually benefits, the costs may have to be identified down to service activities. For example, all children in attendance may receive educational services, but only Head Start children participate in the health service activity. The costs associated with the health service are direct costs to Head Start, while the costs for educational service benefit more than Head Start and must be charged accordingly. A further step down may be necessary if certain classrooms have Head Start children only.

An exception is childcare service for Head Start children only. As long as the Head Start services are not diminished, the costs associated with childcare may be charged to Head Start. Reimbursement received and parent payments would be considered Head Start income.

Charging costs using percentages based on funding amounts, estimations of time spent on each program, or amounts budgeted for each program is not acceptable. Before claiming allocated costs, the grantee must develop and maintain a cost allocation plan. The Division of Cost Allocation and the Regional Office *may* want to review the plan, especially if the grantee receives funds from other federal agencies, either directly or through a state government.

The following charts provide examples of cost pools and unacceptable methods for allocation.

EXAMPLES OF COST POOLS	ACCEPTABLE METHOD(S)
Executive Director and support costs	Time sheet Number of employees supervised Indirect rate
Accounting services	Time sheet Transactions Indirect rate
Personnel services	Ratio of employees by program Indirect rate
Space, utilities, janitorial, maintenance	Square feet occupied Indirect rate
Local telephone service	Number of instruments
Multiple Program Directors	Time sheet Number of employees supervised Ratio of children in attendance
Transportation	Ratio of children riding
Health services	Ratio of children receiving service
A-133 audits	Funds expended
Generic supplies	Ratio of employees by program Indirect rate
Printing and reproduction	Job basis Pages printed Number of copies

Unacceptable Methods for Allocation

1. Budgeted amounts
2. Ratio of funds received
3. Estimates of time spent on a program or activity
4. New funds are used only for the increased incremental cost
5. Dividing up the resources and claiming the share
6. Primary concept or “it is the responsibility of that program anyway, so that program can pay for it”

Application of Cost Principles

Regional Offices will ensure grantees' adherence to the cost principles during reviews. The fiscal checklist included in the Program Review Instrument for Systems Monitoring (PRISM) is the current monitoring tool. The guide is as follows:

MAJOR AREA	ITEMS REVIEWED
Accounting & budget practices	a. Written accounting procedures b. Internal controls c. Budgets to actual costs d. Data used for preparing financial reports and budgets e. Allocation of costs f. Costs are allocable, reasonable, necessary, and documented
Administrative costs	a. Adherence to the 15% limitation b. Correct categorization of costs c. Allocation of dual benefit costs d. Indirect costs are charged as administrative
Indirect costs	a. Costs supported by an approved rate b. Costs benefit Head Start c. Costs are recorded and charged correctly
Non-federal share	a. 20% requirement is met b. Source, use, and accounting meet requirements and are supported c. Documentation of volunteer services
Property management	a. Property management in accordance with regulations b. Costs of grantee owned facilities c. Lease or rental agreements d. Valuation of occupancy costs for non-federal share e. Renovations
Procurement	a. Written procurement policies b. Competitive practices c. Codes of conduct d. Bonding e. Insurance f. Contracts and agreements

USDA and food costs	a. Head Start funds are used after USDA b. Accurate claiming of meals c. Budgeted to actual costs are reasonable d. Income guidelines used
Fiscal support	a. Fiscal resources are sufficient b. Licensing requirements c. Maintenance, safety, repair, and security d. Sharing of resources e. Disabilities services f. Budgets for disabilities services g. Use of other funds for medical or dental h. Support of parent activities

STEP 6: EXERCISE: PANEL DISCUSSION ON COST PRINCIPLES

Suggested time: 30 min.

Purpose: Participants will recognize cost principles and have the opportunity to discuss information from the background reading on cost principles.

Note: This exercise is designed for a group rather than for individuals. Before the session begins, the trainer asks for five volunteers to participate in a mock talk show. Select two participants who work for Head Start grantees and two participants that are Regional Office (federal) staff. One moderator is selected from the group at large.

Give the panel 10 minutes to look over the 6 questions and refer to the cost principles for any answers about which they are not sure.

