

CLACKAMAS COUNTY

Financial Assistance Management Manual



2051 Kaen Rd, Oregon City, OR 97045

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I. INTRODUCTION

Clackamas County has adopted this Financial Assistance Management Manual as the primary resource for County staff in the administration and management of their respective grant programs. For federally-funded programs, this manual contains provisions pursuant to [Title 2 of the Code of Federal Regulations \(2 CFR\) Part 200](#) including grants received and issued to outside entities. This manual details procedures for application, receipt, management and closeout of grant awards. The manual also explains relevant federal laws and policies regarding grant administration. While this manual is intended as a primary resource, it is not intended to replace or supersede any federal or state laws related to grant administration.

The Grants Management Manual organizes information in the following manner:

- ✓ Background about the Finance department
- ✓ A glossary of terms related to financial assistance management, including an acronym list
- ✓ Specific rules concerning federal financial assistance administration
- ✓ Information on managing a grant through the lifecycle of the award

Additionally, the Appendices include examples of a number of relevant forms and other documents related to grants management and intended for adoption by departments. All of the forms listed are available for download and completion on the [Finance Department's Intranet Page](#). Just as in this paragraph, there are a number of active hyperlinks throughout this manual intended to assist users with obtaining the information needed to manage County grants. Users are encouraged to explore the hyperlinks to exercise the full capabilities of this manual.

The Financial Accounting and Reporting (FAR) Program in the Department of Finance is dedicated to assisting County departments with the management of all forms of financial assistance. We are available to consult on any grant-related issue and we encourage you to attend any or all of the frequent trainings throughout the year that our department offers related to grant management.

II. ABOUT THE OFFICE

▪ DESCRIPTION OF THE FINANCIAL ACCOUNTING AND REPORTING (“FAR”) PROGRAM

The purpose of the Financial Accounting & Reporting Program (“FAR”) is to provide financial reporting, general ledger, and grants management services to the County and County Departments (“department/s”) so they can have timely and accurate financial reports to make informed decisions. The primary responsibility for compliance with all terms and conditions, regulations and statutes pertaining to an award lie within the department. The department is solely responsible for certification of compliance. FAR only certifies the County’s financial system of record, PeopleSoft, has documented costs corresponding to the report submitted on behalf of the department. In the course of reviewing supporting documentation, FAR may identify costs or documentation that may not be in compliance with the grant. These questioned items are brought to the attention of the department for additional review and for the department to make final determination of compliance.

▪ COUNTY POLICIES CITED IN THIS MANUAL

This manual makes reference to the following official County policies and procedures:

- Travel Reimbursement Policy
- Business Meeting Agenda Submittal Process
- Local Contracting Review Board rules (LCRB)
- Delegated Budget Authority Policy
- Financial Assistance Policy
- Capitalization Policy
- Cash and Deposit Administrative Rule
- How to set up an ACH/EFT
- How to Complete a Deposit Summary Form

III. DEFINITIONS AND ACRONYMS

A. GLOSSARY OF TERMS

Terms in **bold** are defined in this glossary.

Term	Definition
Accounting Basis	The Uniform Guidance allows grantees to report program expenditures and income on either a cash or accrual basis—called the accounting basis—as prescribed by the awarding agency.
Accounting Records	Records which adequately identify the source and application of funds provided for financially-assisted activities.
Accrual Accounting	A method of accounting where an entity’s financial position and operating results are measured by the flow of economic resources. Transactions are recorded in the accounting period in which they occur regardless of when the related cash receipts and disbursements take place (in accordance with generally accepted accounting principles).
Accrued Expenditures	The charges incurred by the grantee during a given period requiring the provision of funds for goods and other tangible property received, services performed by employees, contractors, subrecipients, subcontractors, and other payees; and other amounts becoming owed (by the grantee) under programs for which no current services or performance is required, such as annuities, insurance claims, and other benefits.
Accrued Income	The sum of earnings during a given period from services performed by the grantee and goods & other tangible property delivered to purchases and amounts becoming owed to the grantee for which no current services or performance is required by the grantee.
Actual Conflict of Interest	Any action or any decision or recommendation by a person acting in a capacity as a Public Official, the effect of which would be to increase the private pecuniary benefit or detriment of the person or the person’s Relative or any business with which the person or a Relative of the person is associated unless the pecuniary benefit or detriment arises out of circumstances described in subsection (7) of this section.

Term	Definition
Administrative Requirements	Matters common to financial assistance in general, such as financial management, kinds and frequency of reports, and retention of records.
Agreement	A legally-binding document issued as part of a grant relationship between entities. The term is applied to the legally-binding document on all grant awards issued to or issued by the County.
Alfresco Share	A cloud-based software used by the County to share common documents. Finance uses their Alfresco site to disseminate up-to-date, important, financial-related documentation to County departments and to manage County subrecipients .
Allocable Costs	A cost whether direct or indirect is chargeable to specific financial assistance in accordance with the relative benefits received by the funded program. Some key elements to allocability are: consistent treatment, benefit to the grant, necessary to the project, and fair share of common costs. See Section D: <i>Managing Grants</i> – Allocable.
Allowable Costs	Applicable cost principles from the Uniform Guidance , agency program regulations, and the terms of financial assistance and subrecipient agreements must be followed in determining whether a specific item of cost is allowable. See Section D: <i>Managing Grants</i> – Allowable and Unallowable Costs. Selected items of cost and their general allowability under federal awards can be found in Appendix J .
Award	Financial assistance that provides support or stimulation to accomplish a public purpose. Awards include grants and other agreements in the form of money or property in lieu of money, by an entity to an eligible recipient . The term <i>does not include</i> : 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; or, contracts which are required to be entered into and administered under procurement laws and regulations.
Closeout	The process by which an awarding entity determines that all applicable administrative actions and all required work of the award have been completed by the recipient and awarding entity. Closeout includes many actions including final reporting for the award, disposition of property and record retention requirements.

Term	Definition
Commingling	The mixing or blending of funds within a financial accounting system so that expenditures cannot be identified relative to a particular award, subaward , project, or indirect activity. Commingling involving federal funds is prohibited by federal regulation.
Contract	In relation to grant management, a legal instrument by which an entity purchases property or services needed to carry out a project or program under an award ; i.e. a procurement relationship under a grant or subgrant . Required elements of a contract include a) agreement or consent which consists of an offer and acceptance; b) intention to create a legal relationship or an agreement to be bound by the terms of the contract; c) a degree of certainty from both parties as to the terms of the contract; and, d) consideration, i.e. an exchange of services or compensation. Consult with County Counsel to determine if your document contains the required elements of a contract.
Contractor	An entity that receives a contract as opposed to a subrecipient agreement . This term replaces the previously used term <i>vendor</i> in the federal guidance.
Corrective Action	Action taken by the auditee or recipient of an award that: a) corrects identified deficiencies; b) produces recommended improvements; or c) demonstrates that audit or other findings are invalid or do not warrant auditee action.
Cost sharing	Cost sharing or “matching” means the value of third party in-kind contributions and the portion of the costs of a County, state or federally-assisted project or program not borne by the County, state or federal government, respectively. See also “Program Income.”
Direct Appropriation	An appropriation made in a government entity budget bill to a named or otherwise identified recipient entity.
Disallowed Costs	Those charges to an award that the awarding entity (federal, state, County, or other pass-through) determines to be unallowable, in accordance with applicable statutes, regulations , or terms and conditions of the award agreement or terms of the financial assistance .
Discretionary Grants	Grants given by a public agency, according to specific authorizing legislation, to exercise judgment or "discretion," in selecting the award recipient through a competitive grant process.

Term	Definition
Draw Down	The action of requesting and receiving financial assistance funds to cover obligated expenditures under the grant.
Donation	Any item of value given to the County by a donor who expects nothing of significant of value in return, other than recognition and disposition of the gift in accordance with the donor's wishes. Donations are not accompanied by a contract or agreement , do not require deliverables, are generally irrevocable, and do not come with formal fiscal accountability requirements to the donor beyond (when applicable) periodic progress reports and/or summaries of expenditure.
Dun and Bradstreet Universal Numbering System (DUNS)	A system that assigns unique numbers to entities for purposes of identification. See Unique Entity Identifier .
Equipment	Tangible, nonexpendable, personal property having a useful life of more than one year and an acquisition cost of \$5,000 or more per unit. (Threshold is for equipment purchased with federal funds only. Check the County's current capitalization policy for equipment purchased with non-federal grant funds.)
Expenditures	Charges made to the project or program. They may be reported on a cash or accrual basis.
	<p>For expenditure reports prepared on a cash basis, outlays are the sum of cash disbursements for direct charges for goods and services, the amount of indirect costs charged, the value of third party in-kind contributions applied and the amount of cash advances and payments made to subrecipients.</p>
	<p>For expenditure reports prepared on an accrual basis, outlays are the sum of cash disbursements for direct charges for goods and services, the amount of indirect costs incurred, the value of in-kind contributions applied, and the net increase (or decrease) in the amounts owed by the recipient for goods and other property received, for services performed by employees, contractors, subrecipients and other payees and other amounts becoming owed under programs for which no current services or performance are required.</p>

Term	Definition
Federal Obligations	A legal commitment to make payment under the federal financial assistance or program. This includes the amounts of all orders placed, all contracts and subawards , goods and services received, and similar transactions during a given period that will require payment by the grantee during the same or a future period.
Financial Assistance	Grants , cooperative agreements, direct appropriations, non-cash contributions or donations of property (including donated surplus property), direct appropriations from government entities, food commodities, and federally-issued loans, loan guarantees, or interest subsidies. Financial assistance <i>does not</i> include amounts received as reimbursement for services rendered to individuals.
Fixed Amount Awards	A type of grant 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 . This type of federal award reduces some of the administrative burden and record-keeping requirements for both the non-federal entity and federal awarding agency or pass-through entity. Accountability is based primarily on performance and results.
Funding Opportunity	Announcement of open awards. Funding opportunities typically describe the award including the deadline date, funding amounts, award description, and other pertinent information.
Grant	A legal instrument of financial assistance, including cooperative agreements, in the form of money, or property in lieu of money, by an entity to an eligible recipient. Grants do not require repayment. See: Award .
Grantee	A recipient or subrecipient of an award .
Financial Assistance Life Cycle	The entire process of financial assistance administration: applying for a financial assistance, receiving a financial assistance, managing a financial assistance, and closeout of financial assistance.

Term	Definition
Improper Payment	Any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory , contractual, administrative or other legally applicable requirements; and 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 (except for such payments where authorized by law), any payment that does not account for credit for applicable discounts, and any payment where insufficient or lack of documentation prevents a reviewer from discerning whether a payment was proper. Although an improper payment is generally made erroneously, the recipient or subrecipient is still held accountable.
Indirect Costs	Those costs incurred for a common or joint purpose benefitting more than one cost objective, and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved. To facilitate equitable distribution of indirect expenses to the cost objectives served, it may be necessary to establish a number of pools of indirect (also called Facilities and Administrative—F&A) costs. Indirect (F&A) cost pools must be distributed to benefitted cost objectives on bases that will produce an equitable result in consideration of relative benefits derived.
In-kind Contributions	The value of non-cash contributions (i.e. property or services) that a) benefit a grant -funded project or program and b) are contributed by third parties, without charge, to the County or a County subrecipient under a County grant.
Intra-Agency Agreement (IAA)	As it relates to financial assistance , an agreement between County Departments issued to share in the funding and responsibilities of an externally-funded program. Because they are arrangements between departments within a single entity, IAA's do not meet the definition of a contract .
Inter-Governmental Agreement (IGA)	As it relates to financial assistance , an agreement between the County and another Governmental unit issued to share in the funding and responsibilities of an externally-funded program. IGA's contain all of the elements of a contract and are legally-binding documents.

Term	Definition
Internal Controls	The policies and procedures in place to provide reasonable assurance regarding the achievement of objectives in: effectiveness and efficiency of operations, reliability of reporting for internal and external use, and compliance with applicable laws and regulations.
Local Government	A County, borough, municipality, city, town, township, parish, local public authority (including public housing agencies), school district, special district, intrastate district, council of governments (whether or not incorporated as a nonprofit corporation under state law), any other agency or instrumentality of a multi-, regional, or intra-state or local government.
Management Decision	The evaluation by the federal awarding agency or pass-through entity of the audit findings and corrective action plan and the issuance of a written decision to the auditee as to what corrective action is necessary.
Match	See Cost Sharing .
Materials and Services	Contracts which will provide specific products and services. Typical grant-related Materials and Services contracts include but are not limited to: outfitting patrol cars, provision/installation/repair of equipment or facilities (if not a Public Improvement/Public Works contract), etc.
Modified Total Direct Costs (MTDC)	All direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and up to the first \$25,000 of each subaward (regardless of the period of performance of the subawards under the award). MTDC <u>excludes</u> equipment , capital expenditures, charges for patient care, rental costs, tuition remission, scholarships and fellowships, participant support costs and the portion of each subaward in excess of \$25,000. Other items may only be excluded when necessary to avoid a serious inequity in the distribution of indirect costs, and with the approval of the cognizant agency for indirect costs .
Memorandum of Understanding (MOU)	A written memorialization of a non-binding agreement between two or more parties. An MOU is not a formal contract , is not legally enforceable, and should contain a clause to this effect.
Non-Discretionary Grants	Financial assistance that a federal agency is required by statute to award if the recipient, usually a state, submits an acceptable state plan or application and meets the eligibility and compliance requirements of the statutory and regulatory provisions of the grant program.

Term	Definition
Non-Federal Entity	A state, local government, Indian tribe, institution of higher education, or nonprofit organization that administers a federal award as a recipient or subrecipient .
Obligations	The amounts of orders placed, contracts and financial assistance awarded, services received and similar transactions during a given period that require payment by the recipient during the same or a future period.
On-Call Contracts	Used to provide a pool of qualified Personal/Professional Service or Services contractors for emergent situations, small projects, peer review, etc.
Participant Support Costs	Direct costs for items such as stipends or subsistence allowances, travel allowances, and registration fees paid to or on behalf of participants or trainees (but not employees) in connection with conferences, or training projects.
Pass-through Entity	A non-federal entity that provides a subaward to a subrecipient to carry out part of a federal program.
Pass-through Funding	Funds issued by a federal agency to a state agency or institution that are then transferred to other state agencies, units of local government, or other eligible groups per the award eligibility terms. The state agency or institution is referred to as the "prime recipient " of the pass-through funds. The secondary recipients are referred to as " subrecipients ." The prime recipient issues the awards as competitive or noncompetitive as dictated by the prime award terms and authorizing legislation.
Period of Performance	The time during which a grantee may incur new obligations to carry out the work authorized under an award . Start and end dates must be included in the period of performance.
Personal Services Contract (PSC)	A contract that calls for specialized skills, knowledge and resources in the application of technical or scientific expertise, or the exercise of artistic or management discretion or judgment. Qualifications, performance history, expertise, knowledge, creativity, and the ability to exercise sound professional judgment are typically the primary considerations in selection of the contractor, with cost being secondary. PSC's are typically issued from grant awards for educational/training consultants, human services and client services providers, software consultants, etc.

Term	Definition
Personally Identifiable Information (PII)	Information that can be used to distinguish or trace a person's identity – either alone or when used with other information linked to one person. Public PII includes information normally available in public sources, such as public websites and telephone books. Such information includes name, address, phone numbers, emails and university credentials.
Potential Conflict of Interest	<p>Any action or any decision or recommendation by a person acting in a capacity as a Public Official, the effect of which could be to increase the private pecuniary benefit or detriment of the person or the person's Relative, or a business with which the person or the person's Relative is associated, unless the pecuniary benefit or detriment arises out of the following:</p> <ul style="list-style-type: none"> • An interest or membership in a particular business, industry, occupation or other class required by law as a prerequisite to the holding by the person of the office or position. • Any action in the person's official capacity which would affect to the same degree a class consisting of all inhabitants of the state, or a smaller class consisting of an industry, occupation or other group including one of which or in which the person, or the person's Relative or business with which the person or the person's Relative is associated, is a member or is engaged. <p>Membership in or membership on the board of directors of a nonprofit corporation that is tax-exempt under section 501(c) of the Internal Revenue Code.</p>
Prior Approval	Documentation evidencing consent from an awarding agency prior to incurring a specific cost on a grant .
Professional Services Contract	Contracts for services performed as an independent contractor in a professional capacity. Common professional service contracts awarded with grant funds may include: accountants, attorneys, architectural or land use planning consultant, physician or dentist, registered professional engineers, appraiser or surveyor, software developer, etc.

