U.S. GOVERNMENT RULES AND REGULATIONS: COST PRINCIPLES

2 CFR 200.400 Subpart E

February 1, 2024

Presented by:
Accelerating Support to Advanced Local Partners (ASAP II)
WELCOME ALL

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2. Please use the Q&A box to ask questions and the chat box for answering questions asked by the presenters.

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REASONABLE
ALLOCABLE
ALLOWABLE
SUPPORTED
PROBABLE UPCOMING CHANGES TO THE UNIFORM GUIDANCE MARCH/APRIL 2024

CHANGES DIRECTLY IMPACTING RECIPIENTS

1. Increase the single audit threshold from $750,000 to $1 million and the thresholds for equipment and supplies from $5,000 to $10,000. Sec. 200.313, 200.314 & 200.501
2. Clarify what Federal agencies approve costs requiring prior approval when the Federal award is issued if the costs were included in the recipient’s proposal and do not require subsequent approval prior to expenditure. Sec. 200.407
3. Continue to provide Federal agencies with discretion to apply subparts A-E of part 200 to for-profit entities, foreign public entities, or foreign organizations. Sec. 200.101(c)
4. Change the definition of “Modified Total Direct Costs” to exclude subaward costs above $50,000 rather than $25,000. Sec. 200.1
5. Clarify that recipients and subrecipients must promptly disclose any “credible evidence” of a Federal criminal law potentially affecting the Federal award. Sec. 200.113
6. Entitle recipients to any unexpected funds under a fixed amount award. Sec. 200.201
7. Remove the current Simplified Acquisition Threshold ($250,000) for fixed amount awards. Sec. 200.333
PROBABLE UPCOMING CHANGES TO THE UNIFORM GUIDANCE MARCH/APRIL 2024 Cont...

8. Provide additional flexibilities for recipients when interest bearing accounts are not accessible in a foreign country. Sec. 200.305
9. Allow program income for certain closeout costs. Sec. 200.307
10. Clarify that recipients do not need approval of individual subrecipients, but only when making subawards of programmatic activities not proposed by the recipient in the application for an award. Sec. 200.308
11. Eliminate prior approvals for real property, direct costs, entertainment costs, exchange rates, memberships, participant support costs, selling and marketing costs, and taxes. Sec. 200.407
12. Clarify recipients and subrecipients may notify OMB of any disputes with regards to a Federal agency’s application or acceptance of a federally negotiated indirect cost rate. Para. (c)(2) of Sec. 200.414
13. Clarify that pass-through entities must accept all federally negotiated indirect cost rates for subrecipients. Para. (d) of Sec. 200.414
14. **Raise the de minimis rate from 10% to 15%.** Para. (f) of Sec. 200.414
15. Require subrecipients to certify to pass-through entities that financial information submitted to the pass-through entity is complete and accurate. Sec. 200.415

16. Remove the requirement for prior approval of fluctuations of exchange rates. No approval is required because an exchange rate has fluctuated and resulted in a necessary charge to available funding. Sec. 200.440

17. Remove the prior approval requirement for participant support costs or selling and marketing costs. Sec. 200.456 & 200.467

18. Include closeout costs upon termination. Sec. 200.472

19. Allow charging administrative costs specifically associated with the closeout of a Federal award. Sec. 200.472

20. Require that compliance testing must include a test of transactions to provide the auditor with sufficient evidence to support an opinion on compliance. Sec. 200.514

21. Clarify that under the direct cost allocation method, joint costs include costs for information technology. Appendix IV to Part 200
TYPICAL TYPES OF COSTS FOR HEALTH PROJECTS

Salaries/Benefits

Travel
- Local flights
- Car hire / other transport
- Accommodation

Supplies (campaign materials, condoms)

Equipment (electronic information system, laptops, furniture fittings)

Contractors
- Assessments

Prevention and training
- Awareness campaigns
- Treatment
- Workshops

Other
- Rent
- Computer facilities
- Printing, stationery
- Insurance
- Audit & consulting
Purpose
► Cost principles for grants, contracts and other agreements with non-Federal entities

Applicability
► Used by Federal agencies that sponsor cost of work performed by non-Federal entities and their subs
SECTIONS