While the panel is preparing, the other participants are asked to take a blank sheet of paper and write across one side the words "**YES AND**;" on the back side, write "**YES BUT**." When the panel is ready, the moderator begins by asking the six questions, one at a time. The panel members respond to each question. The audience can participate by holding up the appropriate side of their **YES AND/YES BUT** signs. The moderator can call on members of the audience holding up signs.

When the six questions have been answered, and with the help of the panel members, the moderator summarizes the responses to the questions.

Six Questions for Panel Discussion

1. For grantee staff: You recently hired a new accountant responsible for all financial services. What areas should be included in the training?

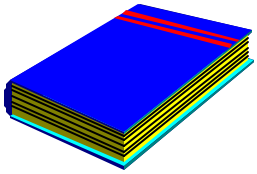
2. For federal staff: Describe some best practices you have seen in grantees that are using cost allocation systems.

3. For grantee staff: Describe some tools and techniques you have found helpful in maintaining the 15 percent limitation on administrative costs?

4. For federal staff: What factors must be considered before claiming a cost?

5. For Grantee staff: What are some areas of caution or advice you would give the audience on written fiscal procedures?

6. For federal staff: Describe the kinds of accountability necessary for claims of non-federal share.



STEP 7. BACKGROUND READING: A GUIDE FOR NON-FEDERAL SHARE

Suggested Time: 20 min.

Study the following reading. Feel free to highlight sections or write comments in the margin throughout these activities.

A GUIDE FOR NON-FEDERAL SHARE

Cost Sharing or Matching

When the federal government provides financial assistance, it may fund the entire cost of the activity or it may require the grantee to provide additional assistance. Thus, a program statute may provide for full funding or financing by a mix of federal and non-federal funds. Matching requirements are often intended to assure local interest and stimulate increased activity on the part of the recipient. Once the award is accepted, the grantee is committed to provide the non-federal share. Failure to do so could result in the disallowance of some or all of otherwise allowable federal costs, as well as a loss of the award.

Both Head Start and Early Head Start require a non-federal contribution of 20 percent of the total project costs. The 20 percent equates to 25 percent of the federal funds expended. Any combination of cash expended or in-kind contributions may be used to meet the matching requirement. The cash match is counted when spent on allowable program costs, not when received. In-kind match is counted when the services are provided or when the donated goods are used.

For grant awards with an indefinite project period (such as Head Start), the matching requirement is for the budget period or program year. An indefinite project period means the grantee retains the grant until removed because of relinquishment, termination, or lack of funding. Early Head Start has a defined project period (i.e., there is a start and end date). Normally, the grantee must compete again for the grant at the end of the project period; for Early Head Start the project period is 5 years. The match for grants with a defined project period is calculated for the project period, and grantees may meet the non-federal share at any time during the project period, not necessarily in equal amounts for each budget or program year.

All matching contributions need to be documented by the grantee. Contributions used to match other federal funds cannot be used to match

Head Start funds. The contributions must be necessary and reasonable for operations and allowable under the applicable cost principles. In other words, if the grantee could not pay the cost with Head Start funds, the cost cannot be used to meet the matching requirement. There are exceptions to this rule. One exception would be the time spent by board and policy council members. Members are not normally reimbursed for their time. However, the time may be valued to meet the matching requirement.

Federal grant funds may be used to meet the matching requirements of other federal funds *only* if the authorizing legislation for those funds allow this use. Head Start legislation does not have this specific language and cannot be used to match other federal funds. Some federal funds that can be used are the Community Development Block Grant funds for renovation of a building where Head Start is included as part of the Community Development Program and PL93-638, Indian Self Determination and Education Assistance Act.

Value of In-Kind and Donated Services

The value of in-kind contributions should be based on what the grantee would have paid had it purchased the allowable goods or services. For example, if volunteers paint a classroom, the value should be based on what the grantee would have paid to have the room painted.

The value of donated services must be based on the nature of the service provided. An example is a dentist's donated services to a Head Start program. The value would be based on his/her regular fees, assuming he/she is providing dental services to the children. If the dentist volunteers to do something else, the value of his/her time should be based on the rate of that service. If the dentist volunteers as a classroom aide, the value would be the same as the amount an aide is paid, including fringe benefits.