Term	Definition
Program Income	Gross income earned by a grantee or subgrantee that is directly generated by a supported activity or earned as a result of the federal award during the period of performance . Program income includes but is not limited to income from fees for services performed, the use or rental or real or personal property acquired under federal awards, the sale of commodities or items fabricated under a federal award, license fees and royalties on patents and copyrights, and principal and interest on loans made with federal award funds. Program income is often included in a grant award as a “ cost sharing ” or “ match ” requirement.
Programmatic Requirements	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.
Protected Personally Identifiable Information (Protected PII)	A person’s first name or first initial and last name combined with one or more types of information, including, but not limited to, social security number, passport number, credit card numbers, clearances, bank numbers, biometrics, date and place of birth, mother’s maiden name, and criminal, medical and financial records, educational transcripts. This does not include PII that is required by law to be disclosed.
Public Improvement/Public Works Contract	A contract used to procure construction services. Please consult with the Procurement Division on distinguishing Public Improvement and Public Works contracts.
Public Official	Elected or appointed officers, public employees as well as agents and volunteers, compensated or not, that serve the County.
Questioned Costs	In an audit, questioned costs mean those costs questioned by an auditor because of an audit finding a) 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 (see: cost sharing) federal funds; b) where the costs, at the time of the audit, are not supported by adequate documentation; or c) where the costs incurred appear unreasonable and do not reflect the actions a prudent person would take in the circumstances.
Real Property	Land, including land improvements, structures and appurtenances thereto, but excludes movable machinery and equipment .

Term	Definition
Reasonable Costs	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. See Section D: <i>Managing Grants</i> – Reasonable and Necessary.
Recipient	Entities awarded financial assistance 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. Synonym: grantee.
Regulations/Regulatory	Rules or relating to rules issued by agencies acting under statutory authority.
Relative	<p>Any of the following:</p> <ul style="list-style-type: none"> • The spouse, domestic partner, parent, stepparent, child, sibling, stepsibling, son-in-law or daughter-in-law of the Public Official; • The parent, stepparent, child, sibling, stepsibling, son-in-law or daughter-in-law of the spouse or domestic partner of the Public Official; • Any individual for whom the Public Official has a legal support obligation; or Any individual for whom the Public Official provides benefits arising from the Public Official's public employment or from whom the Public Official receives benefits arising from that individual's employment
Risk Assessment	A tool used by the County to evaluate the risk of potential subrecipients and to assign monitoring levels to subrecipients awarded grant funds. Risk assessments are "living documents" in that they should be updated throughout the award period as performance is evaluate or new events or incidents occur. County risk assessments will evaluate potential subrecipients for financial stability, the quality of management systems and the ability to meet management standards. Risk assessments will also take into account the history of subrecipient performance, findings from subrecipient audits, and the ability of the subrecipient to implement statutory, regulatory , or other requirements necessary to the performance of the award.

Term	Definition
SAM Check	The documentation obtained when performing a suspension, disbarment and exclusion check on a potential grantee using the online System for Award Management, located at www.sam.gov . This is a mandatory check when passing through federal funds to subrecipients and is often required by the state for the subawarding of state funds. A sample SAM Check, downloaded from www.sam.gov , is provided in Appendix A .
Selected Items of Cost	Itemized lists of allowable costs contained in Subpart E of the Uniform Guidance .
Services Contract	A contract to supply labor that is of a type that can generally be done by any competent worker, e.g. janitorial, security guard, landscape maintenance service contracts, small equipment repair (e.g. copier), etc.
Simplified Acquisition Threshold (SAT)	In federal procurement law, the dollar amount below which a non-federal entity may purchase property or services using small purchase methods. Non-federal entities adopt small purchase procedures in order to expedite the purchase of items costing less than the SAT. The SAT is set, as of the date of the issuance of this manual, at \$150,000, but is periodically adjusted for inflation.
Statute/Statutory Subaward	Laws or relating to laws issued by legislatures. An award provided by a pass-through entity to a subrecipient for the subrecipient to carry out part of an award received by the pass-through entity. It does not include payments to a contractor or subcontractor , or payments to an individual that is a beneficiary of a funded program. County subawards are issued as subrecipient agreements .
Subcontractor	An entity that receives funding issued under a contract . See contractor .
Subgrant	See subaward .
Subgrantee	See subrecipient .
Subrecipient	The legal entity to which a subaward is made. A subrecipient is accountable to the pass-through entity (or entities) and the federal agency (if applicable) for the use of the funds provided. The term does not include an individual that is a beneficiary of such a program. The term may include foreign or international organizations (such as agencies of the United Nations) at the discretion of a federal awarding agency. Synonym: subgrantee .

Term	Definition
Subrecipient Agreement	The legal mechanism by which subawards are made to subrecipients . Subrecipient agreements cannot be issued by a contractor .
Supplanting	The act of replacing state, local or other funds designated for a specific purpose with federal funds. Prohibited by federal law on most federal funding.
Supplies	All tangible personal property other than equipment . Computer equipment is considered a supply item if the cost is less than the capitalization threshold.
Suspension	<p>(1) Temporary withdrawal of the authority to obligate financial assistance funds pending corrective action by the recipient or subrecipient or a decision to terminate the financial assistance.</p> <p>(2) An action 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>
System for Award Management (SAM)	A federal online portal located at www.sam.gov that combines several prior federal procurement and financial assistance systems such as the Catalog of Federal Domestic Assistance (CFDA), Central Contractor Registration (CCR), Federal Agency Registration (Fed-reg), Online Representations and Certifications Application (ORCA) and Excluded Parties List System (EPLS) among others, for the purposes of registering and qualifying non-federal entities who seek federal awards. See SAM Check .

Term	Definition
Termination	<p>Permanent withdrawal of the authority to obligate previously-awarded financial assistance funds before that authority would otherwise expire. It also means the voluntary relinquishment of that authority by the recipient or subrecipient. Termination does not include:</p> <ol style="list-style-type: none"> (1) Withdrawal of funds awarded on the basis of the grantee's underestimate of the unobligated balance in a prior period; (2) Withdrawal of the unobligated balance as part of the expiration of the grant; (3) Refusal to extend a grant or award additional funds, to make a competing or noncompeting continuation, renewal, extension, or supplemental award; or (4) Voiding of a grant upon determination that the award was obtained fraudulently, or was otherwise illegal or invalid from inception.
Tribal Government	<p>The governing body or a governmental agency of any Indian tribe, band, nation, or other organized group or community (including any native village as defined in Section 3 of the Alaska Native Claims Settlement Act, 85 Stat. 688) certified by the Secretary of the Interior as eligible for the special programs and services provided through the Bureau of Indian Affairs.</p>
Unique Entity Identifier	<p>A number established and assigned to all non-federal entities that uniquely identifies the entities in all federal systems and to all federal agencies, currently equivalent to the DUNS number. A non-federal entity is required to have the unique entity identifier in order to apply for, receive, and report on a federal award, and to register in the System for Award Management (SAM). See Dun and Bradstreet Universal Numbering System (DUNS).</p>
Unliquidated Obligations	<p>For reports prepared on a cash basis, unliquidated obligations represent the amount of obligations incurred by the grantee that has not been paid. For reports prepared on an accrued expenditure basis, this represents the amount of obligations incurred by the grantee for which an outlay has not been recorded.</p>
Unliquidated Balance	<p>That portion of funds authorized by the awarding agency that has not been obligated by the grantee; determined by deducting the cumulative obligations from the cumulative funds authorized.</p>
Vendor	<p>See Contractor.</p>

B. FREQUENTLY USED COUNTY ACRONYMS

AAAAA	American Association Against Acronym Abuse
ACP	Admin Cost Pool
BCC	Board of County Commissioners
BIP	Batterer Intervention Program
BLM	Bureau of Land Management
CAP	Cost Allocation Plan
CAP	Corrective Action Plan
CCDAG	Clackamas County Development Agency
CCR	Central Contractor Registry
CD	Community Development
CDBG	Community Development Block Grant
CDRC	Child Development and Rehabilitation Center
CFDA	Catalogue of Federal Domestic Assistance
CFR	Code of Federal Regulations
CMHP	Community Mental Health Program
COPS	Community Oriented Policing Services
CS	Community Solutions
CWS	Clackamas Women’s Services
CY	Current Year
CY	Calendar Year
CYE	Calendar Year End
CYF	Children Youth and Families
DHS	Department of Homeland Security
DHS	Oregon Department of Human Services
DOE	Department Of Energy
DOEdu	Department Of Education
DOJ	Department Of Justice
DOL	Department Of Labor
DTD	Department of Transportation and Development
EFT	Electronic Funds Transfer
ELED	Enhanced Law Enforcement District
EM	Emergency Management
EXTSD	Clackamas County Extension & 4H Service District
FB	Fund Balance
FEIN	Federal Employers Identification Number
FEMA	Federal Emergency Management Agency
FFA	Federal Financial Assistance
FFATA	Federal Funding Accountability and Transparency Act
FFY	Federal Fiscal Year
FHWA	Federal Highway Administration
FIFO	First In First Out
FR	Federal Register

FFR	Federal Financial Report
FTE	Full-Time Equivalent
FY	Fiscal Year
FYE	Fiscal Year End
GAAFR	Governmental Accounting, Auditing and Financial Reporting
GAAP	Generally Accepted Accounting Principles
GAGAS	Generally Accepted Government Auditing Standards
GAO	Government Accountability Office
GAS	Grant Activity Schedule
GAS	Governmental Auditing Standards
GASB	Governmental Accounting Standards Board
GPO	Government Printing Office
GSA	General Services Administration
GSF	Grant Survey Form
HACC	Housing Authority of Clackamas County
HHS	Health and Human Services
HUD	Housing and Urban Development
ICRA	Indirect Cost Rate Agreement
IFP	Invitation For Proposal
IAA	Intra-Agency Agreement
IGA	Inter-Governmental Agreement
ITA	Individual Training Account
JAG	Juvenile Assistance Grants
JTPA	Job Training Partnership Act
LCRB	Local Contracting Review Board
LIBSD	Library District of Clackamas County
LIHEAP	Low Income Home Energy Assistance Program
LIFO	Last In First Out
LLEBG	Local Law Enforcement Block Grant
LOC	Letter of Credit
MDT	Multi-Disciplinary Team
MHBG	Mental Health Block Grant
MOU	Memorandum Of Understanding
MTDC	Modified Total Direct Costs
NCPRD	North Clackamas Parks and Recreation District
NFA	Notice of Funds Availability
NOA	Notice Of Allocation
NOO	Notice Of Obligation
OAR	Oregon Administrative Rule
OC	Office of Comptroller
OIG	Office of the Inspector General
OJP	Office of Justice Programs
OMB	Office of Management and Budget
ORS	Oregon Revised Statutes

PL or Pub.L	Public Law
PMS	Payment Management System
POC	Point Of Contact
PP	Prior Period
P/R	Payroll
PS	PeopleSoft
PSC	Personal Services Contract
PSHR	PeopleSoft Human Resources
PY	Prior Year
PY	Program Year
RFC	Request For Cash
RFF	Request For Funds
RFI	Request For Information
RFP	Request For Proposal
RFQ	Request For Qualifications
RSA	Resource Sharing Agreement
RSVP	Retired Senior Volunteer Program
SAM	System for Award Management
SAMHSA	Substance Abuse and Mental Health Services Administration
SCP	Senior Companion Program
SD5	Service District 5
SEFA	Schedule of Expenditures of Federal Awards
SHIBA	Senior Health Insurance Benefits Assistance
SHOW	state Home Oil Weatherization Program
SLA	Service Level Agreement
TAG	Technical Assistance Guide
TANF	Temporary Assistance to Needy Families
TEGL	Training and Employment Guidance Letter
TEIN	Training and Employment Information Notices
UG	Uniform Guidance
USC	United States Code
USDA	United State Department of Agriculture
VAWA	Violence Against Women Act
VOCA	Victims of Crime Act
WES	Water Environmental Services
WIA	Workforce Investment Act
WX	Weatherization

IV. FEDERAL GRANT ADMINISTRATION RULES

(For the purposes of this manual, a “federal grant” generally includes all sources of federal financial assistance, including those not identified by the funding agency as a “grant.”)

Federal grants come with their own specific sets of laws and rules governing grant administration, issued by the Office of Management and Budget (OMB) and by program-specific rules issued by federal awarding agencies. Many of these rules, though not all, make their way into the management of an entity’s non-federal grants as well, in the form of best practices. In other instances, the rules get passed down to subrecipients of federal awards through “pass-through” entities. This section explains the basic rules governing federal grants.

The federal government provides rules for how all grantees must receive, spend, track and report on federal funds. These rules are located in [2 CFR Chapter II, Part 200](#) titled the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, often shortened to simply the “Uniform Guidance.”

▪ FEDERAL ADMINISTRATIVE REQUIREMENTS

Federal administrative requirements for grant management can be found in 2 CFR Part 200, accessible on the [U.S. Government Publishing Office’s website](#). This guidance applies to all non-federal entities receiving federal grant awards, including pass-through awards, and without regard to entity type. (Some federal agencies have legal exceptions to 2 CFR Part 200. A list of those agencies and exceptions can be found [here](#).) The federal government groups the administrative requirements into subparts that address the pre-award and post-award administration phases, as outlined below. Check your grant agreement for references to other sections of the federal code that may apply to your grant award but are not covered in this manual.

The major sections of the Uniform Guidance are as follows:

Acronyms and Definitions: [Subpart A](#) provides a list of acronyms and a helpful glossary of common federal award terminology.

General Provisions [Subpart B](#) discusses which federal requirements apply to which federal awards and the Uniform Guidance applicability dates.

Pre-award Requirements: [Subpart C](#) discusses grant eligibility, applying for federal assistance, required elements in federal award agreements and subrecipient agreements, fixed awards, and debarment/suspension.

Post-award Requirements: [Subpart D](#) discusses program management, payments, program income, budgeting, costs, cost sharing (match), and

non-federal audits—in general, the monitoring responsibilities of pass-through entities. The subpart also discusses property and procurement guidelines, reporting and records retention, termination and enforcement, and closeout.

Cost Principles:

[Subpart E](#) discusses cost principles, which govern how recipients of federal grants may spend federal grant funding. The section outlines what constitutes allowable, reasonable, and allocable costs to federal grants, which costs require pre-approval, and the difference between direct and indirect costs. Many specific kinds and types of costs are discussed. Selected items of cost as discussed in this section of the Uniform Guidance are provided for reference in [Appendix J](#).

Audit Requirements:

[Subpart F](#) discusses the kinds and frequency of audits required of federal awardees; auditee, auditor and federal agency responsibilities; and how audit findings are to be resolved. Awardees expending more than \$750,000 in federal money in a given year must have a Single Audit.

▪ **LOBBYING RESTRICTIONS**

Lobbying restrictions can be found in [Section 200.450](#) of the federal administrative requirements. Generally, federal grantees and subrecipients are prohibited from using federal funds to influence federal employees or members of Congress and their staff. If a federal grantee or subrecipient engages in lobbying activities, they must submit a form SF-LLL, Disclosure of Lobbying Activities, with their grant application. [Exhibit C](#) of the County's subrecipient boilerplate agreement is a required element of subrecipient agreements and was developed in accordance with this section. The State of Oregon requires quarterly reporting on lobbying activities which is prepared by the County's Department of Public Government Affairs.

▪ **DEBARMENT AND SUSPENSION**

Debarment and suspension preventing federal grantees and subgrantees from receiving federal grant awards are governed by [2 CFR 180](#), *OMB Guidelines to Agencies on Governmentwide Debarment and Suspension (Nonprocurement)*. Debarment and suspension can occur if federal grantees use federal funds wastefully or fraudulently.

Prior to issuing a contract or award, federal agencies and grantees are required to search the [System for Award Management \(SAM\)](#) for exclusion records of an entity, whether actively or previously excluded. All potential subrecipients must be registered with the SAM system prior to receiving federal awards. Language covering SAM responsibilities for subrecipients will be included in subrecipient agreements. SAM checks must be completed for each new federal

subrecipient agreement or every two years for multi-year or amended federal subrecipient agreements.

The following resources can be provided to potential subrecipients to assist them in registering with SAM:

[SAM: Registering New Entities in SAM for Grants](#)

It is important to note that State of Oregon contracts funded with only state money will often include provisions on debarment and suspension exclusion, citing federal regulations; even though this is not a federal requirement, the state has adopted the SAM check as a best practice and has included the check as a requirement in many of its grants.

After completing a SAM check using the SAM system, download the SAM check in PDF form or print using the provided buttons (see Figure 1, below). Keep this documentation with the entity’s grant or contractor file for audit purposes.

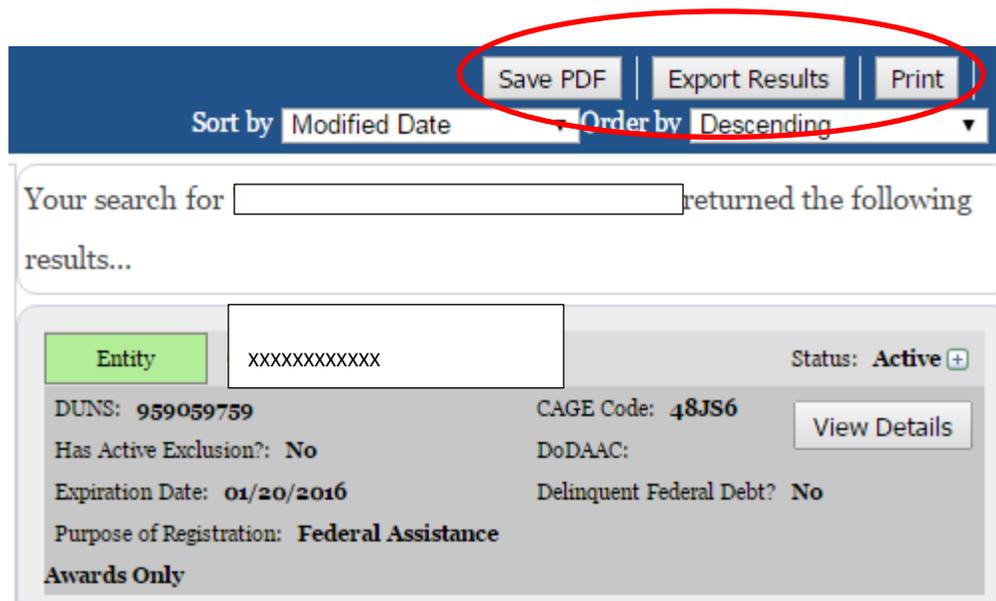


Figure 1 "Total Records" screen for entity searched, www.sam.gov.

