

ACCOUNTING FOR COSTS

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DNRC is an equal opportunity provider.

ALLOWABILITY OF COSTS

When billing to a DNRC subaward,
what are some ways to determine whether a cost is
allowable or unallowable?

ASSESSING ALLOWABILITY

There are **four ways** to assess whether a cost should be billed to a DNRC subaward:

1. Conduct the necessary-reasonable-allocable test.

2. Consult subaward-related documents.

3. Refer to federal guidelines.

4. Ask a DNRC program manager.

I. DETERMINE WHETHER THE COST IS ...

Necessary

- Is the cost necessary to accomplish project objectives?

Reasonable

- Would a prudent person incur this cost under the circumstances prevailing at the time?

Allocable

- Can the cost be assigned to the subaward it benefits?

2. CONSULT SUBAWARD-RELATED DOCUMENTS

Subaward-related documents further clarify what costs are allowable, such as:

- the subaward agreement itself (a primary source).
- instructions from a DNRC program manager.

FOR DNRC USE ONLY																		
Maximum amount under this Subaward Agreement: \$45,000.00						<table border="1"> <tr> <td>Subaward #</td> <td>WSF-14-020</td> </tr> <tr> <td>Amendment #</td> <td>N/A</td> </tr> <tr> <td colspan="2" style="text-align: center;">Approved by</td> </tr> <tr> <td>FD - Fiscal</td> <td>AB</td> </tr> <tr> <td>Legal</td> <td>CD</td> </tr> <tr> <td>Project Manager</td> <td>EF</td> </tr> </table>	Subaward #	WSF-14-020	Amendment #	N/A	Approved by		FD - Fiscal	AB	Legal	CD	Project Manager	EF
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USDA FS Grant # 15-DG-11010000-018; CFDA # 10.664																		
<u>Fund</u>	<u>Subclass</u>	<u>Org</u>	<u>Percent</u>	<u>Amount</u>	<u>Expiration</u>	<u>Amendment</u>												
23456	55512	78910	100%	\$45,000.00	01/01/2011	N/A												
Workers Comp: <input checked="" type="checkbox"/> N/A <input type="checkbox"/> Attached <input type="checkbox"/> Exempt <input type="checkbox"/> Will be forwarded																		
FORESTRY PROGRAM SUBAWARD AGREEMENT "SMITH MOUNTAIN FOREST AREA"																		
This Subaward Agreement (Subaward) is accepted by Best Forest Practice Group, hereinafter referred to as the "Subrecipient," Federal ID No. 12-3456789, DUNS# -012345678, and represented by Louie Penny, Executive Director, 123 Main Street, Forest Park, Montana 50000-1234, telephone (406) 123-4567, according to the following terms and conditions.																		
This Subaward, awarded and administered by the Montana Department of Natural Resources and Conservation (DNRC), is consistent with the policies, procedures and objectives of the Cooperative Forestry Assistance Act of 1978, Public Law 95-313, as amended. This Subaward is awarded under federal grant 14-AB-11010000-000, Consolidated Payments Grant, executed on 01/01/2011, from the United States Department of Agriculture – Forest Service (USFS) and Catalog of Federal Domestic Assistance (CFDA) number(s) 10.664, "Cooperative Forestry Assistance."																		

2. CONSULT SUBAWARD-RELATED DOCUMENTS

Other subaward-related documents that **clarify costs** include:

- DNRC's original request for proposals (RFP).
- your application or project proposal.




*FY 2018 Urban Forestry
Program Development Grant
Overview & Application*

3. REFER TO FEDERAL GUIDELINES

The **Uniform Guidance** (2 CFR 200), online at <https://www.ecfr.gov/>, provides further guidance on the allowability of costs.


Select Title 2, Part 200, Subpart E.



Electronic Code of Federal Regulations

e-CFR data is current as of **January 12, 2018**

<i>Title</i>	<i>Volume</i>	<i>Chapter</i>	<i>Browse Parts</i>	<i>Regulatory Entity</i>
Title 2 Grants and Agreements		1	Subtitle A—Office of Management and Budget Guidance for Grants and Agreements	
			1	OFFICE OF MANAGEMENT AND BUDGET GUIDANCE FOR GRANTS AND AGREEMENTS
		I	2-199	OFFICE OF MANAGEMENT AND BUDGET GOVERNMENTWIDE GUIDANCE FOR GRANTS AND AGREEMENTS
		II	200-299	OFFICE OF MANAGEMENT AND BUDGET GUIDANCE



3. REFER TO FEDERAL GUIDELINES

Subpart E even provides **specific guidance** on costs such as compensation, fringe benefits, materials and supplies, and travel.