Volunteer services are services not paid for by the grantee. Professional and technical personnel, consultants, and other skilled and unskilled persons normally furnish volunteer services. Fringe benefits may be included when determining the value of volunteer services.

For volunteer services to be counted as in-kind, the services would have to be otherwise purchased or provided by salaried personnel. Also, the duties of the volunteer must be controlled by the organization, and the value of the service performed must be measurable and beneficial to the Head Start program.

Rates for volunteers should be determined using the rates paid for similar work by the organization. If the kinds of skills involved are not found in

the organization, the rate should be consistent with those paid for similar work in the community. If someone donates the services of an employee, the value would be the employee's regular rate of pay, provided the service is the same skill for which the employee is normally paid. If the services are not the same skill, the value should be computed the same as for volunteers.

If a volunteer's time is being paid for under another federal grant, it may not be used for match, nor may volunteer's time be used to match more than one grant.

Grantees are required to maintain records that support in-kind contributions. Reviewers must be able to verify the amounts claimed as the non-federal share from the records. Also, these records must show the basis for the value placed on the in-kind contribution.

Volunteer services should be documented, to the extent feasible, by the same method used for the grantee's employees, including time records. The documentation should include the signature of the volunteer, the day of service, hours, and service performed.

The following charts illustrate (1) the most common errors Head Start programs make in using non-federal share resources, (2) critical points to remember in using non-federal share, and (3) examples of non-federal share contributions.

10 Common Errors Regarding Non-Federal Share

1. Inadequate or no documentation
2. Overvaluing the donation of goods or services
3. Including items that would not be allowable costs
4. Matching one grant fund with funds from another
5. Using match funds for more that one grant
6. Valuing donations that were purchased with federal funds
7. Counting items that are furnished for personal use such as food and clothing
8. Including transportation by parents for personal convenience or transportation of employee's children by the employee
9. Not obtaining an independent valuation of donated land or space
10. Including all the time spent by parents on activities in the home

5 Critical Points to Remember

Non-federal share must:

1. Be something that could be charged to Head Start (allowable cost)
2. Not used as a match for other grants
3. Be adequately documented
4. Value should be based on what it would have cost if purchased
5. Base the value of volunteer services on the nature of the service provided

Examples of Non-Federal Share Contributions

CONTRIBUTION	RESTRICTIONS & SUGGESTED VALUE
Donated land, buildings, and equipment **where the title passes to the grantee**	The treatment depends on if the grantee is a public or non-profit entity. If a public entity, the value of land may, with ACF approval, be claimed on a one-time basis. Depreciation or use allowance must be used unless prior approval is received to treat otherwise. For non-profits, the value of equipment shall not exceed the fair market value considering age and condition. Donated space shall not exceed fair rental value as established by an independent appraisal of comparable space in a privately owned building. In lieu of rental value, the grantee may claim on a one-time basis the fair market value of donated land and buildings at the time of donation. The fair market value must be established by an independent appraiser and certified by a responsible grantee official.

CONTRIBUTION	RESTRICTIONS & SUGGESTED VALUE
Time donated by board members on management activities	Executive salary plus fringe—considered an administrative match.
Time donated by Policy Council members on management activities	Head Start Director's hourly salary plus fringe—considered an administrative match.
Discounts or reduced rates for Head Start programs that are not normal business practices (i.e., early payment or volume purchases)	The difference between the reduced rate or cost and the standard rate or cost.
Time donated by employees	Reasonable value for service performed if the service and time donated is not part of the employees' regular duties. Should only be accepted when the intent to freely donate time is supported by a documented statement.
Time spent by parents in a Home Base program	Hourly value plus fringe of a classroom-aide unless parent's credentials are equal to teachers.
Use of parents' home in a Home Base program	Hourly amount for rent or mortgage, utilities and insurance times the documented hours. To obtain the hourly portion divide by 720.
Time spent by parents at a center	Reasonable value for service performed (i.e. classroom-aide, etc.). Time spent enrolling one's child is not allowed.
Time spent by parents at home in a Center-Based program	Same as at center. Activities should assist grantee in meeting the performance standards and must be part of a written curriculum.
Home visits for a Center-Based program	The parents' time is allowed if the activity is required by the performance standards. Value as a classroom aide.