Figure 1 is an example of the “Total Records” screen; please see [Appendix A](#) of this manual for a sample of a PDF-formatted SAM check. Note: the date at the bottom of the completed check in the appendix is important for audit purposes, since SAM checks must be performed prior to the issuance of the subrecipient agreement.

▪ **DRUG-FREE WORKPLACE**

[2 CFR 182](#), *Governmentwide Requirements for Drug-Free Workplace (Financial Assistance)* requires federal grantees and subgrantees to agree to maintain a drug-free workplace.

▪ **ADDITIONAL RULES**

Agency-specific rules for grant administration can be found under the agency’s CFR title. To find CFR titles for agency-specific grant administration rules, look in the grant administration manual accompanying the grant award (if one is available) or search the CFR online at the [U.S. Government Publishing Office website](https://www.govinfo.gov/).

The most important source of information related to your grant can be found in the terms and conditions of your grant agreement. Federal agencies and pass-through organizations (such as the State of Oregon) are required to provide recipients with basic elements of federal awards, including a CFDA number. However, even if a grant award agreement lists a CFDA number, unless the County has been designated a subrecipient on the award or the award text states explicitly the award is for “federal financial assistance,” the funds are not federal funds to the County. By visiting beta.sam.gov, you can look up the page for your CFDA(s) and find award information on agency-specific laws and statutes, fund uses and restrictions, and the applicability or exclusion of general federal regulations.

Note: even if a program is excluded from a federal regulation as listed on the CFDA page, if your agreement with the pass-through agency requires compliance with the regulation, the agreement holds precedence.

V. FINANCIAL ASSISTANCE LIFECYCLE

The FAR Program has created a visualization tool called [Managing Financial Assistance – Process Flowcharts](#) to help assist County departments manage their grants. County departments should download this document and consult the relevant process whenever they need to manage an aspect of their grant requiring the involvement of another County department or outside agency. The flowcharts are routinely updated with the most current links, processes and forms, so downloading the most current version is critical to successfully navigating County grant lifecycle processes. This document will be referenced and linked throughout Section V for convenience.

A. PROCEDURES FOR FINANCIAL ASSISTANCE ISSUED TO COUNTY – COUNTY AS RECIPIENT

▪ **TYPES AND KINDS OF FINANCIAL ASSISTANCE RECEIVED BY COUNTY**

The County may apply for and receive grant funds directly from an external funder such as a federal or state agency, a foundation or non-profit (i.e. local funding), or, in the case of federal funds, may be a subrecipient of funds that “pass-through” a state agency or other municipality, or non-profit. All grant awards received by the County involving federal funds are subject to the Uniform Guidance ([2 CFR 200](#)) in addition to agency-specific regulations and to the policies and procedures in this manual.

The County may also receive financial assistance through direct appropriation and without an application. As such, direct appropriations are not subject to the financial assistance application process in the next section.

▪ FINANCIAL ASSISTANCE APPLICATION PROCESS

In collaboration with a number of County departments, Finance has developed a Financial Assistance Application Lifecycle Form, found in [Appendix B](#). This form serves as a tool for departments to organize the financial assistance application process and to obtain the required approvals from the Board of County Commissioners or the County Administrator. The form is designed to be used from application conception to County approval. (Exception: because of the nature of the grants, disaster recovery grants—usually from the Federal Emergency Management Agency—are not subject to the Financial Assistance Application Lifecycle process.)

Indirect Cost Recovery

Federal agencies and non-federal pass-through entities are required by the Uniform Guidance to provide indirect cost recovery to entities receiving federal financial assistance (except where precluded by statute). Three options are provided in the Uniform Guidance:

Option 1: allows grantees to negotiate directly with their “cognizant [federal] agency for indirect costs” to obtain a negotiated rate. (The County does not currently have such a rate.)

Option 2: use the *de minimis* rate, which allows grantees who do not have the negotiated rate from Option 1 to claim up to 10% of modified total direct costs (“MTDC;” see glossary for definition) as indirect costs in their budget. (The County does not currently have such a rate.)

If option 1 or 2 are chosen, the rate must be used on all federal grants that the County receives. **The County has not chosen to use either option, so these must not be chosen on your grant application.**

Option 3: submit the County’s cost allocation plan to the funding agency for review. Few agencies allow for this option, as it is labor intensive.

Many funding agencies, avoiding these three options, simply choose to provide a set rate (sometimes applicable to a certain base) to their applicants on a given award. In such circumstances, departments are encouraged to obtain whatever indirect cost recovery is available, as long as options 1-3 are not exercised, in order to reduce the burden on County general fund dollars.

Authorized Representative

All financial assistance applications require the signature of an authorized representative who has the authority to bind the County to the terms and conditions of the award. After sections I-III of the Financial Assistance Application Lifecycle Form have been completed, signature approval is required from the Division Director (or designee, if applicable), and the Department Director.

If federal funds are involved, signature approval is required from the Finance Director. The form is then forwarded by the originating department to the County Administrator's office or the Board of County Commissioners for approval or denial. Consult the [BCC/Admin intranet page, Business Meeting Agenda](#) for the most current guidelines on getting approval for financial assistance/grant applications.

- **FINANCIAL ASSISTANCE RECEIPT**

Download the [Managing Financial Assistance – Process Flowcharts](#) and consult the “Financial Assistance Receipt” tab to assist you with navigating the processes related to receiving your award.

Signing the Agreement

All financial assistance awards above or expected to be above \$150,000 must be reviewed by Counsel and approved by the Board of County Commissioners (BCC) as a consent item on its weekly agenda. Grant awards below or expected to be below \$150,000 may be signed by the County Administrator. Upon approval of an award, the BCC chair or designee (or County Administrator, if below \$150,000) will need to sign the award document, and then the department returns the agreement to the awarding entity in order to receive the grant funds. [Federal awarding agencies will normally not release any grant funds without receiving the grant award document back with an authorized signature.]

Financial Assistance Set-Up

Once you have received your award agreement, please complete a Chartfield Request Form ([Appendix C](#)). Creating a unique chartfield string prevents the commingling of financial assistance funds by creating a unique program (or project) number in the County's accounting system (PeopleSoft). This is a critical step allowing Finance to track all externally-funded awards issued to the County for auditing, administrative and performance purposes. The Chartfield Request Form should be completed and sent, along with a copy of the grant agreement and the Financial Assistance Application Lifecycle Form (with approvals), to Finance: FinanceGrants@clackamas.us. The completion of a Chartfield Request Form is also required when the County receives direct appropriations.

FEMA events

The FAR Program will be responsible for creating a program number during a declared FEMA event. All County departments providing services during the FEMA event must use this program number for their FEMA-eligible charges; departments may not post FEMA-related charges to any other program number than assigned by the FAR Program.

TIP: The “Descr” field is of critical importance when posting disaster-related expenses in PeopleSoft. This field should not include references to the name of the disaster, e.g. “wildfires” or “COVID,” since the assigned program code for the disaster already delineates the charge by its

affiliated disaster. Use the “Descr” field to briefly describe the thing purchased so FAR accountants can correctly bill for the disaster against claim line items required by the disaster funding agency.

County Budget Setup

Oregon local budget law necessitates financial assistance funds be appropriated through the County budget process. This requires completion of a [Budget Change Request Form](#), which should be forwarded to the Budget Office in Finance. Complete the form around the time you are requesting the setup of your financial assistance.

County Recording

The last required step in receiving your financial assistance award (excluding direct appropriations) is to submit your executed agreement to County Recording. Use your department procedures for submitting items to County Recording (in the County Clerk’s office) to accomplish this task. Submissions must be in hard copy, and a recording cover page must be attached. Recording cover pages need not be standardized, but the elements of the sample provided in [Attachment L](#) should be present. The hardcopy does not need to be the original.

Failed Financial Assistance Applications

If your application for financial assistance is unsuccessful, County record retention policies still apply. Failed applications must be retained by the department for three years.

▪ FEDERAL OVERSIGHT IN FINANCIAL ASSISTANCE ADMINISTRATION

Federal awarding agencies use two types of site visits to monitor financial assistance agreement compliance by federal award recipients: monitoring and audits.

Monitoring

A monitoring site visit ensures compliance with the terms and conditions of the financial assistance by reviewing financial, personnel, procurement, property and program activities. Monitoring activities are discussed throughout the *Performance and Financial Monitoring and Reporting* section of 2 CFR Part 200 ([Sections 200.327 thru 200.342](#)). At the conclusion of a monitoring site visit, the awarding agency then prepares an in-depth report documenting the visit. If the awarding agency discovered compliance issues during the site visit, he or she will reach out to the County in an attempt to resolve them. This list of findings may also include a list of unallowed costs or costs requiring further justification.

Audits

Audits differ from monitoring visits in that they provide a comprehensive review of financial records and are conducted by independent entities/individuals. Like visits from awarding agencies, auditors investigate financial records to ensure compliance with the terms and

conditions of the financial assistance award. In the event they discover a compliance issue, they work with the grantee to resolve the issue. Audits are governed by [2 CFR Part 200 Subpart F](#) in the Uniform Guidance. Clackamas County is subject to the provisions under Subpart F and, as such, annually undergoes a Single Audit. The results of the audit are published on Finance's [website](#). As required by regulation, the Deputy Finance Director reports the County's audit to federal authorities via the Federal Audit Clearinghouse (FAC).

B. PROCEDURES FOR GRANTS ISSUED BY COUNTY – COUNTY AS GRANTOR

The County may issue grants from various sources to nonprofits, other government entities, or other organizations. In this capacity, the County is considered a grantor.

Download the [Managing Financial Assistance – Process Flowcharts](#) and consult the relevant “Grant Issuance” tabs to assist you with navigating the processes related to issuing grant awards to outside organizations.

▪ INTRA-AGENCY AGREEMENTS

Download the [Managing Financial Assistance – Process Flowcharts](#) and consult the “Grants & Intra-Agency Agreements” tab to assist you with navigating the processes related to issuing intra-agency agreements to other County departments. Intra-Agency Agreement templates approved by County Counsel for use by all departments can be obtained from [Finance's Alfresco Share site](#).

An Intra-Agency Agreement (IAA) is used when one County department issues some or all of an award to another County department. Though not considered a grant, IAA's may be issued and the template provided by Finance may be used when departments seek to share County general funds on a joint program.

When using IAA's (Intra-Agency Agreements), issuing (also called “originating”) departments are responsible for reimbursing receiving (also called “secondary”) departments for actual expenditures. Receiving departments should bill issuing departments using an Electronic County Invoice Form. Receiving departments should also provide supporting documentation with their Electronic County Invoice Form so the issuing department can review and approve allowed costs against the original grant. Once completed the Electronic County Invoice Form and supporting documentation should be sent to the issuing department and Accounts Receivable for review and approval. Once issuing department has completed and approved, the forms are sent to the Department's assigned Accountant in Finance and to Accounts Receivable. A reference-only Electronic County Invoice Form can be found in [Appendix D](#). (The form can be obtained from the [Accounts Receivable Intranet page](#).)

Note: The Treasurer's Office should be consulted as soon as possible on all IAA's involving the County and one or more of its component units.

- **GENERAL CONSIDERATIONS FOR COUNTY DEPARTMENTS IN ISSUING SUBRECIPIENT GRANT AGREEMENTS**

If federal or state funds are involved in an award issued by the County, the County is considered a *pass-through* entity in relation to those funds. A pass-through entity retains the programmatic and fiscal responsibility accompanying the original award, but “passes-through” at least a portion of the original funds to another entity to carry out some or all of the intended program functions of the financial assistance. The receiving entity is called a *subrecipient*, and the program, fiscal and legal requirements of the original grant pass-through to the subrecipient with the funds. The County, as a pass-through entity, also retains oversight and responsibility for the performance of the financial assistance by its subrecipients. Pass-through entities must monitor subrecipients for program and fiscal compliance and generally must incorporate the fiscal and program activities of their subrecipients in their own reports to the original issuing agency.

The issuance of subrecipient agreements requires foresight and planning. Departments are encouraged to begin the process early and in consultation with the FAR Program. *Under no circumstances should a department pay a subrecipient for program services without a subrecipient agreement (e.g. using payment vouchers, etc.).*

Download the [Managing Financial Assistance – Process Flowcharts](#) and consult the “Grant Issuance” tabs to assist you with navigating the processes related to issuing subrecipient agreements.

- **SUBRECIPIENT VS. CONTRACTOR**

Upon receiving a financial assistance, a department may determine some or all of the requirements should be accomplished by one or more outside entities. After the projects have been properly conceptualized, the department is ready to determine the relationship of the potential outside entities to the County as either a subrecipient or contractor.

Completing the Subrecipient vs. Contractor Determination form is the first step in developing an arrangement of financial assistance with outside entities. *County departments wishing to issue funds originating from financial assistance from any funding source to outside entities must complete this form and document the determination in their records.* The form is a tool designed to assist the department in making the determination as to whether a portion of a grant award will be issued via a subrecipient agreement or contract. (Determinations should not be made ahead of time; the form is designed to serve as the process for making such determinations.) The form can be downloaded from [Finance’s Alfresco Share site](#) and is attached in [Appendix G](#) of this manual for reference purposes.

If it is determined the entity will perform part or all of the program objectives, a **subrecipient** relationship exists. Subrecipients are subject to both program compliance and, in the case of subrecipient agreements paid with federal dollars, are subject to federal regulations. Federal dollars paid by the County to subrecipients retain their status as federal dollars and are subject to audit regulations at the subrecipient level. Subrecipient agreements are grant awards. The

subrecipient agreement development process would be used to form an agreement with a potential subrecipient. The instructions for this process and all documents mentioned in this section can be found on Finance's Alfresco Share site (for [federal subrecipient agreements](#) and for [non-federal subrecipient agreements](#)).

If it is determined the project can be completed by obtaining goods and services from an outside entity, a procurement relationship exists and the entity is considered a **contractor**. Contractors are not responsible for program compliance and in the case of contracts paid with federal dollars, are not generally subject to federal regulations. When federal dollars are paid by the County to contractors, even if from grant funds, they lose their status as *federal* dollars when issued in the form of a contract or subcontract. Contracts are not grant awards. The procurement process would be used to develop a contract with potential entities. Please contact the Procurement Division in the Finance Department. Federal procurement standards can be found in [sections 200.317-326 of the Uniform Guidance](#) and should be referenced when issuing contracts with federal grant money.

If the Subrecipient vs. Contractor determination results in a determination of subrecipient, you will be issuing a grant award to the outside entity and will follow the Notice of Funding Opportunity procedures outlined below.

Conflict of Interest Procedures: Financial Assistance Management and Grant Issuance

Procedure:

1. For **procurement transactions** made using financial assistance funds, the County Public Official must submit a completed a Procurement-issued "Disclosure of Real or Potential Conflict of Interest" form to the Procurement Division with their procurement request at PACSRequest@clackamas.us. Procurement must determine:
 1. There are no current County contracts in place for the subject goods and services that will meet the department's needs;
 2. A best effort is made to obtain price comparisons, documenting that the purchase or contract represents the best value to the County;
 3. The County Public Official, Relative, or member of the household has no additional knowledge or information about the purchase that would place them in an unfair advantage to receive this business from the County; and
 4. An appropriate process has been conducted to resolve or mitigate the real or potential conflict of interest while complying with the County ethics policies and other applicable regulations.
2. For **grant issuances or financial assistance-funded non-contract purchases**, the County Public Official submits a completed FAR Program-issued "Disclosure of Real or Potential Conflict of Interest – Grant Issuance and Management" form ([Appendix J](#)) to the Senior Compliance Specialist as soon as a potential conflict is identified for financial assistance-funded non-contract purchases or during the competitive grant-issuance process (NOFO) outlined below.

The Senior Compliance Specialist may consult with County Counsel, Human Resources, or other County management as part of any determination of the review. The department may work with the Senior Compliance Specialist to develop any necessary mitigation plan.

▪ **NOTICE OF FUNDING OPPORTUNITY (NOFO)**

To properly steward public funds and to avoid potential conflicts of interest it is County policy to issue grants to outside entities using an open and competitive process. A competitive process helps to reduce the chances of collusion and minimizes political pressures. It also offers a better opportunity for getting the greatest public benefit for the greatest value. To this end, this section provides a basic structure to be followed by County Departments when issuing grant awards. The County has identified Notice of Funding Opportunities (NOFO's) as the primary competitive process for the issuance of grants. It remains the responsibility of County Departments to follow the requirements of their funding agency, if any, for the competitive awarding of recipient and subrecipient agreements.

This section establishes procedural guidelines for the competitive issuance of County grant awards. Departments are responsible for policy implementation and adherence.

