

Wood County Alcohol, Drug Addiction and Mental Health Services Board
Policy and Procedure Manual

Federal Funds – Cost Principles	Section VII-B.2(b)
Resolution Number: 2018-32 March 26, 2018	Page 1 of 4

PURPOSE: To assure proper and efficient administration of Federal Funds in accordance with the Uniform Guidance over federal programs.

POLICY: The Executive Director is responsible for the efficient and effective administration of federal funds through the application of sound management practices. Such funds shall be administered in a manner consistent with all applicable Federal, State and local laws, the associated agreements/assurances, program objectives and the specific terms and conditions of the federal award.

PROCEDURE:

Allowable Costs

Except where otherwise authorized by statute, costs shall meet the following general criteria in order to be allowable under Federal awards:

A. Be necessary and reasonable for proper and efficient performance and administration of the Federal award and be allocable under federal cost principles.

To determine whether a cost is reasonable, consideration shall be given to:

1. whether a cost is a type generally recognized as ordinary and necessary to the operation of the WCADAMHS Board or the proper and efficient performance of the Federal award;
2. the restraints or requirements imposed by such factors as sound business practices, arm's length bargaining, Federal, State, local, tribal and other laws and regulation;
3. market prices for comparable goods or services for the geographic area;
4. whether the individuals concerned acted with prudence in the circumstances considering their responsibilities; and
5. whether the cost represents any significant deviation from established WCADAMHS Board practices and policies, regarding the incurrence of costs, which may unjustifiably increase the Federal award's cost.

Whether a cost is necessary shall be determined based on the needs of the program. Specifically, the expenditure must be necessary to achieve an important program objective. A key aspect in determining whether a cost is necessary is whether the WCADAMHS Board can demonstrate that the cost addresses an existing need and can prove it.

When determining whether a cost is necessary, consideration may be given as to whether:

- a. the cost is needed for the proper and efficient performance of the grant program;
- b. the cost is identified in the approved budget or application;
- c. there is a community behavioral health benefit associated with the cost;
- d. the cost aligns with identified needs based on results and findings from the WCADAMHS Board’s evaluation of community needs;
- e. the cost addresses program goals and objectives identified in the WCADAMHS Board’s Community Plan.

A cost is allocable to the Federal award if the goods or services involved are chargeable or assignable to the Federal award in accordance with the relative benefit received.

B. Conform to any limitations or exclusions set forth as cost principles in 2 CFR Part 200 or in the terms and conditions of the Federal award.

C. Be consistent with policies and procedures that apply uniformly to both Federally-financed and other activities of the WCADAMHS Board.

D. Be accorded consistent treatment. A cost will not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.

E. Be determined in accordance with generally accepted accounting principles.

F. Be adequately documented:

1. For personnel services, the Executive Director shall implement a system for WCADAMHS Board personnel to account for time and efforts expended on federally funded programs to assure that only permissible personnel expenses are allocated;
2. For other costs, all receipts and other invoice materials shall be retained, along with any documentation identifying the need and purpose for such expenditure if not otherwise clear.

Selected Items of Cost

The WCADAMHS Board shall follow the rules for selected items of cost described at 2 CFR Part 200, Subpart E when charging these specific expenditures to a Federal grant. When applicable, WCADAMHS Board staff shall check costs against the selected items of cost

requirements to ensure the cost is allowable. In addition, State, WCADAMHS Board and program-specific rules and requirements, including the terms and conditions of the award, may deem a cost as unallowable.

Cost Compliance

The Executive Director shall require that federal funds are expended and are accounted for consistent with the requirements of the specific program and as identified in the award application. Compliance monitoring includes accounting for direct or indirect costs and reporting them as permitted or required by each award.

Determining Whether a Cost is Direct or Indirect:

A. Direct costs are those costs that can be identified specifically with a particular final cost objective, such as a Federal award, or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy.

These costs may include: salaries and fringe benefits of employees working directly on a federally-funded project; purchased services contracted for performance under the award; travel of employees working directly on a grant-funded project; materials, supplies, and equipment purchased for use on a specific grant; and infrastructure costs directly attributable to the program (such as long-distance telephone calls specific to the program, etc.).

B. Indirect costs are those that have been incurred for a common or joint purpose benefitting more than one (1) cost objective, and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved. Costs incurred for the same purpose in like circumstances shall be treated consistently as either direct or indirect costs.

These costs may include: general data processing, human resources, utility costs, maintenance, accounting, etc.

The salaries of administrative and clerical staff should normally be treated as indirect costs. Direct charging of these costs may be appropriate only if all of the following conditions are met:

1. Administrative or clerical services are integral to a project or activity.
2. Individuals involved can be specifically identified with the project or activity.
3. Such costs are explicitly included in the budget or have the prior written approval of the Federal awarding agency.
4. The costs are not also recovered as indirect costs.

Effort should be given to identify costs as direct costs whenever practical, but allocation of indirect costs may be used where not prohibited and where indirect cost allocation is approved

ahead of time by the Substance Abuse and Mental Health Services Administration (“SAMHSA”) or the Ohio Department of Mental Health and Addiction Services (“OhioMHAS”) (For Federal funds subject to 2 CFR Part 200 pertaining to determining indirect cost allocation).

Period of Performance and Obligation of Funds

The WCADAMHS Board shall only incur new obligations to carry out the work authorized under the federal grant during the period of performance, as stated in the Federal award unless approval has been given for incurring pre-approved expenses.

Obligations are orders placed for property and services, contracts and subawards made, and similar transactions during a given period that require payment by the non-Federal entity during the same or a future period.

Applicable Laws, Regulations and Guidance:

2 C.F.R. 200.302(b)(7), 200.307, 200.403-.406, 200.413(a)-(c), 200.430(a), 200.431(a), 200.458, 200.464(a)(2), 200.474(b), 200.56, 200.71, 200.77