CONTRIBUTION	RESTRICTIONS & SUGGESTED VALUE
Transportation costs	Allowable if the program cannot regularly provide transportation. Transportation provided by parents at their option or for their convenience is not allowed. The value should be based on reasonable costs to the grantee (e.g., salaries, bus depreciation, maintenance, insurance, etc.).
Funds raised by parents	The funds used to support the program are allowable. The time that parents spend on fund raising activities is not allowable.
Equipment or space loaned by a third party	If a third party donates the use of equipment or space, the value is the fair market rate. If the third party also pays utilities, upkeep, insurance, etc., these amounts can be included.
Equipment or space loaned by the grantee	The value is based on depreciation or use allowance, taxes, insurance, etc. The computation must exclude the cost of land.
Donated supplies	The contribution is valued at the fair market value determined by the donor.
Donated clothing	Clothing used for educational experiences or retained at the center is allowable. Clothing furnished for personal use is unallowable. Value is the fair market value determined by the donor.
Donated food	Food must be used in the program and not sent home. Value is the fair market value determined by the donor.

STEP 8. EXERCISE: UNDERSTANDING NON-FEDERAL SHARE

Suggested Time: 20 min.

Purpose: Participants will understand, interpret, and apply regulations for the 20 percent non-federal share.

Working independently or with a partner, review and answer the questions below, referring as needed to the background reading.

Home-Based Option

Give us some insight on home-based parent involvement for in-kind.
In a home-based Early Head Start program, parents are required to participate in socialization activities with their children on a regular basis in a central location. Is the socialization time an allowable in-kind?
How would you value the time spent by parents working with their children in a Home Base program?

Early Head Start

How is in-kind for Early Head Start and Head Start different?
How can pregnant mothers give in-kind? Could they count their visits to WIC and prenatal visits to outside agencies as in-kind hours?
An Early Head Start grantee fails to meet the non-federal share for a budget year. Is the grantee subject to sanctions?

Valuing In-Kind

What volunteer time is allowable, and how is the rate determined?
What non-paid grantee governing body and Policy Council members' time can be considered in-kind? How would you value it, and is it administrative or program?

Center-Based Issues

What parent/child education activities in a Center-Based program are allowable?
How would you value the time spent on the activities?
When is transportation allowable for in-kind, and how should it be valued?

Donated Items

How is in-kind value determined for clothing and/or supplies donated to the program?
Can donated land be valued as in-kind?
Merchants donate items as gifts or door prizes for parents participating in Head Start activities. Can these contributions be recorded as in-kind?

Documentation and Record Keeping

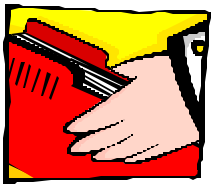
What documentation is sufficient to support the time spent by parents on activities with their children?
How should volunteers' time be recorded?

Other Issues

The Department of Education says that Head Start funds can be used as a match for Even Start. When can federal funds be used for the non-federal share? What is the impact of the 15 percent administrative cost limitation on the non-federal share?

HANDOUT:

UNDERSTANDING NON-FEDERAL SHARE—GUIDANCE CITATIONS



1. The Department of Education says that Head Start can give in-kind to Even Start. Can we?

   No. Federal funds may be used to meet the matching requirements of other federal funds only if there is specific language in the authorizing legislation that states these funds may be used to match other federal funds. (45 CFR part 74.23(a)(5); 45 CFR part 92.24(b))

2. What is acceptable for in-kind?

   To be accepted as in-kind, the contribution must be necessary and reasonable for grant operations and allowable under the applicable cost principles. If the grantee would not have otherwise paid for the goods or services, the contribution in most cases cannot be counted as in-kind. (45 CFR part 74. 23; 45 CFR part 92.24))

3. How must home-based activities be recorded for in-kind?

   Grantees should use the same documentation to record parents' time for in-kind that is used to demonstrate the parent is performing the activities outlined in program plans. Grantees should ensure that parents record the time to be valued by the grantee. (45 CFR 74.23(i); 45 CFR 92.24(b)(6))

4. What center-based parent/child education activities are allowable, and how should they be recorded?

   Activities that assist the grantee in meeting the performance standards are based on individual assessments and are part of the written curriculum may be counted. Contact your Regional Office for further guidance.