The NOFO process must be used for all grant awards issued by County departments and agencies to outside entities, with the following exceptions:

- Subrecipients specifically named either in the County grant application or County award document;
- Where the Board of County Commissioners specifically appropriates funds to a recipient;
- Subrecipients chosen by external committees or regional organizations with authority to authorize funding by the granting agency;
- Where grant funds are intended to be distributed among all qualified applicants rather than by open competition. In such cases, the department should use any requirements listed in their grant award to develop a "Request for Qualifications" (RFQ) process to publicly solicit applicants. Departments may contact the FAR Program to arrange to have their RFQs posted to the Finance Grants webpage on the County website;
- Subrecipients chosen by sole-source methods. Complete the [Sole Source Grant Award Request form](#) and send to the Finance FAR Program (financegrants@clackamas.us) to obtain approval for using this method of sub-awarding;
- Any other special circumstance approved by Finance.
- The NOFO should explicitly state the possible number of extensions or additional years that may be added, with a notation that additional years are contingent on funding. To preserve the competitive process, awards made via NOFO's should not be extended unless the potential option was made explicit in the original NOFO, nor should extensions be made to awards beyond the contingent years specified in the NOFO. Periods of performance for subrecipient agreements should generally be in line with the period of performance for your incoming financial assistance agreement. However, departments may issue subrecipient agreements for longer periods if your financial assistance award

can reasonably be expected to renew and the source of funding (i.e. CFDA number) has not changed. In such cases:

- “Contingency of funding” language should be explicit in both the NOFO and the subrecipient agreement(s) issued from it.
- Longer periods of performance for subrecipient agreements should not exceed the period of performance for two consecutive incoming financial assistance awards or four (4) years, whichever is shorter.

There are five required NOFO elements: advertisement or announcement, application, evaluation, notification, and appeal.

(1) Announcements

Announcements should include any links to the application or additional materials (such as those which may be required by your funding agency, e.g. a grant manual from HUD), but not the materials themselves. Departments are responsible for creating, at their discretion, a public presence for the application or supplementary materials, as well as maintaining the process for receiving completed applications. The announcements will be submitted to Finance for review (FinanceGrants@clackamas.us). Finance will forward the material to PGA for publication on the County’s central website for Notice of Funding Opportunities: www.clackamas.us/grants. PGA will maintain the website. In addition, departments are responsible for providing notice of the announcement in appropriately targeted media. Statements in each of the five languages identified in Appendix III of the [County’s Title VI policy](#), tailored to the NOFO, should be listed on the first page of the NOFO and in the targeted media, which will provide opportunities for applicants to request translation of the NOFO (paid by the department funding the agreement) and contact information to make such a request. Opportunities will be segregated within the website by grant and/or program type. The website will also contain a record of recently awarded grants. Announcements shall contain the following, standardized sections:

- Program Description. Include a full program description of the opportunity describing, at minimum, the technical requirements, required program components, and indicators of successful programs. Any other information deemed important by the department may be included.
- Award Information.
 - Include the funding source(s) for the program, indicating clearly whether and which federal sources (if any) may be included.
 - Indicate whether multiple awards will be issued from this announcement and the term of the award (e.g. multiple years, single year, etc.)
 - The anticipated start and end dates for the period of performance.
 - Include the reporting and frequency requirements.
 - Minimum and maximum award amount, as appropriate.
- Eligibility.
 - Clearly identify eligibility requirements.
 - Include any cost sharing/matching requirements.

- If funded by Federal funds, include a requirement that the applicant must have a DUNS number, be registered in sam.gov and not be disbarred or suspended.
- Application and Submission Information.
 - Include application deadline. It is recommended the open period for application be at least 20 business days.
 - Links to location of application forms with instructions for completion.
 - List of any supporting documents required.
 - FOR EXAMPLE: If a federally funded award: a copy of the applicant’s most recent audited financials, an inquiry as to whether there are any outstanding lawsuits against the applicant (with room to provide details), and a list of federal awards (with amounts) the applicant currently manages. (These materials are necessary for the required Risk Assessment.)
 - Where & how to submit application.
 - Funding restrictions which must be addressed in the applicant’s budget.
- Application Evaluation.
 - Outline of the application review process, scoring criteria and timeline.
 - For federal awards, departments are required, in conjunction with Finance, to complete a Risk Assessment on applicants and include the Risk Assessment outcome in their award determination as appropriate.
- Non-Discrimination.
 - Each announcement must contain the following language: “Per the Civil Rights Act of 1964, no person shall, on the basis of race, color, or national origin, be excluded from participation, be denied the benefits of, or be subjected to discrimination under any County program, service or activity.”

(2) Applications

So all applicants are provided the same information, application materials should be standardized for the purpose of any given award or set of awards. In the development of applications, funding agency considerations should be prioritized. Therefore, departments should develop applications which include all program elements, including budgets, pertinent to awards involving pass-through funds. Departments may collect application inquiries and post them as FAQ addendums to the award announcement on the website.

(3) Record Retention

Awarding Departments must retain submitted applications and NOFO announcements for three years after the submission deadline, or as prescribed by your funding agency, per record retention requirements, including destruction at the end of the retention period.

(4) Evaluations

Evaluation processes and criteria must be predetermined, in writing, and the process of evaluation and/or scoring must be fully documented and is subject to retention requirements.

As with applications, funding agency considerations should be prioritized in the development of evaluation criteria. Departments may choose scoring measures, narrative methods, or any other criteria appropriate to the award or required by the funding agency in the development of their evaluation criteria.

(5) Notifications

Departments should standardize and make explicit the notification of awards to applicants. Notifications should be made publicly available through a press release, posted on the internet, as well as provided to all applicants in writing. Notifications should also include when it is anticipated an official agreement will be issued, when costs related to the project may be incurred, how pre-award costs will be handled, and any other information the applicant should be made aware of prior to the commencement of the program. Recently closed NOFO's will be listed in a section of the NOFO website.

(6) Appeal process

Departments are encouraged to include an appeal process for applicants not awarded funds. If included, the process may be tailored to the individual NOFO, but must be in writing prior to the initiation of the funding opportunity, made explicit in the application (how the appeal will be evaluated, how the applicant will be notified of appeal review and final decision, etc.), and, if desired, constructive feedback on unsuccessful and appealed applications. Additionally, the evaluation of appeals must be documented in writing and is subject to the three-year retention policy.

If your primary funding agency requires a specific process for the competitive issuance of subawards, such a process may be used in lieu of the requirements of this section, *except* where this section is more restrictive. In such cases, your agency requirements should be supplemented by any additional requirements of this section. If there are conflicts between agency requirements and this section, your agency requirements should be followed. Departments following agency requirements are required to post NOFO announcements to the County's central NOFO listings page using procedures outlined in this section in addition to using any other forms of public listing.

▪ ISSUING GRANT AWARDS

If you are issuing a subrecipient agreement using federal funds, download the [Managing Financial Assistance – Process Flowcharts](#) and consult the “Grant Issuance - Federal” tab to assist you with navigating the federal subrecipient agreement issuance process. Direct links to relevant and required documents are available within the flowchart for your convenience.

If you are issuing a subrecipient agreement using non-federal funds, download the [Managing Financial Assistance – Process Flowcharts](#) and consult the “Grant Issuance – State or Local” tab to assist you with navigating the issuance process for grants using state or local funds. Direct links to relevant and required documents are available within the flowchart for your convenience.

Departments must first obtain permission from their awarding agency before issuing subrecipient agreements from an award, if not already approved in the approved award application or agreement.

Finance has constructed a generalized boilerplate agreement document for both federally and non-federally funded subrecipient awards, complete with required exhibits that contain statutory and regulatory language governing the issuance of County subrecipient awards. Departments are expected to use the boilerplate language in the construction of their subrecipient agreements while supplementing the language contained therein with pass-through agency-specific requirements, regulations and other award information. (Exceptions involving less restrictive language should be pre-arranged with consultation from the Finance department.) Federal subrecipient agreements must use the provided federal subrecipient agreement boilerplates provided by Finance or, if renewal agreements, previously reviewed agreements from the immediate prior year. Whatever boilerplate is chosen, the Senior Compliance Specialist in Finance will review the draft agreement and risk assessment prior to further processing, as outlined in the flowcharts referenced in this section.

Federal Subrecipient Agreement Required Elements

All agreements with subrecipients funded from federal awards must contain required elements as specified in [2 CFR 200.331\(a\) Requirements for Pass-through Entities](#), which includes assurances subrecipients will comply with the Single Audit Act. The requirements are built into the federal agreement boilerplate materials published by the Finance Department on the [Finance Alfresco Share site](#). Staff should consult their award letters (from the federal agency if a direct award, from the pass-through entity—such as the state—in cases of pass-through awards) to obtain the award information required to be included in the subrecipient awards issued by the County. Departments may find elements required for their subrecipient agreements are not readily available from the funding agency. In such cases, departmental staff shall put as much descriptive information about the award in the agreement as possible (2. CFR 200.331(a)).

Subrecipients must be advised of the federal requirements and provisions of the subrecipient grant agreements, including any additional requirements imposed by the State of Oregon, Clackamas County, or the Department.

Risk Assessments

Departments must perform a risk assessment on potential County federal subrecipients *prior to* the issuance of a subrecipient agreement. Risk assessments on non-federal awards are not mandatory, but encouraged. Finance has developed a standardized risk assessment for use by departments designed to be used with federal awards, also located on [Finance's Alfresco Share site](#). The purpose of the risk assessment is threefold:

- To assist in determining whether a subrecipient should receive an award from the County by assigning a risk score to the entity.

- The score provided by the risk assessment is used to assign a level of fiscal and programmatic monitoring to the subrecipient. See section D: *Managing Grants: Subrecipient Monitoring* of this manual, below, on how risk assessments are used in the monitoring process.
- To serve as part of the required documentary evidence of monitoring throughout the lifecycle of a subrecipient agreement.

The completed risk assessments (for those subrecipients receiving federal pass-through funding) are uploaded to [Finance's Alfresco Share site](#) so the department and Finance may reference or update the risk assessment as needed.

Subrecipient Audits

Audits are an important part of the subrecipient issuance and monitoring process. Audits assist in developing a comprehensive risk assessment for subrecipients. Depending on the size of the entity, various types of audits may be available/required. If a subrecipient has expended more than \$750,000 in federal expenditures in a fiscal year, the subrecipient is required to obtain a Single Audit, per [2 CFR 200 Subpart F](#). A Single Audit tasks an auditor with selecting, according to a technical definition, the "major [federal] programs" of an entity for compliance testing, as well as to perform testing on basic financial statements and on internal control systems. Organizations falling below this threshold may still have a general audit of basic financial statements and internal controls. Smaller organizations may simply have their financial statements prepared by an independent auditor. There are some circumstances where organizations are too small for even a general audit. In the last two instances, the County will seek to have potential subrecipients complete a questionnaire detailing their financial processes so that the County can assess the financial capacity of such organizations to handle grant awards. Whether a Single Audit, basic financial audit, prepared financial statements and completed questionnaire, or simply the questionnaire, each form of review is valuable to the County in the risk assessment process. *This information should be gathered from potential subrecipients and assessed prior to issuing a subrecipient agreement.* An Audit Certification Form will be sent by Finance Grants to the subrecipient for completion, and the entity should return the completed form along with their most recent audit, if applicable. If the entity has not received a Single or Financial Audit during the prior fiscal year, Finance Grants will request the entity complete the Subrecipient Questionnaire, designed to assess the minimum internal controls required to manage a grant. Electronic versions of these forms can be obtained from the Finance Department's [Alfresco Share site](#).

Subrecipient Indirect Costs

According to [2 CFR 200.331.a.4](#), pass-through agencies must provide recipients of federal pass-through funding with the opportunity for indirect cost recovery. If the applicant has a negotiated indirect cost rate with a federal agency, the County must honor that rate in the application on any federally-funded award that does not otherwise have regulatory or statutory limitations on indirect cost recovery. The applicant should provide the department with a copy of the negotiated indirect cost rate during the budget development phase.

If the applicant does not and has not had a negotiated indirect cost rate agreement with a federal agency and unless otherwise precluded by statute, the applicant is eligible to receive from the County’s pass-through award a 10% *de minimis* rate applicable to modified total direct costs (see glossary for definition; [2 CFR 200.414.f](#)). The rate would apply only to the federal portion of a County subrecipient agreement and not to state or local funding, in the case of mixed-funding awards. Note: if the subrecipient elects the *de minimis* rate, the rate must be used on all of the subrecipient’s federal awards that include indirect cost recovery.

Alternatively, for organizations the County decides would benefit from a different rate, the Senior Compliance Specialist can obtain data on administrative costs from the subrecipient to be used in support of establishing an individualized rate, only applicable to indirect cost claims on subrecipient awards made to that organization.

Subrecipients are not required to claim indirect cost recovery, but neither can they be coerced by funding agencies into declining such cost recovery methods.

When claimed, subrecipient budgets should contain a line explicitly showing indirect cost recovery, including the rate, a short description of the base to which the rate is applied, and amount, as shown in the example in Figure 2, below:

Total Program Costs	\$ 9,112.00	\$ 9,112.00
Indirect Costs (14.1% of Salaries/Wages)	\$ 5,685.00	\$ 5,685.00
Total Grant Costs	\$ 62,348.00	\$ 62,348.00

Figure 2. Indirect cost recovery in a subrecipient budget where subrecipient has a negotiated indirect cost rate agreement with the federal government.

County departments are not obligated to include indirect cost recovery opportunities in non-federally funded projects unless explicitly required by the funding agency.

Requests for Reimbursement

The Uniform Guidance ([2 CFR 200.415\[a\]](#)) requires the following specific certification language be included on certain subrecipient financial reporting forms:

“By signing this report, I certify to the best of my knowledge and belief that the report is true, complete, and accurate, and the expenditures, disbursements and cash receipts are for the purposes and objectives set forth in the terms and conditions of the Federal award. I am aware that any false, fictitious, or fraudulent information, or the omission of any material fact, may subject me to criminal, civil or administrative penalties for fraud, false statements, false claims or otherwise. (U.S. Code Title 18, Section 1001 and Title 31, Sections 3729-3730 and 3801-3812).”

Clackamas County has chosen to require all invoices (usually “requests for reimbursements”) submitted by subrecipients to contain the above language. Per federal regulations, the reports must be signed by an official who is authorized to legally bind the subrecipient organization.

County Counsel Review

All subrecipient agreements are required to be reviewed and approved-to-form by County Counsel prior to execution. Amendments to such agreements must also be approved by County Counsel if the amendments a) increase the value of the award, b) make substantive changes to the body of the agreement or c) extends the term of the grant. The Finance department will facilitate this process for federal subrecipient awards and amendments to such awards; departments facilitate the process for all other subrecipient agreements.

Executed Federal Subrecipient Agreements and Amendments

Fully executed federal subrecipient agreements and amendments to federal subrecipient agreements should be forwarded to the Senior Compliance Specialist by Department Agenda Coordinators when fully executed.

If you are issuing a non-federal subrecipient agreement, the major responsibility for issuing the award, fiscal monitoring, and closing out the award lies with the Department. Download the boilerplate and exhibits for non-federal subrecipient agreements from Finance's Alfresco Share site, complete and send to Counsel for review, obtain the subrecipient's signature, then route through County signature approval processes (Department/County Admin/BCC) as normal.

Federal Funding Accountability and Transparency Act (FFATA) Reporting

When the County receives a direct federal award and issues a subrecipient agreement greater than \$30,000, FFATA reporting requirements are in effect. The County's Senior Compliance Specialist will report qualifying subrecipient awards through the www.USASpending.gov website within the month following the month of the award. If the initial award is less than \$30,000 but subsequent amendments result in a total award equal to or over \$30,000, the award will be subject to reporting requirements.

Fixed Amount Awards ([2 CFR 200.201b](#))

Fixed Amount Awards are a type of subrecipient agreement reducing the administrative and compliance burden on both the pass-through entity and the subrecipient. Subrecipients receiving federal fixed amount awards are not subject to the cost principles of the Uniform Guidance and, therefore, there is no governmental or County review of the actual costs incurred by the subrecipient.

Accountability is based on clearly defined performance outcomes, delineated in the agreement. If a subrecipient only partially meets performance outcomes, the award would be reduced in proportion to the outcomes met.

Rather than payment based on reimbursement of actual costs, payments are based on meeting specific performance requirements of the Federal award and may be paid in several ways:

- In several partial payments, with the accomplishment of milestone events triggering the payment from the County
- On a unit price basis at a defined price (i.e. # of students mentored, etc.)
- In one lump payment at the completion of the subaward. (For agreements of short duration, this would be the preferred method.)

Conditions on issuing fixed amount awards:

- For fixed cost awards made with federal money, the County must receive prior approval from the federal agency.
- Fixed amount awards cannot be used in programs requiring mandatory cost sharing or match.
- The project scope must be specific so as to measure performance outcomes.
- Historical or unit pricing data must be available to establish a reasonable fixed amount award total based on a reasonable estimate of cost. One way to accomplish this is to require a budget and accompanying narrative from the subrecipient in the application phase. The budget and narrative would only be used for ensuring agreement amounts are reasonable and based on historical data, but would become part of the record of prior due diligence for the County.
- Fixed amount awards may not be made for amounts over \$150,000.
- At the end of the period of the award, the subrecipient must certify in writing to the County the project or activity was completed or the level of effort was expended.