GENERAL PROVISIONS FOR SELECTED ITEMS OF COST

§200.420	Considerations for selected items of cost.
§200.421	Advertising and public relations.
§200.422	Advisory councils.
§200.423	Alcoholic beverages.
§200.424	Alumni/ae activities.
§200.425	Audit services.
§200.426	Bad debts.
§200.427	Bonding costs.
§200.428	Collections of improper payments.
§200.429	Commencement and convocation costs.
§200.430	Compensation—personal services.
§200.431	Compensation—fringe benefits.
§200.432	Conferences.

4. ASK DNRC

If the allowability of a cost cannot be determined through steps #1-3, consult your **DNRC program manager** to gain approval ... *prior* to incurring the cost.



UNALLOWABLE COSTS

What are some common examples of unallowable costs?

UNALLOWABLE COSTS

Again, **Subpart E** of the Uniform Guidance provides detailed instruction about the unallowability or allowability of costs.



Unallowable



Allowable

UNALLOWABLE COSTS

Per Subpart E, a few costs that are **almost always unallowable** are ...

Alcoholic
beverages

Entertainment

Fundraising

Goods or
services for
personal use

Lobbying

UNALLOWABLE COSTS

Subpart E also provides detailed instruction about costs that are sometimes **allowable**, and sometimes **unallowable**, such as:

Advertising and
public relations

Audits

Insurance and
indemnification

Maintenance
and repairs

UNALLOWABLE COSTS

Subpart E also says costs are unallowable if **not adequately documented**.

For DNRC purposes, this means you must be able to demonstrate that costs were both incurred (obligated to pay) *and* paid.

DOCUMENTING COSTS

Examples of documentation to show a cost was **incurred**:

Timesheets

Invoice

Mileage log

Landowner
agreement

Inspection
certificate

Examples of documentation to show a cost was **paid**:

Payroll report

Check stub

Receipt

Transaction
report

Bank
statement

DIRECT AND INDIRECT COSTS

What are some basics to know about
direct and indirect costs?

DIRECT COSTS

Direct costs can be **associated directly** with activities under the subaward, e.g.:

Employee compensation

- For time spent accomplishing goals and objectives of the subaward.

Cost of materials & services

- Purchased specifically for the subaward.

Travel expenses

- Incurred specifically for the subaward.

DIRECT COSTS

If a cost benefits **both** the subaward **and** other projects in your organization,



part of it can be charged to the subaward as a direct cost,

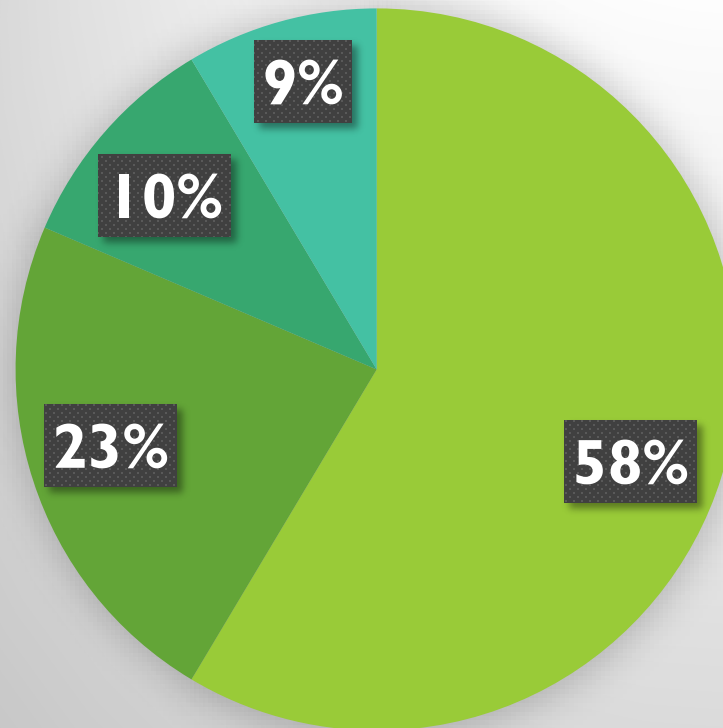


in proportion to the benefits received.