5. When is transportation allowable for in-kind and how should it be valued?

   Transportation is allowable if the grantee cannot provide the transportation. The value should be based on the reasonable costs to the grantee, had the grantee provided the transportation. (45 CFR 74.23; OMB Circular A-122, Attachment B, 54; 45 CFR 94.24; OMB Circular A-87, Attachment B, 41)

6. What volunteer time is allowable and how is the rate determined?

   Each hour of volunteer service may be counted if the service is necessary for grant operations and the grantee would have otherwise paid for the service. (45 CFR part 74.23(d); 45CFR part 92.24(b)(7))

7. How is in-kind value determined for clothing and/or supplies donated to the program?

   The value should be reasonable and not exceed the fair market value at the time of the donation. Grantees should request that the donor identify the fair market value. (45 CFR part 74.23(f); 45 CFR part 92.24(d))

8. How is in-kind for Early Head Start and Head Start different?

   Head Start grantees must meet the match for the budget period. Early Head Start grantees may provide the match at any time during the project period, not necessarily in proportionate amounts annually. (DHHS GPD, Part 3.02, C.5.a)

9. How can pregnant mothers give in-kind? Could they count their visits to WIC and prenatal visits to outside agencies as in-kind hours?

   See answer to question 2. Visits outside the agency cannot be counted since the parent is the recipient of the service or benefit, not the Early Head Start program. (45 CFR part 74.23(a); 45 CFR part 92.24(b)(7))

10. Give us some insight on home-based parent involvement for in-kind.

    The time spent by parents working with their children in a home-based program is allowable if the activities and appropriate allotment of time is prescribed or written in the plan by the home visitor. (45 CFR part 74.23(a); 45 CFR part 92.24(b)(7))

11. Is non-paid grantee governing body members' time commitment considered in-kind?

    The reasonable value of time donated by Head Start community members, governing body, Policy Council, and parents involved in the management activities for the grant is allowed as an in-kind. (45 CFR part 74.23(a); 45 CFR part 92.24(b)(7))

12. Can a building appraisal be used as in-kind figures?

    Yes. (45 CFR part 74.23(h)(1); 45 CFR part 92.24(e))

13. Can donated land be valued as in-kind?

    Yes. (45 CFR part 74.23(h)(1), 45 CFR part 92.24(e)

14. The time spent by board and policy council members can be valued as in-kind. How is it valued and is it administrative or program?

    The time should be valued for the service provided. Since the Policy Council is working with the Head Start director regarding the administration of the program, and the members are on an equal plane with the director, a reasonable basis for valuation would be the director's salary plus fringe. The same analogy could be used for the executive director and the governing body members. The executive director and the Head Start director are classified as administrative and development costs. Therefore, the in-kind is administrative. (45 CFR part 74.23(d), 45 CFR part 92.24(c))

15. How is the 15 percent limitation on administrative and development cost calculated and what is its impact on the non-federal share?

    The 15 percent limitation is applied to total costs, federal plus non-federal. If indirect costs are included, they are presumed to be development and administrative costs, rather than program costs. The difference between the indirect costs claimed and total allowable, based on the calculation, is the limit of administrative costs that can appear in the direct cost budget on both the federal and non-federal side. Any amount that appears on the non-federal side can be used as in-kind. If all or a portion of indirect costs are not included on the federal side, the amount not included is an allowable in-kind as long as the 15 percent limitation is not exceeded. (45 CFR part 1301.32(a))

16. Grantees have been allowed to charge costs of GED training and testing for parents to Head Start. If the institution providing the service waives the fee, is that an allowable in-kind?

    A contribution can be valued as in-kind if it is an allowable cost and the contribution would have to be otherwise purchased. Therefore, if the fee is an allowable cost, it is allowable as in-kind. (45 CFR part 74.23(a)(4); 45 CFR part 92.24(a)(1))

17. Does the approval of a budget or grant application constitute approval of specific costs for either the federal or non-federal share?