Fixed amount awards can be especially helpful for the County and its subrecipients for projects that have been around for a while (i.e. have historical data to draw from), for smaller awards which reduce the monitoring and administrative burden for everyone, where the subrecipient is not considered high-risk, and for projects clearly tied to performance outcomes.

C. FISCAL CONTROLS OVER FINANCIAL ASSISTANCE FUNDS

This section outlines fiscal policies related to the receipt and expenditure of grant funds. The internal control systems represented in this section are designed with the Internal Control Integrated Framework issued by the [Committee of Sponsoring Organizations \(COSO\)](#) in mind.

■ REQUESTING GRANT FUNDS – DRAWDOWNS AND REQUESTS FOR PAYMENT

Processes for drawing down financial assistance funds or requesting payment on grant awards vary widely by funding agency. Variations include but are not limited to:

- **Cost-Reimbursement:** Agency-designed online request systems that must be used to retrieve financial assistance funds once corresponding amounts of expenditures have been accumulated, or require invoicing with general ledger backup for grant checks to be released.

- True-up: Disbursement of funds in regular intervals and regular (or irregular) amounts irrespective of expenses incurred, with “true-ups” to actual expenditures coming at later intervals.
- Advanced payment: Advanced payment, which allows recipients to draw funds to cover immediate cash needs prior to having incurred expenditures.
- Unit of service: “Unit of service” reimbursements do not disburse funds on actual expenditures incurred; rather, funds are tied to “units of service” and paid at set amounts based, for example, on the number of homeless shelter clients housed, number of meals to senior citizens served, etc.

It is the policy of Clackamas County to request federal funds based only on cost-reimbursement or immediate cash needs. Departments are instructed to follow the rules on minimization of time between cash receipt and expense provided with the awarding agency rules and regulations. Requests for advanced payment must have prior approval from the Deputy Finance Director.

Other, non-federal agencies may use different methods of disbursing financial assistance funds. At all times, funding agency rules should be followed when requesting or receiving grant funds from any source.

- **Adherence to Grant Rules**

Follow closely the drawdown rules and procedures listed in your funding award or in federal or state statutes and regulations. Contact the awarding agency before signing any contracts or agreements if the procedures are not listed in the terms and conditions.

- **Draw frequency**

Draws will be conducted according to the grant requirements or more frequently (where allowed), depending on County cash flow needs. Since it is normally the policy of Clackamas County to request federal funds on a cost-reimbursement basis, department cash flow needs should be considered when agreeing to any draw frequency restrictions. FAR accountants will work with the Treasurer’s office to identify incoming funds. [Instructions for filling out a deposit summary](#) are outlined on the [Treasurer’s intranet](#).

- **Authorized persons**

Draws are to be performed by Financial Accounting and Reporting (FAR) Program, unless specifically authorized by the Department of Finance. Additionally, if the award requires an active request for funds to be received through an online system, the [department’s assigned FAR Accountant](#) must be included in the “authorized persons” setup in the online drawdown system. For departments authorized to perform their own draws, the department must designate a FAR Accountant from the FAR Program as an authorized user. This will allow FAR to serve an important backup function for drawing funds in the case of emergencies, prolonged absences or vacancies.

- **General Ledger-based**

Drawdowns on cost-reimbursement awards will be requested from source data derived from the County's ERP. *Unless specifically instructed by the funding agency, drawdowns will not be made based on budgeted figures (e.g. taking an approved budget and drawing 1/12th of the funds monthly).*

- **Required approval**

Review and approval, indicated by signature and date, from the Deputy Director of Finance or Director of Finance is required prior to making the draw.

- **Financial Assistance-related Cash and Check Handling**

Federally-funded financial assistance-related cash or checks (excluding Medicaid funds) received by County departments, usually as program income, must be deposited according to the [County Treasurer's policies](#). Departments should notify the Treasurer's office in the event of a loss, robbery or theft of County funds. For more information, see the [Office of the County Treasurer's intranet page](#).

In the case of loss, robbery or theft of grant funds, Finance and the Office of the County Treasurer should be notified immediately. Finance will be responsible for notifying the County Internal Auditor and the funding agency, as required per grant agreements and state or federal regulations or statutes.

- **RECEIVING GRANT FUNDS - REVENUE**

Grant funds are typically received either by check or Automated Clearinghouse (ACH) through the draw-down of funds. Occasionally grant funds (usually as program income) may be received in the form of cash. Receipts are issued by the department for every *in-person* transaction, per County Treasury's list of best-practices, using pre-numbered receipts, with the numbers logged and accounted for. For up to date information on [cash and deposit rules](#), or to [set-up the receipting of an ACH/EFT](#), see the [Treasurer's intranet page](#).

Financial Assistance Revenue: Cash Handling

Financial assistance-related cash is occasionally received in County departments. Cash relating to federal grants is counted by the receiving party in the presence of another employee immediately upon receipt. A Departmental Check and Cash Log (see example at [Appendix E](#)) is prepared by the person receiving the cash that describes the auspices under which the cash was received (e.g. from whom, from which event, for which funded project, etc.), is coded for posting using the appropriate PeopleSoft chartfield string, and is signed and dated by both employees. For those departments not normally receiving cash as part of daily operations, the log and cash are immediately hand-delivered (no courier allowed for cash) to Finance for safekeeping and processing in the daily deposit. A copy of the log should be kept by the department.

The County Treasurer reserves the right to review the internal control procedures related to cash handling of all County departments through both formal and informal internal control evaluations. The County Treasurer's recommended [best practices over cash management](#) can be requested from the Treasurer's office and found on their [intranet page](#).

Grant Revenue: Check Handling

Checks received directly by Departments

Occasionally financial assistance revenue is received directly by departments in the form of checks through the mail. [Procedures for opening mail that could include cash \(e.g. checks\)](#) can be found on the [Treasurer's office intranet](#). Employees designated to open departmental mail log grant checks received into a Departmental Check and Cash Log (see example at [Appendix E](#)). Checks are locked securely by the person opening departmental mail or the departmental accountant; a copy of the log and the checks should be kept by the department. Checks and original logs are then transmitted daily to Finance for processing in the daily deposit for those departments not normally receiving checks as part of daily operations.

Checks received directly by Finance

The Finance Department's internal control procedures over cash and check handling can be found in its internal Cash and Check Handling Procedures, which is incorporated by reference into this Financial Assistance Manual.

Treasury Deposit

Armored car service

Armored car service is available for all departments and offices throughout the County. For more information on armored car pickup, contact the Treasurer's Office.

The Treasurer's Office also accepts deposits for daily armored car pickup during normal business hours. Due to safety restrictions and best practices, a department or office must receive preapproval from the Treasurer's Office prior to dropping their cash deposits off at the Treasurer's Office.

Treasury staff logs deposits on the armored car log and puts the deposit into the safe. The deposit is taken to the bank by the armored car service daily.

ACH/EFT deposits

Many financial assistance-related deposits are received via ACH transfer. Treasury downloads previous day bank activity from the County's bank website. The deposit summary received from the department who deposited the funds is reconciled to the bank report.

For those deposits where Treasury has not received a deposit summary, Treasury prepares a list of deposits received and emails department contacts in the County. The departments identify the funds that belong to their department. The department [prepares and submits a deposit summary](#) to Treasury on the same day they are made aware of the deposit as outlined on the [Treasurer's intranet](#). Treasury reconciles the deposit summary to the bank report. The deposit is then posted in PeopleSoft to "cash" at the funds level on the Treasurer's general ledger subsidiary system. Treasury uploads the deposit summaries that are posted into Application Extender for use by the entire County and its component units.

Grant Revenue: ACH funds

The Accounts Receivable Accountant 1 logs into Application Xtender daily to print out deposit summaries. The Accountant 1 enters the deposits into PeopleSoft.

▪ **SPENDING GRANT FUNDS**

General Procurement Standards

The County has documented procurement procedures which conform to applicable federal law and procurement standards covered in 2 CFR Part 200, Sections 200.317-200.326 and Appendix II, [County Code](#), and [LCRB rules](#) which comply with state ([ORS 279](#) A, B & C) and local laws and regulations. The rules apply to all procurement methods. County-issued grant awards and subawards are not procurements, and therefore do not fall under ORS 279C or the competitive procurement requirements therein, unless required by the original funding agency/agreement. Instead, competitive issuance of grants and subawards fall under the Notice of Funding Opportunity methods outlined in Section B of this manual. Other forms of grant expenditures, the internal control processes governing them, and the procedures by which these expenditures are incurred are outlined in the following sections.

Purchases charged to grants may be made through several procurement processes:

- Purchase Orders
- Payment Vouchers
- Contracts
- Pcard (County-issued credit cards)

Financial assistance expenditures should generally be in line with budgets approved by the awarding agency, as applicable, and department grant, administrative and program staff (where applicable) are responsible for monitoring expenses against approved budgets. Where no budget exists, expenditures should conform to the intent and purpose of the grant award. Expenditures charged to financial assistance must be allowable per governing statutes and regulations, allocable to the financial assistance relative to the benefits received by the funded program, and reasonable (i.e. a prudent purchase given the circumstance prevailing at the time of purchase).

Conflict of Interest Policy (Financial Assistance Purchases)

It is the policy of Clackamas County that all business will be conducted in a manner above reproach and, except as authorized by statute, County Code, or County policy, with complete fairness and without preferential treatment. Transactions relating to the expenditure of public funds require the highest degree of public trust and an impeccable standard of conduct. The general rule is to avoid any conflict of interest or even the appearance of a conflict of interest in government-contractor relationships. While many laws and regulations place restrictions on the actions of Public Officials, their official conduct must, in addition, be such that they have no reluctance to make a full public disclosure of their actions. Therefore, all grant-issuances and grant management must be conducted using the highest ethical standards. Any grant-issuances or grant management not conducted in compliance with this policy could potentially result in a financial conflict of interest.

County Public Officials will not engage in collusive behavior. Collusive behavior includes, but is not limited to, making agreements or understandings between two or more persons to commit a fraudulent, deceitful, unlawful or wrongful act in order to provide an unfair advantage or to in any way circumvent required grant management or grant issuance processes. Public Officials may not take any action that is intended to limit open competition by deceiving, misleading, or defrauding others or involve any type of grant-issuance rigging, kickbacks, or misrepresenting the independence of the relationship between the colluding parties.

County Public Officials may only make financial assistance-funded purchases from or issue grant awards to other County Public Officials, Relatives of County Public Officials, members of the County Public Official's household or to entities controlled by such if the County Public Official is not involved in grant-funded purchases or the selection, award, or administration of a County-issued grant *and* all of the following requirements are met:

1. The County Public Official must complete the "Disclosure of Real or Potential Conflict of Interest – Grant Issuance and Management" form (Exhibit J) and submit to the Senior Compliance Specialist for review.
2. It has been determined by the Senior Compliance Specialist or County Administrator, through the procedure below, that no real conflict of interest exists.

Federally-Mandated Procurement Contract Provisions

All contracts awarded by Clackamas County to subcontractors and involving a federally-funded purchase of goods or services, including small purchases, must include certain federally-mandated procurement contract provisions, including:

Provision	Citation
Recipient Termination	2 CFR Part 200 Appendix II
Equal Employment Opportunity	E.O. 11246, "Equal Employment Opportunity," as amended by E.O. 11375, "Amending Executive Order 11246 Relating to Equal Employment Opportunity," and as supplemented by regulations at 41 CFR part 60,

	"Office of Federal Contract Compliance Programs, Equal Employment Opportunity, Department of Labor."
Clean Air Act	42 U.S.C. 7401
Federal Water Pollution Control Act	33 U.S.C. 1251
Energy Efficiency	2 CFR Part 200 Appendix II
Copeland "Anti-Kickback" Act	18 U.S.C. 874 and 40 U.S.C. 276C
Byrd Anti-Lobbying Amendment	31 U.S.C. 1352
Debarment and Suspension	Executive Orders 12549 and 12689
Recycling	2 CFR Part 200 Appendix II
Davis-Bacon Act	40 U.S.C. 276a to a-7
Contract Work Hours and Safety Standards Act	40 U.S.C. 327-333
Rights to Inventions Made Under a Contract or Agreement	37 CFR part 401
Contractor Breach Clause	2 CFR Part 200 Appendix II

All contracts awarded by Clackamas County to subcontractors and involving a federally-funded purchase of goods or services, including small purchases, must also contain the following contract clauses:

- Provisions allowing for administrative, contractual, or legal remedies where contractor violates or breaches contract terms as well as remedial actions
- Provisions addressing termination by Clackamas County, including the manner of termination and basis for settlement
- Provisions addressing termination of the contract for default as well as circumstances beyond the control of the subrecipient
- Provisions for bid guarantees, performance bonds and payment bonds
- Provisions allowing access to subrecipient records by Clackamas County, federal awarding agency, Comptroller General of the United States and any other duly authorized representative

Boilerplate contracts used by departments must contain the required elements listed here. For an in-depth discussion of these contract provisions, reference [2 CFR Part 200 Appendix II](#). Consult the Procurement Division with questions concerning any of the required elements.

Affirmative Steps

Clackamas County takes all necessary affirmative steps to ensure that minority businesses, women's business enterprises, and labor surplus area firms are used in the contracting process when possible.

Delegation of Signature Authority Process

The County has established a Delegation of Signature Authority Process as an essential internal control process to set the authorization levels for County purchases, including purchases using financial assistance. The Delegation of Signature Authority Process is completed annually (by fiscal year) to allow auditors to validate the County payment process for the fiscal year in question. The process is in place as an internal control to document both the authorized

purchaser and the Procurement thresholds for authorized purchasers. The designations and Procurement limits are determined by each department to meet their business needs. In most cases, the delegated authority will not exceed \$150,000. Accounts Payable uses these delegations to confirm authorized purchases and limits for County purchases prior to payment. Finance is responsible for maintaining this system. Contracts may only be signed by individuals occupying the positions listed in the LCRB Rules C-050 (County Code Appendix C) which are set by the County Board of Commissioners. Contract signature authority cannot be delegated to other department staff. (See [County's policy on the intranet.](#))

Labor Reporting

(1) Charging of Salaries and Benefits

Clackamas County charges salaries and benefits as an allowable cost to financial assistance awards when the nature of that employee's work is directly attributed to that program or service. Employees complete timesheets which reflect their work that is attributed to each eligible funding source. Benefits include the normal and customary costs of insurance, pensions, and taxes, as well as the costs of leave (e.g. regular compensation paid to employees during periods of authorized absences from the job, such as vacation, holidays, family-related leave, sick leave, administrative leave, and other similar benefits).

In addition, the County will charge salaries and benefits for financial assistance-funded personnel to awards when extraordinary circumstances render the County closed and unable to provide services through no fault of the personnel. In the event of such extraordinary circumstances, these charges will be fair and equitably allocated to financial assistance through a lookback period of the prior two biweekly pay periods or one month, whichever is relevant, of hours worked.

(2) Labor charging process

Clackamas County has the following approved processes by which labor (including volunteer hours) may be charged to financial assistance:

- a. Employees will record their time worked on financial assistance and non-financial assistance funded activities by using either an electronic time tracking system or manual paper timesheets. Electronic signatures are acceptable within the time tracking system, while signature and date are required by employee and supervisor for manual timesheets.
- b. Semi-annual certification of employees charged 100% to financial assistance-funded projects signed by employee and supervisor.

(3) Any other system approved by the awarding agency.

Method "a" requires departmental grant staff or Finance grant accountants perform an after-the-fact, manual distribution of time via journal entry into the PeopleSoft accounting software to ensure awards receive an equitable share of the distribution of labor.

Method “b” is used when an employee is 100% charged to a federal financial assistance award. Certifications must be completed semi-annually or at closeout, whichever is sooner. A general description of the duties of the employee during the certification period is listed on the certification. A sample of the County-approved certification document can be found in [Appendix E](#).

The County adheres to the following principles related to documentation of labor costs charged to local, state and federal grants:

- A. Clackamas County must comply with labor reporting requirements whether labor is charged to a federal award for salaries and wages as a direct cost or as part of an indirect cost pool.
- B. Payroll and corresponding distributions to financial assistance awards must be documented and approved by an employee’s supervisor.
- C. Documentation must be maintained for all staff members reflecting the distribution of labor activity of each employee. This requirement includes professionals and nonprofessionals whose compensation is charged, in whole or in part, directly to financial assistance. Documentation must support the distribution of the employee’s salary or wages across cost objectives if the employee works on:
 - a. More than one financial assistance award;
 - b. An indirect cost activity and a direct cost activity;
 - c. Two or more indirect activities which are allocated using different allocation bases; or
 - d. An unallowable financial assistance activity and a direct or indirect cost activity.
- D. Labor Reports shall reflect an after-the-fact determination of the activity of each employee and account for the total activity for which employees are compensated. Time worked on federal awards and non-award hours must be tracked.

Departments may reference [Appendix J: Selected Items of Cost Compensation for personal services-support of salaries and wages](#) for further information on the labor reporting requirements on federal awards.

