Cost Principal Policy and Procedure Template

**[Insert Entity Cover Page/Logo]**

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# Purpose

The goal of this manual is to ensure [Entity] has sound management practices. Oversight over federal fund expenditures is required. Employees working with federal programs must use this manual. [Entity] created this manual using current state and federal laws and regulations. If an employee finds a conflict, state and federal laws and regulations supersede this document.

# General Principles for Allowability

## General Criteria

All costs funded by federal dollars must be allowable. Allowable costs must meet the following standards:

1. Be necessary. Costs must be needed to meet program goals.
2. Be reasonable. The purchaser acted with care. The cost fits under the heading “sound business practice.”
3. Can be allocated. Costs must be charged in relation to benefits received.
4. Be given consistent treatment. Costs direct charged cannot also be indirectly charged.
5. Be determined in accordance with generally accepted accounting principles.
6. Be adequately documented.

# Selected Items of Cost

Below is a list of common costs considered allowable and unallowable. This list is not all inclusive. A cost not listed does not mean it is either allowable or unallowable. Employees should use the allowable standards in section II. A. when determining if a cost is allowable.

## Allowable Costs

Below are allowable costs in accordance with 2 CFR 200 Subpart E – Cost Principles. All costs must meet the general criteria described in section II. A.

1. Advertising for:
2. Recruitment of personnel.
3. Procurement of goods and services.
4. Disposal of scrap or surplus materials.
5. Program outreach.
6. Communications. Examples include telephone, cellular phone, and internet service.
7. Conferences where the primary purpose is to provide technical information. Examples include informing subrecipients or contractors of:
8. New laws and regulations affecting a federal grant.
9. Changes to the grant agreement.
10. New strategies to improve grant performance.
11. Insurance.
12. Maintenance and repair.
13. Materials and supplies.
14. Meals and refreshments. There must be adequate documentation on:
15. The necessity of having a meeting during a meal time instead of during normal business hours.
16. The grant related subjects discussed.
17. Include a list of members attending and receiving meals and/or refreshments.
18. Itemized meal cost receipts containing the date and name of the organization providing the meal.

Further guidance on allowable meals and refreshments is found at: [U.S. Department of Education frequently asked questions](https://view.officeapps.live.com/op/view.aspx?src=http%3A%2F%2Fwww2.ed.gov%2Fpolicy%2Ffund%2Fguid%2Fgposbul%2Ffaqs-grantee-conferences-may-2013.doc).

1. Memberships, subscriptions, and professional activity costs (excluding costs associated with lobbying).
2. Overtime. Prior approval from DLR is required.
3. Personnel and fringe benefits costs.
4. Bonuses are allowable if policies for providing bonuses are set prior to performance of work and are not dependent on funding remaining in the grant.
5. Postage, freight, and other shipping costs.
6. Professional service costs necessary for fulfilling the grant.
7. Publication and printing costs.
8. Public relations costs for communicating with the public. The information provided must relate to a specific activity or mile stone of the federal grant. Costs for conducting general liaison with news and government are also allowed.
9. Rental costs of real property and equipment (idle property is unallowable unless it is to finish the satisfaction of a contract).
10. Travel and employee relocation costs following the [Entity} policy.

## 

## Unallowable Costs

Certain costs are not allowed to be charge to federal grants. These costs are not allowed according to 2 CFR 200 Subpart E - Cost Principles. Costs not allowed include but not limited to:

* 1. Advertising and public relations for the sole purpose of promoting [Entity] services.
  2. Alcoholic beverages.
  3. Bad debts. These include losses arising from uncollected accounts.
  4. Capital Expenses such as construction of a new building is unallowable.
  5. Capital Improvement costs for general purpose or improvements to equipment, buildings, and land as direct charges. Some capital costs are allowed with prior approval from SD DLR.
  6. Criminal, civil, or administrative proceeding against [Entity].
  7. Donation costs to other entities. These costs include cash, property, and/or services.
  8. Entertainment costs. These costs include pastime, social activities, and any associated costs.
  9. Fundraising costs. These costs include financial campaigns, donation drives, gifts, and similar costs incurred to raise capital or obtain contributions.
  10. Goods or services for personal use by [Entity] employees.
  11. Idle facilities.
  12. Interest charged.
  13. Investment counsel and staff and similar costs incurred to enhance income from investments.
  14. Lobbying costs.
  15. Meals and refreshments while engaging in the day-to-day business or staff training and meetings with employees.
  16. Membership costs for any social or dining clubs or organizations (i.e., country club).
  17. Office decorations.
  18. Penalties, fines, or late fees.
  19. Promotional items and memorabilia, such as give-a-ways, gifts, and souvenirs.
  20. Shifted costs to overcome funding shortages.
  21. Travel costs exceeding reasonable lodging and meal allowances.

# Adequate Documentation

All expenses vouchered for must be accompanied with supporting documentation to ensure costs are reasonable, allowable, and allocable.

## Minimum Requirements of Supporting Documents

1. Supporting documents must show:
2. Name of business.
3. Date of purchase/service completed.
4. Itemized cost.
5. Description of how costs benefit the grant.
6. Amount and percentage of costs allocated to all programs (if applicable).
7. Who requested and approved the purchase.
8. Other records to facilitate an effective audit.

## Required Documentation for Personnel Compensation

Salaries and wages charged to a Federal grant must be supported with time reports accurately reflecting the work performed in accordance with 2 CFR 200.430 (i) Standards for Documentation of Personnel Expenses. Required documentation for personnel compensation include:

1. Time reports with daily records of total hours worked.
2. Report must include all activity codes.
3. Time distributed accurately between all activities, including non-federal.
4. Use adequate increments (hours, half hours, minutes).
5. Signed by the employee and supervisor/designee with an statement attesting to the accuracy of the document.

# Procurement Procedures

## Purpose

To ensure full and open competition with procurements done by the [Entity].

## Minimum Requirements

1. Micro Purchase (purchases less than $3,000) – (Insert organizations procurement procedure)
2. Small Purchase (between $3,000 and the Simplified Acquisition Threshold – Currently $150,000) – At minimum, the [Entity] must get three bids.
3. Sealed Bids, Competitive Proposals (over Simplified Threshold) – Follow procurement procedures for sealed bids or competitive proposals.