The Departmental Appeals Board has ruled that even though the questioned cost appeared in the grantee's approved budget, the cost must still meet the requirements of OMB circulars and HHS regulations. "…A grantee's obligation to document its costs is not extinguished by the inclusion of a cost in an approved budget. A grantee must always be able to document that a cost charged to a grant was actually incurred, is properly allocated to the grant and is reasonable." (DAB decision No. 1681)

18. Merchants donate items as gifts or door prizes for parents participating in Head Start activities. Can these contributions be recorded as in-kind?

    Generally, supplies donated from any source that serves to provide a "gift" to parents cannot be counted as match. This includes prizes and awards to parents. Value of such items can be counted as match only if the program would otherwise have had to purchase the items to implement program objectives. (45 CFR part 74.23(a); 45 CFR part 92.24(b)(7))

19. My Early Head Start program is a home-based program. Parents are required to participate in socialization activities with their children on a regular basis in a central location. Is the socialization time an allowable in-kind?

    The fact that the parent(s) are required to participate would appear to exclude them from the definition of volunteer. Also, for volunteer services to be counted as in-kind, the services provided by the volunteer would have to be otherwise purchased or provided by salaried personnel. It is doubtful that the grantee would have hired the same number of individuals as parents participating. (45 CFR part 74.23(a); 45 CFR part 92.24(b)(7))

20. How would you value the time spent by parents working with their children in a home-based program?

    One method would be to use the salary of a classroom aide. The grantee should be careful in valuing the time at a teacher's level unless the parent met the same qualifications as the paid teaching staff. (45 CFR part 74.23(d), 45 CFR part 92.24(c))

21. What documentation is sufficient to support the time spent by parents in a Home Base program?

    The same documentation that is used to support the completion of activities and the appropriate allotment of time prescribed or written in the plan by the home visitor would suffice. The grantee should maintain a copy of that documentation, including the valuation of the time in their accounting records. (45 CFR 74.23(i), 45 CFR 92.24(b)(6))

STEP 9. EXERCISE: USING NON-FEDERAL SHARE PRINCIPLES IN HEAD START SITUATIONS

Suggested Time: 45 min.

Purpose: Participants will have an opportunity to recognize and apply regulations and principles governing the non-federal share in Head Start situations.

Part I (30 min.) If there are enough participants, form into groups of three or four with one person acting as observer. Observers should be prepared to give feedback to the group after the role-play is concluded.

Read the following vignettes and think through an appropriate response or solution.

Vignette: Hurricane Help

After a recent hurricane, The Head Start program received many boxes of clothing and canned goods. The Head Start director wants to distribute the clothes and food to the families hardest hit by the disaster. She created a form where family members could sign for the clothing and food they received. "This will be sufficient documentation to claim in-kind," she thought." When she mentioned the idea to the fiscal officer, he said, "No way." "Why not?" insisted the Head Start director, convinced that he was just trying to give her a hard time—as usual. The assistant director for administration was called to settle the matter.

Vignette: Mediation Services

An aunt of one of the Head Start children is a practicing community mediator. She has volunteered to help chaperone field trips and her time is valued at the starting salary plus benefits for a new aide in the program. A dispute has come up in the local housing project where a Head Start center is located. The project director wants Head Start to move to another location or close down. The Head Start director remembered receiving a memo from the Head Start Bureau encouraging the use of mediators when necessary. The aunt was asked for help in mediating the conflict. She agreed to donate 4 hours meeting with the parties to try to resolve the issue; after 4 hours, she would charge her customary rate of $75 per hour. The fiscal officer has these questions: What would be the value of the in-

kind match for this service? Can the program value fringe benefits in addition to the hourly rate? Is this service allowable?

Vignette: Parents As Teachers

The family partnership specialist has a new idea. Since parents are working or in training during the day and they cannot come to volunteer in the centers, Head Start can create a program for parents to complete at home with their children. They will be carrying out the role of "parent as prime teacher" when they do the activities, and will also stay abreast of what is being taught in the center. The Head Start director lights up when he thinks of all that in-kind! The fiscal director wants to throw cold water on the idea of counting the home teaching as in-kind from the parents. What should the Head Start director and the family partnership specialist tell the fiscal director about using parents' time as in-kind contributions?