► BASIC CONSIDERATIONS (GENERAL PRINCIPLES) (402 – 411)
► DIRECT AND INDIRECT (F&A) COSTS (412 – 415)
► SPECIAL CONSIDERATIONS FOR STATES, LOCAL GOVERNMENTS AND INDIAN TRIBES (416 – 417)
► SPECIAL CONSIDERATIONS FOR INSTITUTIONS OF HIGHER EDUCATION (418 – 419)
► GENERAL PROVISIONS FOR SELECTED ITEMS OF COST (420 – 476)
► NON-PROFIT ORGANIZATIONS EXEMPTED FROM SUBPART E – COST PRINCIPLES OF PART 200 (APPENDIX VIII)
402. COMPOSITION OF COSTS

Total cost
The total cost of a Federal award is the sum of the allowable direct and allocable indirect costs less any applicable credits.
403. FACTORS AFFECTING ALLOWABILITY OF COSTS

- Necessary and reasonable for the performance of the Federal award
- Conform to any limitations or exclusions set forth in these principles or in the Federal award
- Consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity
- Accrued consistent treatment (Direct / Indirect for both Federal and non-Federal awards)
- Determined in accordance with generally accepted accounting principles (GAAP)
- Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period
- Adequately documented

(h) Cost Administrative closeout costs may be incurred until the due date of the final report(s). If incurred, these costs must be liquidated prior to the due date of the final report(s) and charged to the final budget period of the award unless otherwise specified by the Federal agency. All other costs must be incurred during the approved budget period.
404. REASONABLE COSTS

- 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.

- Reasonableness factors:
  - Cost is ordinary and necessary for the operation of the non-Federal entity or the proper and efficient performance of the Federal award.
  - Compliance with good business practice, the award requirements and other laws and regulations.
  - Market prices for comparable goods or services for the geographic area.
  - Individuals concerned acted with prudence in the circumstances considering their responsibilities to the non-Federal entity, its employees, where applicable its students or membership, the public at large, and the Federal Government.
  - Non-Compliance with established practices and policies regarding the incurrence of costs, which may unjustifiably increase the Federal award's cost.
Cost is allocable to a particular Federal award if:

- Is incurred specifically for the Federal award
- Benefits both the Federal award and other work of the non-Federal entity (distributed using reasonable methods)
- Necessary to the overall operation of the non-Federal entity and is assignable (using reasonable methods)
- All activities which benefit from the non-Federal entity's indirect (F&A) cost will receive an appropriate allocation of indirect costs
- Cost allocable to a particular Federal award may not be charged to other Federal awards to overcome fund deficiencies or other reasons
Examples of such transactions are purchase discounts, rebates or allowances, recoveries or indemnities on losses, insurance refunds or rebates, and adjustments of overpayments or erroneous charges.

must be credited to the Federal award either as a cost reduction or cash refund.
Reasonableness and allocability of certain items of costs may be difficult to determine, prior written approval of the cognizant agency to be sought before incurring the expenditure.

Prior approval is specifically required for allowability under certain the following sections:

- §200.201 Use of grant agreements (including fixed amount awards), cooperative agreements, and contracts, paragraph(b)(5)
- §200.306 Cost sharing or matching
- §200.307 Program income
- §200.308 Revision of budget and program plans
407. PRIOR WRITTEN APPROVAL (PRIOR APPROVAL) Cont....

- §200.311 Real property;
- §200.313 Equipment;
- §200.333 Fixed amount subawards;
- §200.413 Direct costs, paragraph (c);
- §200.430 Compensation—personal services, paragraph (h);
- §200.431 Compensation—fringe benefits;
- §200.438 Entertainment costs;
- §200.439 Equipment and other capital expenditures;
- §200.440 Exchange rates;
- §200.441 Fines, penalties, damages and other settlements;
- §200.442 Fund raising and investment management costs;
407. PRIOR WRITTEN APPROVAL (PRIOR APPROVAL) Cont....