Travel

Authorization is required for advances and reimbursement of travel expenses. Authorization follows the County’s Delegated Signature Authority policy ([intranet only](#)). Reimbursement of travel expenses requires original receipts (with some exceptions—see Travel Policy) and must be documented on the Training/Travel Request Authorization Form. Financial assistance-related travel expenses must be reasonable and necessary to the performance of the award.

All travel charged to financial assistance -funded programs must be authorized within the approved awarding agency budget or otherwise authorized by written permission from the awarding agency. Some agencies require additional travel authorizations beyond budget approval. See the financial assistance award documents and regulations for details.

All financial assistance-related travel must conform to the County's approved [Travel Policy](#). Where awarding agency travel policies are more restrictive than County policy in terms of travel cost reimbursement, departments are expected to reimburse the difference to the employee with other funds.

D. MANAGING FINANCIAL ASSISTANCE

▪ COSTS - OVERVIEW

Financial assistance funds must be spent in accordance with the terms and conditions of the award or governing laws or statutes and consistent with regulations governing allowable costs. Therefore, prior to making an expenditure, program personnel must be aware of what costs are allowable and disallowable under the financial assistance as well as what costs are considered direct and indirect. A general discussion of costs follows.

Allowable and Unallowable Costs

Allowable costs are those costs that fit the definition for authorized expenditures as stated in the applicable cost principles. Authorized expenditures comprise those expenditures that are:

- | | | |
|---|---|---|
| ✓ Allocable | ✓ Net of all applicable credits | ✓ Conforms to limits or exclusions on types or amounts of costs as stated in cost principles, federal laws (when applicable), and terms and conditions of award |
| ✓ Reasonable and necessary | ✓ Not included as a cost or used to meet the matching requirement for another grant | ✓ Consistent with recipient policies, regulations, and procedures |
| ✓ Treated consistently as a direct or indirect cost | ✓ Authorized under local laws | |
| ✓ Determined in accordance with Generally Accepted Accounting Principles (GAAP) | ✓ Well-documented | |

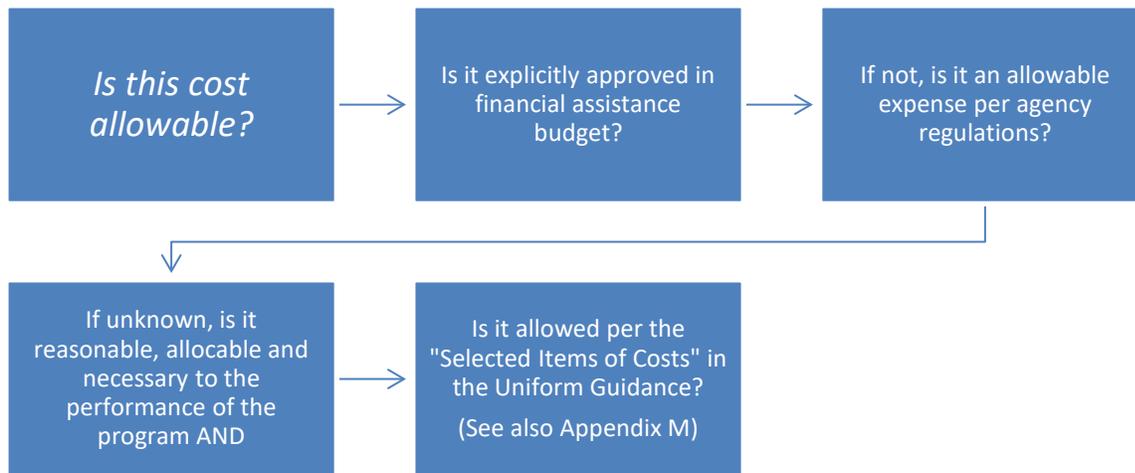


Figure 3 Determining Allowable Costs

In addition to expenditures charged to County financial assistance, subawards granted by the County must also adhere to the cost principles outlined in this manual. Explanations for several key concepts are as follows:

Allocable

A cost is “allocable” to a financial assistance award if the goods and services purchased are related equitably to the benefits received by the funded program. This standard can be met if the cost:

- Is incurred specifically for the award;
- Benefits both the award and the other work of the County and can be distributed in proportions that may be approximated using reasonable methods; and
- Is necessary to the overall operation of the County and is assignable in part to the award using an allocation method that assigns the cost based on proportional benefit to the award-funded project and other County cost objectives.

Reasonable and Necessary

A cost can be considered “reasonable” if, in both 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. Whether a cost is necessary for the performance of an award is important in establishing whether the cost is reasonable. The prevailing market price in our geographical area (where applicable), and whether the incurring of the cost required the County

to deviate significantly from its established practices and policies are also important factors in determining reasonableness.

Consistent Cost Treatment

Costs incurred for the same purpose and in like circumstances must all be treated the same. For example, an equipment cost cannot be treated as a direct cost in one instance and an indirect cost in another instance if it was incurred for the same reason and under the same circumstances against the same federal award.

Net of Applicable Credits

A cost is “net of all applicable credits” if it takes into account any credits received toward the cost. For example, if program income was generated as a result of a grant-funded cost, the amount charged to the grant must be reduced by the amount of the program income in order to be allowable.

Well-documented

In most cases of disallowed costs, the cause is a lack of proper documentation. All costs require an invoice, original receipt, purchase order, contract or other forms of documentation. All cost documentation requires authorized signatures and evidence of receipt of the goods or services purchased. The County’s Delegation of Budget Authority policy ([intranet only](#)) governs the signature requirements on purchases. Staff that does not have designated signature authority are not authorized to approve or execute any transactions that require such authority.

Selected Items of Cost

To view an itemized list of allowable costs, reference the [Appendix L: Selected Items of Cost](#).

If a County department uses financial assistance for unallowable costs, the department will need to repay those funds to the funding agency.

Direct and Indirect Costs

A direct cost is one specifically identified to the award. For example, the purchase of police equipment for a federal financial assistance award used to benefit local law enforcement is an example of a direct cost. Direct costs can be paid by the grant so long as they are allowable, reasonable, and can be justified from the awarding agency-approved budget.

An indirect cost is one benefitting more than one objective or program and cannot be readily identified to the financial assistance award. For example, the salary and benefits of an Executive Director at a non-profit or of a Department Director at the County would be considered an indirect cost.

County departments may not claim the federal *de minimis* rate on their grant awards. Current federal regulations require an entity to use the federal *de minimis* rate on all awards if used on one award—a restriction the County seeks to avoid. Some funding agencies may allow a different indirect cost rate. County departments may exercise such indirect cost rates, if desired.

When indirect costs are unavailable or prohibited, the County encourages departments to use the direct cost method in seeking to recover administrative costs, when allowed. Consult with FAR if you need assistance in administrative cost recovery in your financial assistance application budget.

Allocated Costs

Allocated costs are those costs of a general nature benefitting all of the functions of an organization. They are “allocated” to the major functions of the organization using a methodology and cost allocation plan developed by the organization that is reasonable given the nature of the costs included in the plan. Such plans usually include but are not limited to costs such as insurance, utilities, technology maintenance, and rent. An organization (such as a subrecipient) may have allocated costs and still recover indirect costs, if their cost allocation plan does not include certain costs, such as administrative staff salaries and benefits.

▪ **BUDGETS**

County departments are required to track and reconcile grant expenditures against approved grant budgets, where applicable. The federal government generally categorizes costs into 8 types: personnel, fringe benefits, travel, equipment, supplies, contractual, construction, and other. County financial assistance budgets should generally align with these categories for ease in tracking and reconciliation, except in cases where the funding agency requires otherwise. Even though the federal government has noted these categories as comprising an award budget, the County must still ensure the costs falling under these categories are allowable expenses per the applicable cost principles and awarding entity regulations. For example, travel costs are an allowable expense on many federal grants; however, costs for a first-class ticket when coach tickets were available may be disallowed as unreasonable. Some federal agencies require prior approval for travel even if travel is explicitly listed in the agency-approved budget. Read your financial assistance agreement carefully for specific requirements.

▪ **BUDGET ADJUSTMENTS**

Entities receiving federal funding must generally abide by the limits on changes to approved budgets as outlined in 2 CFR 200.308 Revision of budget and program plans. Funding agency-specific guidance and your grant agreement should also be consulted regarding changes to approved budgets for both federal and non-federal awards.

County Subrecipient Budget Adjustments

The budget adjustment regulations in [2 CFR 200.308](#) govern budget and program plan revisions on County-issued federal subrecipient agreements. Consult the cited regulation for general

guidelines on how to manage federally-funded subrecipients. Consult your federally-funded financial assistance award for additional requirements related to budget and program plan adjustments for your subrecipients; guidance that applies to how the County must request budget changes on its federal awards generally also flows to subrecipients.

For monitoring County subrecipients funded with non-federal funding, departments are encouraged to abide by the following budget adjustment best practices, adapted from the federal regulations:

- Budget adjustments of less than 10% in the aggregate (not by line item category) need not require formal approval by the department;
- Budget adjustments of more than 10% in the aggregate (not by line item category), may be approved by the department *if all of the following apply*:
 - The scope of work does not change as a result of the budget adjustment. Exceptions: scopes of work may change during a budget adjustment if a previously funded position has been replaced by a substantively different position, if a funded position critical to the program has been dissolved and subrecipient desires to spend the funds in another funded category, or if a budgeted program activity will be eliminated from the program;
 - The subrecipient does not seek to increase the rate/amount of indirect cost recovery as part of the budget adjustment;
 - The total amount of the budget does not increase.

If any of the preceding apply to the budget adjustment requested by your subrecipient (from any funding source), BCC/County Administration approval is required using the normal agreement amendment process. Federal regulations cited in this section contain additional requirements related to budget adjustments that are not made explicit here and should be consulted directly when managing the County's federal award budgets and federally-funded subrecipient budgets.

▪ **ADJUSTING JOURNAL ENTRIES**

Appropriate journal entries made to financial assistance-funded projects include those that:

- ✓ Change or correct coding of transactions
- ✓ Distribute costs billed to a central cost pool

To initiate a journal entry on a financial assistance-funded project, staff—at the department level or in Finance—must prepare a journal entry for submission and processing within the Finance department. All journal entries must be in the same amount as the original charge unless the transfer is being divided among different departments or departmental units. If divided, an explanation of the division must accompany the journal entry. Journal entry support must be sourced from PeopleSoft accounting data. The department requesting the cost transfer must have incurred the item of cost, as documented within PeopleSoft, and must identify the goods and services and their quantities in the journal entry request. Journal entries should be submitted as soon as possible once the needed distribution or correction is identified.

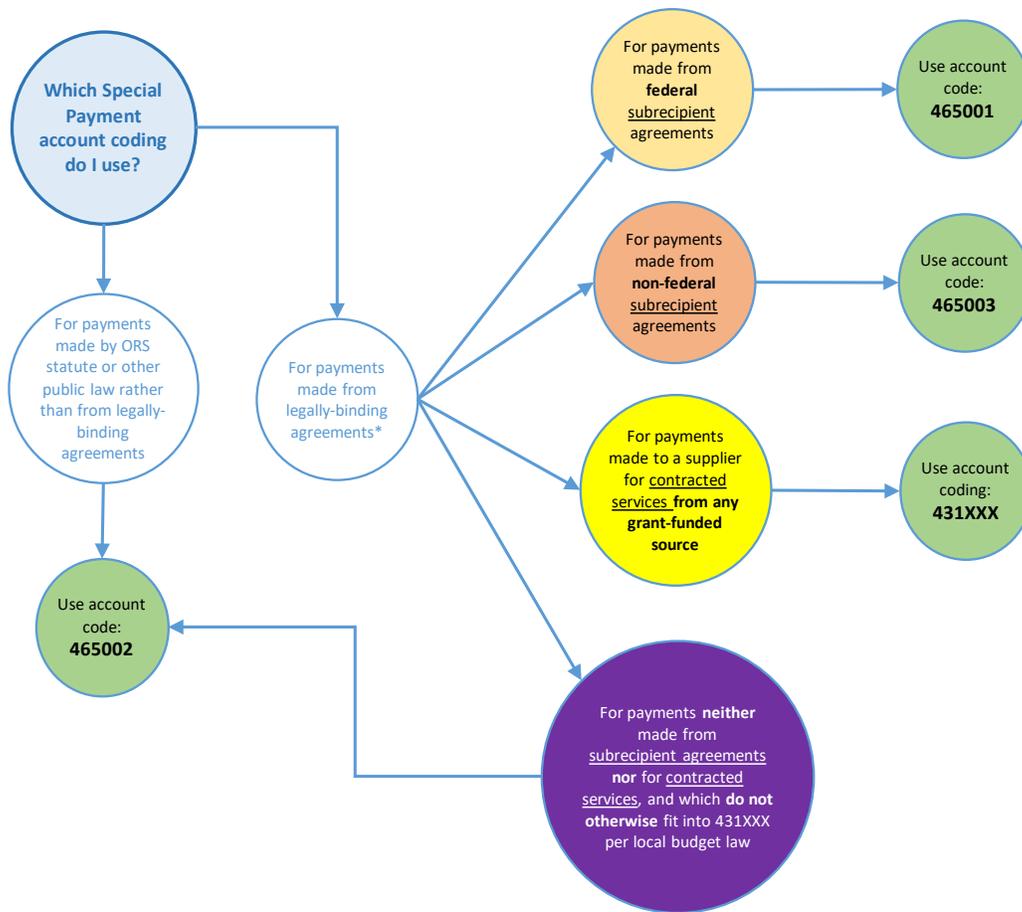
Journal entries prepared by the department require department manager approval. Additionally, all journal entries require Finance Controller (or delegate) approval prior to posting in PeopleSoft.

▪ **HOW TO USE *SPECIAL PAYMENTS ACCOUNT CODING***

Local Budget Law requires expenditures and other requirements be shown within the budget according to certain object classifications. Expenses generated from grants issued by the County to outside entities, either on a direct or pass-through basis, are classified within Budget Law as “special payments.”

The flow-chart below should be used to determine where to post your special payments in PeopleSoft. [This chart can also be downloaded from Alfresco](#) and printed for easy reference.

How to use Special Payments account coding
Applicable to all grant-funded payments made to Special Payments accounts



* - For the purposes of County policy, something is "legally-binding" when in the form of a written agreement or contract reviewed by Counsel (including IGA's), signed by an individual authorized to sign on behalf of the County per LCRB rules, and issued to an outside entity.

- **PROGRAM INCOME**

County departments must account for program income generated by financial assistance activities according to the terms and conditions of the award. Program income is gross income earned from financial assistance activities generating direct costs allocable to the grant award. For example, fees earned from the sale of products or services under the financial assistance may be considered program income since the creation of those products or services generate direct costs allocable to the funded program. Any drawdown of federal financial assistance funds must take into account program income. Program income is often included in grant award budgets and with the prior approval of the Federal awarding agency, may be used to meet the cost sharing or matching requirement. With prior approval from the Federal awarding agency, it may also be added to the award to increase the total award. Another way of accounting for program income may include defrayment of program costs resulting in a reduction of the total award. Your funding agency can provide guidance on the proper method of accounting for program income.

Not all program income requires reporting. Refer to the Cost Sharing (Match) section of this manual (below) or other guidance accompanying your federal, state or local financial assistance award (if provided) to determine the types of program income that must be reported against drawdowns of financial assistance funds.

- **PROPERTY**

The [Property Standards section of 2 CFR Part 200 Subpart D](#) governs the treatment of property acquired with federal grant funding. The three types of property discussed in the administrative requirements include real property, personal property and intellectual property. Detailed instructions regarding the acquisition, titling and disposition of property appear in the applicable administrative requirements and in the terms and conditions of your financial assistance award. General guidelines governing the treatment of federally-funded property appear below. Consult your state agreement for policies governing property, equipment and supplies purchased with state funds.

Real Property

Clackamas County may receive title to property purchased with federal financial assistance funding subject to the condition that the real property is used in accordance with the purpose of the funded program and not encumbered without prior approval from the federal awarding agency.

When real property is no longer needed for its original purpose, departments will request disposition instructions from the federal awarding agency. The County may retain the title after compensating the Federal agency, sell the property and compensate the agency or transfer title to the agency. Departments will follow federal agency directives regarding the sale of real property acquired with federal grant funds.

Equipment and Supplies

Capitalization of equipment and supplies valued in aggregate purchased with financial assistance funds are set by the County's Capitalization Policy, *except* for equipment and supplies purchased with federal funds. For equipment and supplies purchased with federal funds, capitalization is set at \$5,000.

As with real property, the County may receive title to equipment purchased with federal financial assistance funding so long as the equipment is used in accordance with the purpose of the funded program and not encumbered without prior approval from the federal awarding agency.

Equipment is further divided into "Special Purpose" equipment" and "General Purpose" equipment. "Special Purpose" equipment includes equipment which is used for research, medical, scientific and other similar technical activities. "General Purpose" equipment is defined as equipment whose use is not limited to "Special Purposes."

"Special Purpose" equipment is generally allowable as a Direct Cost to the federal award. Departments will obtain prior approval of the Awarding Agency to purchase equipment costing over \$5,000 when required by regulation or statute. "General Purpose" equipment will not be charged as a Direct Cost to the federal award without prior approval of the Awarding Agency.