Part II (15 min.) Discuss the vignettes with the observer leading the discussion. Be sure to touch on the following points:

- Was there any disagreement about whether the situation was allowable for in-kind?
- What resources were consulted to determine how to answer the questions raised?
- What other resources could have been consulted to find the answers?
- When the Head Start director and the fiscal director disagree on whether an item can be counted as non-federal share, what are some suggestions for resolving the issue?
- Have these or similar situations arisen in your experience?
- What should be done when it is discovered that the program has been erroneously counting an item as in-kind?

Sources:

- 43AU-H45 CFR Part 74 and 92
- OMB Circulars A-87 & A-122
- ACF Discretionary Grants Administration Manual
- Federal Appropriations Law, Volume I and II; Participants
- Manuals -004 & 005, Graduate School, USDA

HANDOUT : RECOMMENDED FINANCIAL REFERENCES

Federal Staff

OMB Circular A-21, Cost Principles for Educational Institutions

OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments

OMB Circular A-102, Grants and Cooperative Agreements with State and Local Governments

OMB Circular A-122, Cost Principles for Non-Profit Organizations

OMB Circular-133, Audits of States, Local Governments, and Non-Profit Organizations

45 CFR Part 74, Uniform Administrative Requirements for Awards and Subawards to Institutions of Higher Education, Hospitals, Other Nonprofit Organizations, and Commercial Organizations; and Certain Grants and Agreements with States, Local Governments and Indian Tribal Governments

45 CFR Part 92, Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments.

45 CFR Part 1301, Head Start Grants Administration

Non-Profit Organizations

OMB Circular A-122, Cost Principles for Non-Profit Organizations

OMB Circular-133, Audits of States, Local Governments, and Non-Profit Organizations

45 CFR Part 74, Uniform Administrative Requirements for Awards and Subawards to Institutions of Higher Education, Hospitals, Other Nonprofit Organizations, and Commercial Organizations; and Certain Grants and Agreements with States, Local Governments and Indian Tribal Governments

45 CFR Part 1301, Head Start Grants Administration

State, Local, and Indian Tribal Governments

OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments

OMB Circular A-102, Grants and Cooperative Agreements with State and Local Governments

OMB Circular-133, Audits of States, Local Governments, and Non-Profit Organizations

45 CFR Part 92, Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments.

45 CFR Part 1301, Head Start Grants Administration

Non-Profit Institutions of Higher Education

A-21, Cost Principles for Educational Institutions

OMB Circular-133, Audits of States, Local Governments, and Non-Profit Organizations

45 CFR Part 74, Uniform Administrative Requirements for Awards and Subawards to Institutions of Higher Education, Hospitals, Other Nonprofit Organizations, and Commercial Organizations; and Certain Grants and Agreements with States, Local Governments and Indian Tribal Governments

45 CFR Part 1301, Head Start Grants Administration

Public Institutions of Higher Education

A-21, Cost Principles for Educational Institutions

OMB Circular-133, Audits of States, Local Governments, and Non-Profit Organizations

45 CFR Part 92, Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments.

45 CFR Part 1301, Head Start Grants Administration

HANDOUT E: FINANCIAL INFORMATION WEB SITES

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

Click on "grants management" for OMB circulars and standard forms such as the SF-424 and SF-269.

http://www.dpm.psc.gov

Division of Payment Management Web site.

http://www.os.dhhs.gov:80/progorg/grantsnet

Department of Health & Human Services' grants policy.

http://www.financenet.gov

Web site for obtaining government financial information.

http://www.acf.dhhs.gov/programs/hsb/

Web site for resources and communications regarding Head Start.

STEP 10. SUMMARY

Suggested Time: 10 min.

KEY POINTS

- Understanding and applying basic cost principles
- Linking budget development to planning
- Understanding non-federal share

PERSONAL REVIEW

What did you learn from this activity?

1. _____

2. _____

3. _____

How will you use your new knowledge and skills in your work?

1. _____

2. _____

3. _____
_____
_____
_____

What other things do you think you might need to learn in order to master the skill of applying basic cost principles?

1. _____
_____
_____
_____

2. _____
_____
_____
_____

3. _____
_____
_____
_____