- §200.445 Goods or services for personal use;
- §200.447 Insurance and indemnification;
- §200.454 Memberships, subscriptions, and professional activity costs, paragraph (c);
- §200.455 Organization costs;
- §200.456 Participant support costs;
- §200.458 Pre-award costs;
- §200.462 Rearrangement and reconversion costs;
- §200.467 Selling and marketing costs;
- §200.470 Taxes (including Value Added Tax); and
- §200.475 Travel costs.
412. CLASSIFICATION OF COSTS

- No universal rule for classifying certain costs as either direct or indirect (F&A) under every accounting system
- Each item of cost incurred for the same purpose be treated consistently in like circumstances either as a direct or an indirect (F&A) cost in order to avoid possible double-charging of Federal awards
Direct costs are those costs that can be identified specifically with a particular final cost objective.

Typical costs charged directly to a Federal award are:

- compensation of employees who work on that award, their related fringe benefit costs,
- costs of materials and other items of expense incurred for the Federal award.
Negotiated rates (NICRA) must be accepted by all Federal awarding agencies. HHS/CDC does not appear to be recognizing this rule.

A different rate may be used **only when** required by Federal statute or regulation, or when approved by a Federal awarding agency.

Federal awarding agency head or delegate must notify OMB of any approved deviations.

The recipient or subrecipient may notify OMB of any disputes with Federal agencies regarding the application of a Federally negotiated indirect cost rate.

Federal awarding agency must implement, and make publicly available, the policies, procedures and general decision-making criteria that their programs will follow to seek and justify deviations from negotiated rates.

Requirements for development and submission of indirect (F&A) cost rate proposals and cost allocation plans are contained in Appendices III-VII and Appendix IX.
(f) In addition to the procedures outlined in the appendices in paragraph (e) of this section, any non-Federal entity that does not have a current negotiated (including provisional) rate, except for those non-Federal entities described in appendix VII to this part, paragraph D.1.b, may elect to charge a de minimis rate of 10% (15%) of modified total direct costs (MTDC) which may be used indefinitely. **No documentation is required to justify the 10% de minimis indirect cost rate.** As described in §200.403, costs must be consistently charged as either indirect or direct costs, but may not be double charged or inconsistently charged as both. If chosen, this methodology once elected must be used consistently for all Federal awards until such time as a non-Federal entity chooses to negotiate for a rate, which the non-Federal entity may apply to do at any time.
If an extension is granted the non-Federal entity may not request a rate review until the extension period ends.

The federally negotiated indirect rate, distribution base, and rate type for a non-federal entity must be available publicly on an OMB-designated Federal website.

The federally negotiated indirect rate, distribution base, and rate type for a non-Federal entity (except for the Indian tribes or tribal organizations, as defined in the Indian Self Determination, Education and Assistance Act, 25 U.S.C. 450b(1)) must be available publicly on an OMB-designated Federal website.
In case of a discrepancy between the provisions of a specific Federal award and the provisions in the cost principles, 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.
421. ADVERTISING & PUBLIC RELATIONS COSTS

**Only allowable advertising costs:**
- Recruitment of personnel for performance of award
- Procurement of goods and services for performance of award
- Disposal of scrap or surplus materials under award
- Program outreach to meet award requirements

**Only allowable public relations costs:**
- Costs specifically required by award
- Activities or accomplishments which result from performance of the Federal award
- Conducting liaison with media or government
421. ADVERTISING & PUBLIC RELATIONS COSTS Cont…

UNALLOWABLE advertising and public relations:

► All costs not mentioned above
► Cost of meetings, conventions etc. related to fund raising including displays, demonstrations, exhibits – also salaries and wages of employees engaged in setting up displays, etc.
► Cost of promotional items (models, gifts, and souvenirs)
► Costs solely to promote the organization
423. ALCOHOLIC BEVERAGES

UNALLOWABLE
(a) A reasonably proportionate share of the costs of audits required by, and performed in accordance with, the Single Audit Act Amendments of 1996 (31 U.S.C. 7501-7507), as implemented by requirements of this part, are allowable. However, the following audit costs are unallowable:

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

(2) Any costs of auditing a non-Federal entity that is exempted from having an audit conducted under the Single Audit Act and subpart F of this part because its expenditures under Federal awards are less than $750,000 during the non-Federal entity's fiscal year.
(b) The costs of a financial statement audit of a non-Federal entity that does not currently have a Federal award may be included in the indirect cost pool for a cost allocation plan or indirect cost proposal.