County departments may trade-in or sell equipment in need of replacement and use the proceeds to offset the cost of the replacement equipment with prior approval from the federal awarding agency. Per federal regulations, for equipment valued at less than \$5,000, departments may keep the equipment when it is no longer needed for its original purpose. For equipment valued at more than \$5,000, County must pay the federal awarding agency a portion of the market value or sale proceeds based on the percentage of the equipment funded by the federal awarding agency, unless otherwise arranged.

Departments must inventory and account for supplies purchased with federal funds if the supplies are valued at over \$5,000 in the aggregate.

Equipment Records

Departments must maintain equipment records for all financial assistance-funded equipment. Equipment records must indicate:

- A description of the equipment
- Manufacturer's serial number, model number, or other identification number.
- Source of the equipment, including the federal grant award number. (This number is a required element of federal pass-through contracts with the state. If it is not provided in your state agreement, contact your state program officer.)
- Owner of the property (federal government or County)
- Acquisition date or date received
- Cost of equipment

- Details indicating the percentage of federal participation in the cost of the equipment
- Location of equipment and date reported
- Condition of equipment and date reported
- Unit acquisition cost
- Date of disposal (if applicable)
- Disposal price (if applicable)
- Method used to determine the fair market value for disposal price (if applicable)

See [Appendix H](#) for a sample Property Records checklist that can be adapted for use with equipment purchased on different awards.

Equipment Maintenance

Financial assistance-funded equipment must be maintained by the County department initiating the purchase. “Maintained” means that the equipment is properly accounted for (i.e. inventoried), secured against theft or other loss, and kept in usable condition according to the manufacturer’s recommendations until the expiration of useful life or other disposition.

Property Controls

Property purchased with federal funds must be retained for the benefit of the federal program or project. Departments must implement effective control measures to ensure the protection of grant-funded equipment from loss, damage, and theft. Any loss, damage, or theft discovered during a site visit to a subrecipient or contractor that has purchased property under a federal award will be investigated and documented.

If equipment titled to the federal government suffers loss, damage, or theft, departments must notify the federal awarding agency immediately.

Inventory Reporting

County departments must inventory grant-funded equipment and reconcile inventory records with equipment records at least once every two years. If the reconciliation reveals differences in quantities of equipment, departments shall investigate the inventory and equipment records to discern the cause of the difference. Supplies purchased with financial assistance funds and valued at over \$5,000 in the aggregate must also be inventoried and accounted for.

Intellectual Property

Clackamas County may copyright any work under a financial assistance award. The County recognizes that federal agencies retain 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, for copyrighted work developed under a federal award.

▪ SUBRECIPIENT MONITORING

Subrecipient Audits

Federal subrecipient agreements issued by the County (using County-approved subrecipient boilerplates) require subrecipients to annually provide the County with their Single Audits, if applicable.

For new or existing subrecipients, audit information can be obtained by sending the subrecipient an Audit Certification form, found on [Finance's Alfresco Share site](#). The subrecipient will return the form by default to the Senior Compliance Specialist. The return address may be changed to a departmental contact if desired. Once completed, the form will provide basic financial information related to subrecipient audits (or lack thereof). The form also requests a copy of the subrecipient's Single Audit be sent to the County, where applicable. If the subrecipient has not had a Single Audit, the form requests the subrecipient provide basic information on the federal expenditures of the organization for the prior fiscal year. Additionally, if the organization has not had a Single Audit, departments should request a copy of the last financial audit conducted on the organization. For federal awards, Finance will also send a [questionnaire](#) developed especially for organizations that do not receive a Single or Financial Audit that requires potential subrecipients to provide basic details on their financial systems and capacity to handle federal grants.

Departments may choose to have the Senior Compliance Specialist in the Finance department collect this information from potential subrecipients. In either case, the Senior Compliance Specialist will review audit information collected from potential subrecipients and include information from this review in the Finance department's portion of the subrecipient risk assessment.

Risk Assessment

Maintenance of risk assessments on active subrecipient agreements is an integral part of the subrecipient monitoring process. Risk assessments are active during the entirety of the lifecycle of an award and are updated as necessary, making them "living" documents. Active, completed risk assessments are kept on [Finance's Alfresco Share site](#) and should be updated by those tasked with both fiscal and programmatic monitoring, as circumstances require. Each subrecipient agreement or amended agreement extending the award, requires a new or newly updated risk assessment.

The risk assessment template located on Finance's [Alfresco Share site](#) has been designed to assist in the assignment of monitoring levels based on a standardized scoring matrix. Higher scores may require special conditions be included in the subrecipient agreement—usually in the form of extra reporting or other monitoring. Monitoring levels are as follows:

Table 1. Subrecipient Monitoring levels derived from completed risk assessments

Risk Score and Monitoring Matrix	
Low Risk	Audit & Expenditure Review
Medium Risk	Audit Review, Expenditure Review & Desk Monitoring
High Risk	Audit Review, Expenditure Review & Onsite Monitoring
Unacceptable Risk	Do Not Award to Subrecipient

Special Conditions and Audit Review

Special conditions may be imposed on subrecipients in the federal subrecipient agreements issued by the County based on the level of risk assigned (2 CFR 200.205(b)) from the completed risk assessment. Issuing departments and the FAR Program will coordinate specific conditions language during the agreement development process.

Subrecipients that fall below the Single Audit threshold are still subject to subrecipient monitoring and all applicable federal, state and local laws, rules, and regulations.

Extending Subrecipient Agreements

Subrecipient agreements can be extended via amendment if the following conditions apply:

- ✓ The programmatic and fiscal requirements do not change with the amendment.
- ✓ The funding agency has not issued a new agreement to the County for the funds used in the subrecipient agreement.
- ✓ Allowed by Clackamas County budget rules and administrative approval procedures.

If the preceding conditions do not apply, a new subrecipient agreement should be issued.

Post-award Monitoring Process

The County will monitor all subrecipients of federal financial assistance, in accordance with the regulations mentioned above, using a risk-based approach to ensure federal funds have been spent in accordance with applicable laws and regulations. The County seeks to develop collaborative relationships with subrecipients through positive engagement, the sharing of expertise and technical assistance.

The Senior Compliance Specialist will collect independent financial review reports (audits, etc.) from existing subrecipients around 6 months after the end of the subrecipient’s fiscal year, and

make adjustments to the subrecipient's risk assessment based on a review of such reports, as necessary. The Senior Compliance Specialist will update issuing departments to any concerns in such reports requiring follow-up with the subrecipient.

Reimbursement Claims

Federal subrecipient reimbursement claims are submitted to issuing departments by the subrecipient. Departments perform the first review of reimbursement claims, checking for budget issues, overall rate of spending, and indirect/administrative claims. In cases where departments have been assigned a Finance Grant Accountant, the department will submit the claim to the FAR Program. The Senior Compliance Specialist will perform a secondary review of submitted claims and follow-up with the department if there are any issues. After any issues are resolved the claim may be submitted for payment.

Award Closeout Requirements

Departments are required to collect final programmatic reporting from federal subrecipients. The FAR Program will collect all final financial reporting from federal subrecipients. Departments are responsible for collecting all non-federal subrecipient reporting and to maintain these records in their grant files. Closeout requirements and submission dates should be clearly outlined in the subrecipient agreement. County department staff should seek feedback from subrecipients on completed programs and should incorporate such feedback into future program designs, as applicable.

Exceptions

Payments for goods and services to contractors using federal funds generally are not subject to audit or other monitoring activities under the Single Audit Act. The County's responsibility for contractors is to ensure the procurement, receipt and payment for goods and services comply with laws, regulations and the provisions of contracts or grant agreements.

▪ PROTECTED PERSONALLY IDENTIFIABLE INFORMATION (PROTECTED PII)

The County is committed to protecting the personally identifiable information of its customers. It is the responsibility of County departments to take reasonable measures to safeguard Protected PII (as defined in this manual) and any other information an awarding agency may designate as sensitive, or which state law treats as sensitive. Departments should redact Protected PII from backup sent to Finance in the course of requesting financial transactions (payment vouchers, pcard receipts, etc). If a question arises as to whether information should be redacted, departments are encouraged to contact their awarding agency for consultation.

▪ COST SHARING (MATCH)

Generally, any contributions received under a financial assistance-funded project, including and in-kind contributions, will be accepted as part of the County's cost sharing or matching requirement so long as they:

- ✓ are posted to PeopleSoft,
- ✓ are necessary and reasonable,
- ✓ are allowable,
- ✓ and, for federal financial assistance :
 - are not paid by the federal government under another award except where designated for cost sharing or matching,
 - are noted in the approved budget required by the federal awarding agency,
 - do not count as contributions for other federally-assisted projects.

▪ **SITUATIONS REQUIRING PRIOR APPROVAL FROM THE FEDERAL AWARDING AGENCY**

Understanding those situations requiring prior approval from the federal awarding agency will save time and money. Costs incurred by the County that required, but did not receive, prior approval from the federal awarding agency may not be reimbursed if challenged during a site visit or an audit. [2 CFR Part 200 Section 200.308](#) covers prior approvals in detail. The award terms and conditions should be consulted for items explicitly requiring prior approval. Generally, prior approval from the federal awarding agency is required in the following situations:

- ✓ revision of the scope or objective of the project
- ✓ changes in key personnel
- ✓ project director or principal investigator absent from project for more than 3 months or has reduced time devoted to project by 25%
- ✓ to incur certain types of costs
- ✓ transfers among direct cost categories that exceed 10% of the total approved budget in instances where the agency's share exceeds the Simplified Acquisition Threshold (current set at \$150,000 at the time of this writing)
- ✓ to subcontract or subgrant some of the activities of the project central to the financial assistance award
- ✓ changes in the amount of approved cost sharing or matching provided by the federal award recipient
- ✓ budget revisions requiring the need for additional funds need to extend the period of availability of funds

▪ **REPORTING**

Grant awards typically require a fair amount of reporting with varying levels of detail. For federal awards, sections [200.327](#) and [200.328](#) under 2 CFR Part 200 gives detailed guidance on federal reporting requirements for financial assistance administration. Generally, grant reporting requires two types of reports: progress reports and financial reports. Refer to the guidance provided with your financial assistance award for specifics on frequency and types of reporting requirements. All reports must be filed on time. Late reporting jeopardizes the County's status as a recipient of financial assistance funds and puts continued funding at risk.

Progress Reports

Progress reports compare actual accomplishments with the objectives stated for the reporting period, including an explanation why goals may not have been met, cost overruns or high unit costs, and any additional pertinent information. Progress reports are the responsibility of the recipient department. Departments are responsible for preparing program reports and Program Managers are responsible for reviewing and approving reports prior to filing. Any financial data must be obtained from the FAR Program.

Financial Status Reports (FSRs) & Federal Financial Reports (FFRs)

The FAR Program will file all Federal Financial Reports (FFRs) unless other arrangements have been made with the Deputy Finance Director. The FAR Program will follow closely the guidance provided by the awarding agency when filing required FFRs. Both FFRs and non-federal financial status reports must be filed using PeopleSoft line item queries, from inception to the end of the reporting period. Queries should include financial assistance revenues, expenditures, match, program income, etc., as applicable. Queries should be compared to the funding agency-approved budget to ensure allowability. Any transactions found to be unallowed or not approved for the budget should be moved by journal entry to another funding source. The amount reported to the funding agency should be the net of all transactions less items to be removed via journal entry. If journal entries cannot be made prior to submission of the report, the report must include only those items allowable and the journal entry must be completed in a timely manner. Review and approval, prior to filing, should be obtained:

- For federal awards, from the Director of Finance, Deputy Director of Finance, or designee.
- For non-federal awards, at the department level from department fiscal managers or directors.

Reports should be signed, dated and filed with the PeopleSoft query and all other supporting documentation. The preferred method of storage is electronically (per 200.335), however, paper copies are acceptable. For non-federal awards, these records would be kept at the department level and for federal awards, in the Finance FAR Office. These records must be made available to County auditors or awarding agency officials during site visits or as requested.

E. CLOSEOUT

▪ FINAL PHASE

The final stage in the financial assistance lifecycle is financial assistance closeout. This phase begins when either the program period of performance has expired or the County draws down its entire award. If County is nearing the end of its program term but has not yet expended its entire grant award, it is often possible to seek a “no-cost” extension from the awarding agency. “No-cost” extension means the award period is extended but no additional funding is provided.

Final Reports

Final programmatic and financial reports for non-federal grants are the responsibility of the department. Due to typical federal certification language as well as audit implications, financial reports for federally-funded financial assistance must be reviewed and approved by the Finance Controller.

Federal Actions at Closeout

2 CFR Part 200 Sections [200.343 thru 200.345](#) give detailed guidance on grant closeout activities on federal awards. Generally, the federal awarding agency will request and review the following items within 90 days after the expiration of the financial assistance award:

- ✓ Work plan and progress reports
- ✓ Financial Status Reports
- ✓ Requests for payments
- ✓ Compliance with matching requirements
- ✓ Federally-owned property records
- ✓ Equipment and Residual Supplies inventories

As the federal awarding agency conducts its review, it can still discover and collect payments for disallowed costs and other deficits in the administration of the funded program.

Other awarding agencies have varying requirements for closeout. Refer to your award terms and conditions for detailed explanations.

▪ RECORD RETENTION

Record retention requirements for federal award recipients appear in the *Record Retention and Access* section of 2 CFR Part 200 Sections [200.333 thru 200.337](#). The general rule for record retention is the records must be retained for three years from the date of submission of the final expenditure report. However, various federal and non-federal funding agencies may have different requirements and departments should consult their award documents for specific requirements. Departments should work with the County Records office to maintain and dispose of their financial assistance award records.

Exceptions

- For records related to litigation, claims or audits started before the expiration of the three year period, the records must be retained until all litigation, claims, or audit findings involving the records have been resolved and final action is taken.
- For real property and equipment, records must be retained for three years from the date of final disposition of the property.

- For program income received after the period of performance, departments receiving federal awards must retain such records for three years after the end of the County's fiscal year during which the program income was earned. For example, if a department concludes its period of performance in 2015, but earns program income in 2017, then it must maintain those program income records for 3 years after the end of 2017.

VI. APPENDICES

▪ APPENDIX A: SAMPLE SAM CHECK

SAM Search Results	
List of records matching your search for :	
Search Term :	<input type="text"/>
Record Status: Active	
ENTITY	<input type="text"/> Status:Active
DUNS: 959059759 +4:	CAGE Code: 48JS6 DoDAAC:
Expiration Date: Jan 20, 2016 Has Active Exclusion?: No Delinquent Federal Debt?: No	
Address: 256 WARNER MILNE RD	
City: OREGON CITY	State/Province: OREGON
ZIP Code: 97045-4014	Country: UNITED STATES

November 10, 2015 5:16 PM

Page 1 of 1

Note: the date at the bottom of the query is important for documentation purposes, as checks must be run prior to the issuance of an award. Keep this documentation in your award files. Run a check (www.sam.gov) on a given entity each time it receives new funding. Required by law for federal awards, often required on state awards, best practice for all other awards.