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

1. Conducted in accordance with GAGAS attestation standards;
2. Paid for and arranged by the pass-through entity; and
3. Limited in scope to one or more of the following types of compliance requirements: activities allowed or unallowed; allowable costs/cost principles; eligibility; and reporting.
426. BAD DEBTS

- UNALLOWABLE

- Also, related collection costs and legal costs arising from such debts after they have been determined to be uncollectible are also unallowable
COMMUNICATION COSTS

- Note: this specific cost principle which used to say “Telephone, postage, internet connectivity etc., are allowable” has been removed.

- This does not mean that communications costs are not allowable but that such costs must be clearly defined in the cost proposals and still be adequately supported. You might consider asking for specific AO approval for such costs.
430.g COMPENSATION – PERSONAL SERVICES

- All compensation paid or accrued by organization for services by employees during award
- E.g. salaries, incentives, fringe, pension, hardship pay etc.
- **Allowable** to extent:
  - Reasonable and conforms to written policy
  - Follows an appointment made in accordance with local laws
  - Determined and supported
Reasonableness

- Consistent with salary paid for similar work in the organization’s other activities
- Or else in the labor market that is relevant to the types of employees which the organization competes for
Unallowable costs.
- Costs which are unallowable under other sections of these principles must not be allowable.

Nonprofit organizations
- Compensation to members of nonprofit organizations, trustees, directors, associates, officers, or the immediate families thereof **allowable** if reasonable.

Incentive compensation
- When based on cost reduction, increased performance: **allowable** when reasonable and agreement reached before performance.
Standards for Documentation of Personnel Expenses:

- Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. **These records must:**
  - Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated
  - Be incorporated into the official records of the non-Federal entity
  - Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, (not >100%)
  - Encompass both federally assisted, and all other activities compensated by the non-Federal entity on an integrated basis
These records must:

- Comply with the established accounting policies and practices of the non-Federal entity
- 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
- Budget estimates alone do not qualify as support for charges to Federal awards, but may be used for interim accounting purposes
- Records may reflect categories of activities expressed as a percentage distribution of total activities
- 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.
Compensation in addition to regular salaries and wages

Include, but are not limited to, the costs of leave (vacation, family-related, sick or military), employee insurance, pensions, and unemployment benefit plans

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.
Leave (annual, family-related, sick, court, military, administrative leave, and other similar benefits) are allowable if all of the following criteria are met:

- In terms of established written leave policies;
- costs are equitably allocated to all related activities; and
- Accounting basis (cash or accrual) selected for costing each type of leave is consistently followed.

- If cash basis - cost of leave is recognized in the period that the leave is taken and paid for.
- 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.
Fringe benefits in the form of employer contributions or expenses for social security; employee life, health, unemployment, and worker’s compensation insurance and other similar benefits are allowable, provided such benefits are granted under established written policies.

Fringe benefits will be allocated based on entity-wide salaries and wages of the employees receiving the benefits, unless if there is a specific basis for better allocation.
432. CONFERENCES

If necessary and reasonable for successful performance under the Federal award:

- **Allowable** conference costs may include rental of facilities, speakers’ fees, costs of meals and refreshments, local transportation, and other items incidentals, unless restricted by the award conditions.

- 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.
Compensation for organization’s buildings, other capital improvement costs, equipment and software projects are **allowable** – this is done by computing depreciation.

Depreciation based on acquisition cost. If donated use fair market value.

Acquisition costs **exclude** cost of land and donation by USG and assets acquired sorely for the performance of a no Federal Award.

Depreciation method- period of useful life.

Depreciation method once used should be similar to the one used for the financial statements and shall not be changed unless approved by relevant Agency official.

No depreciation may be allowed on any assets that have outlived their depreciable lives.
Costs of employee health, first-aid etc. are **allowable**.
Costs must be equitably apportioned to all activities of the organization.
Potential income to be credited to cost
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 and if:
- non-Federal entity can demonstrate unusual circumstances; and
- approval of the cognizant agency for indirect costs.
Employee “Morale” costs are no longer specifically allowed
Costs of entertainment including amusement etc. are unallowable.

Except:
- 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.
Capital expenditures - acquisition of capital assets.

Equipment - tangible personal property >1-year useful life and > USD 5,000 or own policy amount.

Special purpose equipment - equipment used for research, medical etc.

General purpose equipment - office equipment, IT equipment and systems, vehicles, telephone networks, air-con etc.
439 (b). RULES OF ALLOWABILITY

- General purpose equipment, land and buildings are **unallowable** as a direct charge except with prior approval.
- Special purpose equipment is **allowable** as direct costs (*prior approval needed for item > USD 5,000*).
- Capital expenditures for (improvements to) land, building are **unallowable** as direct cost except with prior approval.
- Cost of equipment disposal allowable if the non-Federal entity is instructed by the Federal awarding agency to otherwise dispose of or transfer the equipment.
- Equipment and other capital expenditures are **unallowable** as indirect costs.
Cost increases for fluctuations in exchange rates are allowable subject to:

- The availability of funding; and
- Prior approval by the Federal awarding agency if additional funding needed or the increase results in significant decrease in scope of project.

Recipient must make reviews of local currency gains to determine the need for additional federal funding before the expiration date of the Federal award.

Adjustments for currency increases may be allowable only when the non-Federal entity provides the Federal awarding agency with adequate source documentation.
445. GOODS OR SERVICES FOR PERSONAL USE

- 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.

- Costs of housing (e.g., depreciation, maintenance, utilities, furnishings, rent), housing allowances and personal living expenses are only allowable as direct costs if approved in advance by a Federal awarding agency.
Costs of insurance required or approved and maintained, pursuant to the Federal Award, are allowable.

Costs of other insurance are allowable subject to the following limitations:

- In accordance with the non-Federal entity’s policy and sound business practice.
- Insurance to cover risk of loss of, or damage to, Federal government property are unallowable except to the extent required and approved by the Federal awarding agency.
- Costs allowed for business interruption or other similar insurance must exclude coverage of management fees.
- 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).
Costs of other insurance are allowable subject to the following limitations:

- Insurance to correct defects in the non-Federal entity’s materials or workmanship are unallowable.
- Medical liability (malpractice) 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.

Actual losses (that could have been covered through allowable insurance) are unallowable unless expressly provided for in the Federal award.
Costs to repair or upkeep / maintain in efficient operating condition are allowable.

But improvements costs are capital expenditure (refer to 439 Equipment and other capital expenditures).
Cost allowable with prior approval

*Direct costs for items such as:*

- Stipends
- Subsistence allowance
- Travel allowances
- Registration fees *(except for employees)* in connection with conferences or training projects
457. PLANT AND SECURITY COSTS

- Necessary and reasonable security costs to protect facilities, products etc. are allowable.
  - Examples: wages, uniforms, equipment, consultants etc.
Consulting & professional service costs are allowable.

**Determining allowability:**
- Nature & scope in relation to service required
- Necessity of contracting vs. internal capability
- Pattern of such costs in prior years
- Impact on the organization >> have new problems arisen?
- Economic reasons (contractor vs. employee)
- Qualifications of individual
- Adequacy of contractual agreement (e.g. Description of services, time required, rates, etc.)

*Retainer fees must be supported by evidence of bona fide services rendered*
Proposal costs of the current accounting period of both successful and unsuccessful bids and proposals (both Federal & non-Federal) 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.
463. RECRUITING COSTS

- Most types of costs (including external agencies) are **allowable** but they must be part of a well-managed recruitment program.
- Excessive costs are unallowable.
- Unreasonable costs are unallowable (size of advert, color, not related to recruitment etc.)
- Relocation costs for new employees are allowable (as either direct or indirect) – but repayment required if person resigns within 12 months.
Rental costs are allowable to extent that rates are reasonable.
Sale and leaseback is allowable but limited to what costs would have been without sale.
Less-than-arms-length lease costs are allowable but limited to arms-length amounts.
Taxes which the organization is required to pay are generally allowable except:

- Where exemptions are available
- Special assessments on land which represent capital improvements
- Federal income tax (USG)
- Interest or refunds to be credited to USG.
- Value Added Tax (VAT) is an allowable expense under Federal awards
472. TERMINATION COSTS

At Termination of a Federal award:

► Items reasonably usable on other projects, **unallowable**.