■ **APPENDIX B: FINANCIAL ASSISTANCE APPLICATION LIFECYCLE FORM (FIRST PAGE ONLY)**

Financial Assistance Applicant Lifecycle Form	
Use this form to track your potential grant from conception to submission. Sections of this form are designed to be completed in collaboration between department program and fiscal staff.	
** CONCEPTION ** <small>Note: The processes outlined in this form are not applicable to disaster recovery grants.</small>	
Section I: Funding Opportunity Information - To be completed by Requester	
Lead Department: _____	Application for: <input type="checkbox"/> Subrecipient Assistance <input type="checkbox"/> Direct Assistance Grant Renewal? <input type="checkbox"/> Yes <input type="checkbox"/> No
If renewal, complete sections 1, 2, & 4 only If Disaster or Emergency Relief Funding, EOC will need to approve prior to being sent to the BCC	
Name of Funding Opportunity: _____	
Funding Source: Federal <input type="checkbox"/> State <input type="checkbox"/> Local <input type="checkbox"/>	
Requestor Information (Name of staff person initiating form): _____	
Requestor Contact Information: _____	
Department Fiscal Representative: _____	
Program Name or Number (please specify): _____	
Brief Description of Project: <div style="border: 1px solid black; height: 60px; width: 100%;"></div>	
Name of Funding Agency: _____	
Agency's Web Address for funding agency Guidelines and Contact Information: <div style="border: 1px solid black; height: 30px; width: 100%;"></div>	
OR	
Application Packet Attached: <input type="checkbox"/> Yes <input type="checkbox"/> No	
Completed By: _____ Date: _____	
** NOW READY FOR SUBMISSION TO DEPARTMENT FISCAL REPRESENTATIVE **	
Section II: Funding Opportunity Information - To be completed by Department Fiscal Rep	
Competitive Application <input type="checkbox"/> Non-Competing Application <input type="checkbox"/> Other <input type="checkbox"/>	
CFDA(s), if applicable: _____	Funding Agency Award Notification Date: _____
Announcement Date: _____	Announcement/Opportunity #: _____
Grant Category/Title: _____	Max Award Value: _____
Allows Indirect/Rate: _____	Match Requirement: _____
Application Deadline: _____	Other Deadlines: _____
Award Start Date: _____	Other Deadline Description: _____
Award End Date: _____	Program Income Requirement: _____
Completed By: _____	_____
Pre-Application Meeting Schedule: _____	_____

▪ APPENDIX C: CHARTFIELD REQUEST FORM ([DOWNLOAD ORIGINAL HERE](#))



COMPLETE WHITE BOXES ONLY

**COUNTY FINANCE
CHARTFIELD REQUEST FORM**

NAME OF REQUESTOR:		DEPT NAME & FUND #	DATE OF REQUEST:
CHARTFIELD ACTION REQUEST: <input type="checkbox"/> Activate <input type="checkbox"/> Rename <input type="checkbox"/> Inactivate <input type="checkbox"/>		CHECK ONE OF THE BELOW:	BUSINESS UNIT: PHONE #:
IF REQUEST IS DUE TO AN OUTSIDE FINANCIAL ASSISTANCE AGREEMENT, INDICATE SOURCE <input type="checkbox"/> Federal <input type="checkbox"/> State <input type="checkbox"/>		If Federal, please provide CFDA #:	

PURPOSE OR REASON FOR YOUR REQUEST:	
IF FINANCIAL ASSISTANCE, INDICATE AWARD NUMBER:	
SUGGESTED DESCRIPTION: (MAX 30 Characters):	

CHECK ONE:

SUGGESTED NUMBER *OPTIONAL*	EFFECTIVE DATES	
	Start Date:	End Date:

INDICATE ANY CHARTFIELD STRINGS YOU WOULD LIKE SET UP FOR THE ABOVE NEW NUMBER:									
Fund	Dept	Program	Account	Project	Fund	Dept	Program	Account	Project

AUTHORIZATION	DATE
DEPARTMENT APPROVAL:	

FOR FINANCE DEPARTMENT USE ONLY				
GRANTS OFFICE APPROVAL:				
ACCOUNTING OFFICE APPROVAL:				
<table border="1"> <tr> <td>PROCESSED BY</td> <td>DATE</td> </tr> </table>		PROCESSED BY	DATE	Completion Notification to: _____ Requestor _____ Budget/BRASS _____ Grant Accountant, if applicable
PROCESSED BY	DATE			

▪ **APPENDIX D: INTERFUND BILLING FORM (OBTAIN FORM FROM FINANCE)**



PAYABLE TO:
CLACKAMAS COUNTY

2051 KAEN ROAD
OREGON CITY, OR 97045
(503) 742-5400

PLEASE REFERENCE INVOICE NUMBER ON PAYMENT

NAME:	_____	INVOICE #	_____
ADDRESS:	_____	DATE:	_____
	_____	DATE DUE:	_____
EMAIL:	_____	BUDGET YR:	_____

DESCRIPTION OF CHARGES	AMOUNT
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
INVOICE TOTAL:	\$ 0.00

Dept Contact: _____

INTERNAL COUNTY USE ONLY

REVENUE DISTRIBUTION

FUND	DEPT	PROGRAM	ACCOUNT	PROJECT/GRANT	AMOUNT
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
Receivable	_____				
Revenue Distribution Subtotal Pg 1					\$ 0.00
Revenue Distribution Subtotal Pg 2					\$ 0.00
Total Revenue Distribution					\$ 0.00

EXPENSE DISTRIBUTION

FUND	DEPT	PROGRAM	ACCOUNT	PROJECT/GRANT	AMOUNT
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
Expense Distribution Subtotal Pg 1					\$ 0.00
Expense Distribution Subtotal Pg 2					\$ 0.00
Total Expense Distribution					\$ 0.00

Budget Authority _____

IF YOU REQUIRE ADDITIONAL REVENUE OR EXPENSE LINES, PLEASE USE PAGE 2

Doc #	_____	Date	_____	Initials	_____
Cash Rec	_____	Date Rec	_____	Initials	_____

- **APPENDIX F: CERTIFICATE OF TIME ATTENDANCE ([DOWNLOAD ORIGINAL HERE](#))**

To Be Printed on Department Letterhead

(Must be completed no less than every six months or at close-out of award, whichever is sooner)

To: The Finance Department - FAR Program

Certification of Time and Attendance

Employee
Name: _____

Employee
Title: _____

Department/Division: _____

Time Period: _____

I certify that 100% my time was spent performing the following duties for the financial assistance award identified below.

Description of duties performed for the federal program:

Award Number: _____

County Finance Chartfield:

Employee Signature Date

Supervisor Signature Date

▪ APPENDIX G: SUBRECIPIENT VS. CONTRACTOR DETERMINATION CHECKLIST ([DOWNLOAD ORIGINAL HERE](#))



Clackamas County
Subrecipient/ Contractor Determination Checklist

*Has Clackamas County been designated by the awarding entity as a contractor on this funding?
If yes, **STOP** --your issuance is a subcontract , not a subrecipient agreement.*

Contract Name:	Contract #:
Contract Period:	Award Period:
Funding Agency:	CFDA #:

Characteristics indicative of a subrecipient: CHOOSE ONE

1) Entity determines who is eligible to receive entity's services. Yes or No

If the answer to question 1 is YES; STOP HERE. The entity is a subrecipient.

2) Entity performance is measured against Federal program objectives, fulfills the mission of the Federal grant. Yes or No

3) Entity has responsibility for programmatic decision making; designing and implementing the program within the parameters of Yes or No

4) Entity has direct responsibility to adhere to applicable Federal program compliance requirements. Yes or No

5) Entity uses the Federal funds to carry out a program provided by the entity as compared to providing goods or services for a program of the County. Yes or No

Characteristics indicative of a contractor:

1) Entity provides the goods and services within entity's normal business operations. Yes or No

2) Entity provides similar goods or services to many different purchasers. Yes or No

3) Entity operates in a competitive environment; similar to that of private industry. Yes or No

4) Entity provides goods or services that support the County's operation of the Federal program. Yes or No

5) Entity is not subject to compliance requirements of the Federal program. The County is responsible for these. Yes or No

Determination: Subrecipient / Contractor

Brief narrative justifying determination:

Panel Members: _____

Program Manager (or responsible party) Signature: _____	Department/Division Manager Signature: _____
Date	Date

▪ **APPENDIX H: PROPERTY RECORDS CHECKLIST**

Asset Number	
Ownership (Feds or Grantee)	
Original Award Number	
Follow-on Award Number (If applicable)	
Description	
Source/Vendor	
Financial Transaction Number (if available)	
ID#	
Date Acquired	
Cost per Unit	
% of Federal Ownership	
Last Reported Location	
Last Reported Condition	
Last Reported Use	
Date of Last Report	
Disposed (Y/N)	
If Y, Date of Disposal	
Disposal Sales Price	

▪ **APPENDIX I: COUNTY RECORDING COVER PAGE**



BOARD ORDER/AGENDA ITEM

BEFORE THE BOARD OF COUNTY COMMISSIONS

DATE EXECUTED:

PURPOSE (BRIEF DESCRIPTION):

RETURN TO: *(IF LEFT BLANK COPY WILL BE SCANNED AND RECYCLED)*

▪ **APPENDIX J: DISCLOSURE OF REAL OR POTENTIAL CONFLICT OF INTEREST FORM – GRANT ISSUANCE**



**DISCLOSURE OF REAL OR POTENTIAL CONFLICT OF INTEREST FORM
Financial Assistance (“Grant”) Issuance and Management**

Clackamas County employees may not use or attempt to use their positions to gain financial benefit or to avoid a financial loss for themselves, a relative, a member of their household, or their business if the opportunity is available only because of the position held by the employee. Reference the Conflict of Interest Policy: Grant Management and Issuance for further details.

Information of County employee with Real or Potential Conflict:

Employee Name:		Department:	
Supervisor’s Name:		Division:	

Please develop a document and answer each of the below questions. It is important to provide as much information as possible to fully consider if there is a potential or real conflict.

1. Provide the name, address, and contact information of the individual and/or company with which a real or potential conflict of interest may exist.
2. Describe the relationship of the individual or company to the County employee.
3. Describe the proposed grant or the grant-funded, non-contract purchase benefitting the individual or company. Describe the potential grant or compensation and duration of the relationship.
4. Is there a financial gain or loss or other non-financial benefit that will be realized by the individual or company?
 Yes, Describe
 No
5. Is there a financial gain or loss or other non-financial benefit that will be realized by the County employee?
6. How did the individual or company find out about the grant opportunity or the proposed grant-funded goods/services?
7. How was the individual or company selected?
8. Were other individuals or companies considered for the proposed grant or grant-funded transaction?
 Yes, explain why the individual or company with the real or potential conflict of interest was selected:
 No, please explain why:
9. Are other individuals or companies able to perform the proposed activity? Yes No
 If No, please explain why:
10. Describe any other information or factors that should be considered.

Upon completion submit to the Senior Compliance Specialist at mwestbrook@clackamas.us. If it is determined there is no potential or real conflict of interest, the approved form serves as the final determination. If there is a potential or real conflict of interest, a mitigation plan or further documentation must be developed and approved.

- No potential or real conflict of interest.
 Yes – Restriction on contracting or a mitigation plan is approved.

 Senior Compliance Specialist | Date

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

2 CFR Part 200 Sections 200.420 thru 200.475 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 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. In case of a discrepancy between the provisions of a specific Federal award and the provisions below, the Federal award governs.

General Provisions for Selected Items of Cost

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

§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. Basic Considerations 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 Composition of costs through 200.411 Adjustment of previously negotiated indirect (F&A) cost rates containing unallowable costs. 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 Factors affecting allowability of *costs* must be applied in determining allowability. See also §200.102 Exceptions.

§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 performance of a federal award (See also §200.463 Recruiting costs);

(2) The procurement of goods and services for the performance of a federal award;

(3) The disposal of scrap or surplus materials acquired in the performance of a federal award except when non-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 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 Conferences), 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.

§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 General costs of government, applicable to states, local governments and Indian tribes.

§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—Audit Requirements 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—Audit Requirements 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—Post Federal Award Requirements of this part, §§200.330 Subrecipient and contractor determinations through 200.332 Fixed Amount Subawards) who are exempted from the requirements of the Single Audit Act and Subpart F—Audit Requirements 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.

§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 Collections of improper payments.

§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 arise also 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 *Payment*.

§200.429 Commencement and convocation costs.

For IHEs, costs incurred for commencements and convocations are unallowable, except as provided for in Appendix III to Part 200—Indirect (F&A) Costs Identification and Assignment, and Rate Determination for Institutions of Higher Education (IHEs), paragraph (B)(9) Student Administration and Services, as student activity costs.

§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 Compensation—fringe benefits. 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, Standards for Documentation of Personnel Expenses, 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 organizations, trustees, directors, associates, officers, or the immediate families thereof, determination should be made that such compensation is reasonable for the actual personal services rendered rather than a distribution of earnings in excess of costs. 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 (h)(9) 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 is assumed to be undertaken as an IHE obligation 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 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

(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 awards based on budget estimates. All necessary adjustment 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 which 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 which 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.

§200.431 Compensation—fringe benefits.

(a) 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 as indirect costs 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) 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 Insurance and indemnification); 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) 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 Insurance and indemnification, paragraphs (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 and they are allocated as indirect costs.

(f) *Automobiles*. That portion of automobile costs furnished by the 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) For entities using accrual based accounting, the cost assigned to each fiscal year is 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) refers 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 federal government's 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 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 (a) law, (b) employer-employee agreement, (c) established policy that constitutes, in effect, an implied agreement on the non-federal entity's part, or (d) 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 obligation 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)(1) *For IHEs only.* Fringe benefits in the form of 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 for undergraduate education under IRC Section 117(d) as amended, provided that the benefit does not discriminate in favor of highly compensated employees. Federal reimbursement of tuition or remission of tuition is also limited to the institution for which the employee works. See §200.466 Scholarships and student aid costs, for treatment of tuition remission provided to students.

(k) 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 Composition of costs through 200.411 Adjustment of previously negotiated indirect (F&A) cost rates containing unallowable costs of this subpart;
- (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.

§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 Entertainment costs, 200.456 Participant support costs, 200.474 Travel costs, and 200.475 Trustees.

§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 (b)(1) 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 Statutory and national policy requirements through 200.309 Period of performance of Subpart D of this part and

200.403 Factors affecting allowability of costs); 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 Compensation—fringe benefits regarding self-insurance, pensions, severance and post-retirement health costs and 200.447 Insurance and indemnification.

§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 Cost sharing or matching). Depreciation on donated assets is permitted in accordance with §200.436 Depreciation, 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 is not allowable 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 Cost sharing or matching.

(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 organization 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 Cost sharing or matching.

(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 is not reimbursable either as a direct or indirect cost.

(2) The value of the donations may be used to meet cost sharing or matching share requirements under the conditions described in §§200.300 Statutory and national policy requirements through 200.309 Period of performance of subpart D of this part. The value of the donations must be determined in accordance with §§200.300 Statutory and national policy requirements through 200.309 Period of performance. Where donations are treated as indirect costs, indirect cost rates will separate the value of the donations so that reimbursement will not be made.

§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 for default 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.

§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 IV through VIII.

(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 this purpose, 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, or where law or agreement prohibits recovery; and

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

(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 taken each period must also be maintained.

§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 §§200.13 Capital expenditures, 200.33 Equipment, 200.89 Special purpose equipment, 200.48 General purpose equipment, 200.2 Acquisition cost, and 200.12 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 Depreciation, for rules on the allowability of depreciation on buildings, capital improvements, and equipment. See also §200.465 Rental costs of real property and equipment.

(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.

§200.440 Exchange rates.

(a) Cost increases for fluctuations in exchange rates are allowable costs subject to the availability of funding, and prior approval by the federal awarding agency. 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.

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

§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 Proposal costs.

(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 Direct costs.

§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 Depreciation and 200.439 Equipment and other capital expenditures.

(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 §46*200.447 Insurance and indemnification.

(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 Insurance Coverage through 200.316 Property trust relationship.

§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 §200.474 Travel costs). 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 Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringements); 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 §200.64 Local government), the portion of salaries and expenses directly attributable to managing and operating federal programs by the chief executive and his or her staff is allowable. Up to 50% of these costs can be included in the indirect cost calculation without documentation.

§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 means 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 Compensation—fringe benefits). 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.

§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 Professional service costs).

(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 should not exceed the cost which would have been allowed had the non-federal entity retained title thereto.

§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)(1) Capital assets is defined as noted in §200.12 Capital assets. 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 capital lease may be determined less costly than Procurement through 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 September 23, 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 organization 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 organization 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”.

§200.450 Lobbying.

(a) The cost of certain influencing activities associated with obtaining grants, contracts, 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 at 55 FR 6736 (February 26, 1990), including definitions, and the Office of Management and Budget “Governmentwide Guidance for New Restrictions on Lobbying” and notices published at 54 FR 52306 (December 20, 1989), 55 FR 24540 (June 15, 1990), 57 FR 1772 (January 15, 1992), and 61 FR 1412 (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 organization 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 Direct costs.

(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 Required certifications.)

(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 Financial management 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.

§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 Equipment and other capital expenditures). These costs are only allowable to the extent not paid through rental or other agreements.

§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 should be charged at their actual net cost under any recognized method of pricing inventory withdrawals, consistently applied. Incoming transportation charges are a proper part of materials and supplies costs.

(c) 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.

§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 organization are unallowable.

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

§200.455 Organization 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 §200.75 Participant support costs are allowable with the prior approval of the federal awarding agency.

§200.457 Plant and security costs.

Necessary and reasonable expenses incurred for routine and security to protect facilities, personnel, and work products are allowable. Such costs include, but are not limited to, wages and uniforms of personnel engaged in security activities; equipment; barriers; protective (non-military) gear, devices, and equipment; contractual security services; and consultants. Capital expenditures for plant security purposes are subject to §200.439 Equipment and other capital expenditures.

§200.458 Pre-award costs.

Pre-award costs are those incurred prior to the effective date of the federal award 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.

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

(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.

§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 before 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.

§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 as a direct cost 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 Relocation costs of employees.

(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.

§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 Procurement 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 allowed either as a direct or indirect cost 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. However, the costs of travel to an overseas location must be considered travel costs in accordance with §200.474 Travel costs, and not this §200.464 Relocation costs of employees, for the purpose of this paragraph if dependents are not permitted at the location for any reason and the costs do not include costs of transporting household goods.

(d) The following costs related to relocation are unallowable:

- (1) Fees and other costs associated with acquiring a new home.
- (2) A loss on the sale of a former home.
- (3) Continuing mortgage principal and interest payments on a home being sold.
- (4) Income taxes paid by an employee related to reimbursed relocation costs.

§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.

§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 Compensation—personal services, 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 Compensation—fringe benefits.

§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 Advertising and public relations.) are unallowable, except as direct costs, with prior approval by the federal awarding agency when necessary for the performance of the federal award.

§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 paragraphs (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 Applicable credits.

(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.

§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 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 Equipment, paragraph (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—Post Federal Award Requirements of this part, §§200.338 Remedies for Noncompliance through 200.342 Effects of Suspension and termination); 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 Indirect (F&A) costs. The indirect costs so allocated must exclude the same and similar costs claimed directly or indirectly as settlement expenses.

§200.472 Training and education costs.

The cost of training and education provided for employee development is allowable.

§200.473 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.

§200.474 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 General costs of government, 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 Conferences.

(3) 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)).

(d) *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.

(e) *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.

§200.475 Trustees.

Travel and subsistence costs of trustees (or directors) at IHEs and nonprofit organizations are allowable. See also §200.474 Travel costs.

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