► Certain costs cannot be discontinued immediately, **allowable** within limitations.

► Loss of useful value on special equipment (e.g., tools, machinery) is **allowable** if:
  - is not reasonably capable of use in the other work
  - interest of the Federal Government is protected by transfer of title

► Rental costs under unexpired leases are **allowable**.

► Settlement expenses are **allowable** (e.g., accounting, legal, clerical.)

► Claims under sub-awards are allowable.
The cost of training and education provided for employee development is allowable.
Travel costs are **allowable** if in accordance with non-Federal entity's written travel reimbursement policies and consistent with non-Federal entity's non-federally-funded activities.

Lodging and subsistence costs are allowed if reasonable and within institution’s own policies.

Temporary dependent care costs, allowable provided:

- direct result of the individual's travel for the Federal award
- consistent with the non-Federal entity's documented travel policy for all entity travel
- only temporary during the travel period.
Airfare costs in excess of economy **unallowable** except:

- Circuitous routing
- Travel during unreasonable hours
- Increases duration of flight excessively
- Results in additional costs that would offset transport savings
- Medical needs

*Always document the reasons for exception!*
476. TRUSTEES

- Travel and subsistence costs of trustees and directors are *allowable* – subject to restrictions under Travel costs (475.)
2 CFR 200.500 (F) A-133

YELLOW BOOK

ISA / GAAS
The compliance review evaluates how well the NFE complied with statutes, regulations, and the terms and conditions of the award. This includes an assessment of management and operations, internal controls in place to identify instances of non-compliance, and the level of compliance of each major program. The Compliance Supplement outlines the requirements for the compliance review.

Audit opinions are provided on the NFE’s financial statements, major programs selected for review, and internal controls for these programs.

Screen 6: Who Conducts a Single Audit and When Is It Conducted?

A single audit is conducted by an auditor obtained by the NFE. Additional Federal audits are still allowed even if a single audit is completed, but the costs for these audits are paid by the Federal agency and these audits must build on the work completed for the single audit. The effective date for audits conducted under Subpart F of the Uniform Guidance is fiscal years beginning on or after December 26, 2014. The first single audits were conducted for fiscal year end December 31, 2015. Most audits are conducted annually except for some States that are allowed to perform a biennial audit in the original OMB Circular A-133.

Screen 7: Who Is Subject to a Single Audit?

NFEs that meet the expenditures threshold are subject to the single audit requirement. The types of NFE are listed here. For profit organizations and foreign entities with Federal expenditures are NOT subject to single audits unless it is required specifically by the Federal awarding agencies.
Circular No. A-133
Revised to show changes published in the Federal Registers
of June 27, 2003 and June 26, 2007
Audits of States, Local Governments, and Non-Profit Organizations

TO THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

SUBJECT: Audits of States, Local Governments, and Non-Profit Organizations


2. **Authority.** Circular A-133 is issued under the authority of sections 503, 1111, and 7501 et seq. of title 31, United States Code, and Executive Orders 8248 and 11541.


4. **Policy.** Except as provided herein, the standards set forth in this Circular shall be applied by all Federal agencies. If any statute specifically prescribes policies or specific requirements that differ from the standards provided herein, the provisions of the subsequent statute shall govern.

Federal agencies shall apply the provisions of the sections of this Circular to non-Federal entities, whether they are recipients expending Federal awards received directly from Federal awarding agencies, or are subrecipients expending Federal awards received from a pass-through entity (a recipient or another subrecipient).

This Circular does not apply to non-U.S. based entities expending Federal awards received either directly as a recipient or indirectly as a subrecipient.

5. **Definitions.** The definitions of key terms used in this Circular are contained in §105.105 in the Attachment to this Circular.
USAID Financial Audit Guide for Foreign Organizations

A Mandatory Reference for ADS Chapter 591
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SEFA)

INTERNAL CONT.

TERMS & COND.

PRIOR REC.

INDIR. COSTS

COST SHARE

STAT F/S
THANK YOU

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FINAL
QUESTIONS & ANSWERS