DIRECT COSTS

The method of allocating expenses among multiple projects should be **reasonable** and **clearly documented**.

Cell Phone Costs - Allocation by Project



- DNRC subaward
- BLM grant
- USFS award
- Other

INDIRECT COSTS

Indirect costs often **benefit the organization as a whole**, beyond the subaward:

General administrative
expenses

Personnel & accounting
administration

Costs of operating &
maintaining facilities

Depreciation on
buildings & equipment

INDIRECT COSTS

Indirect costs can also be expenses that benefit more than one subaward, but **cannot** be easily split or allocated among them.

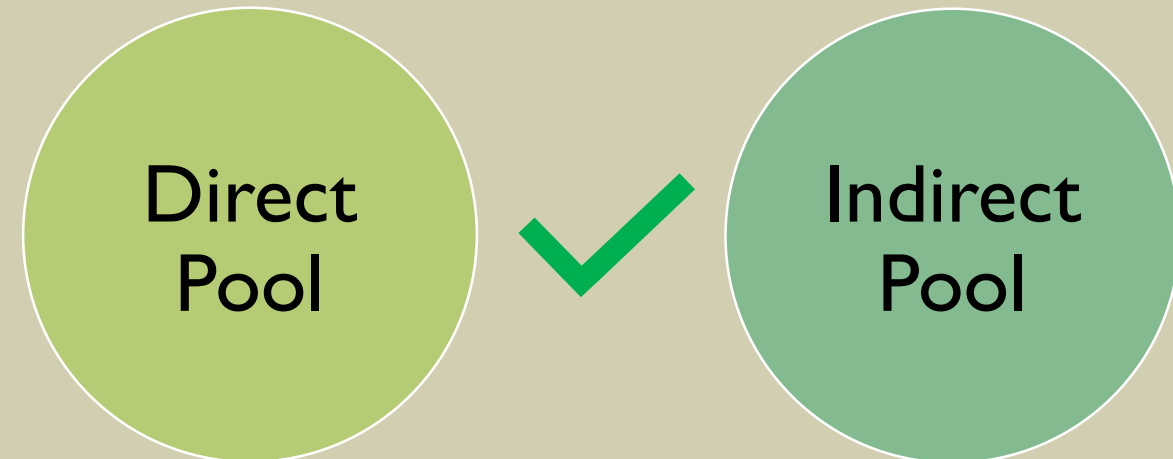
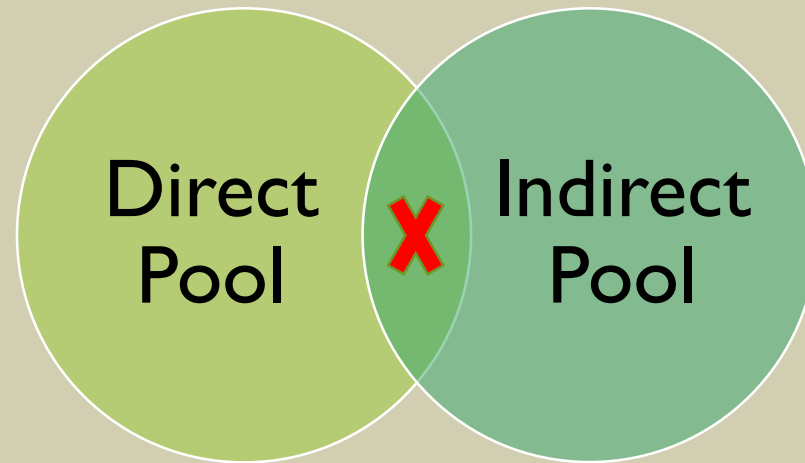
For instance, it may be difficult to determine what proportions of the activities of an executive director benefit your project.

Such activities might be costs to treat as indirect.

INDIRECT COSTS

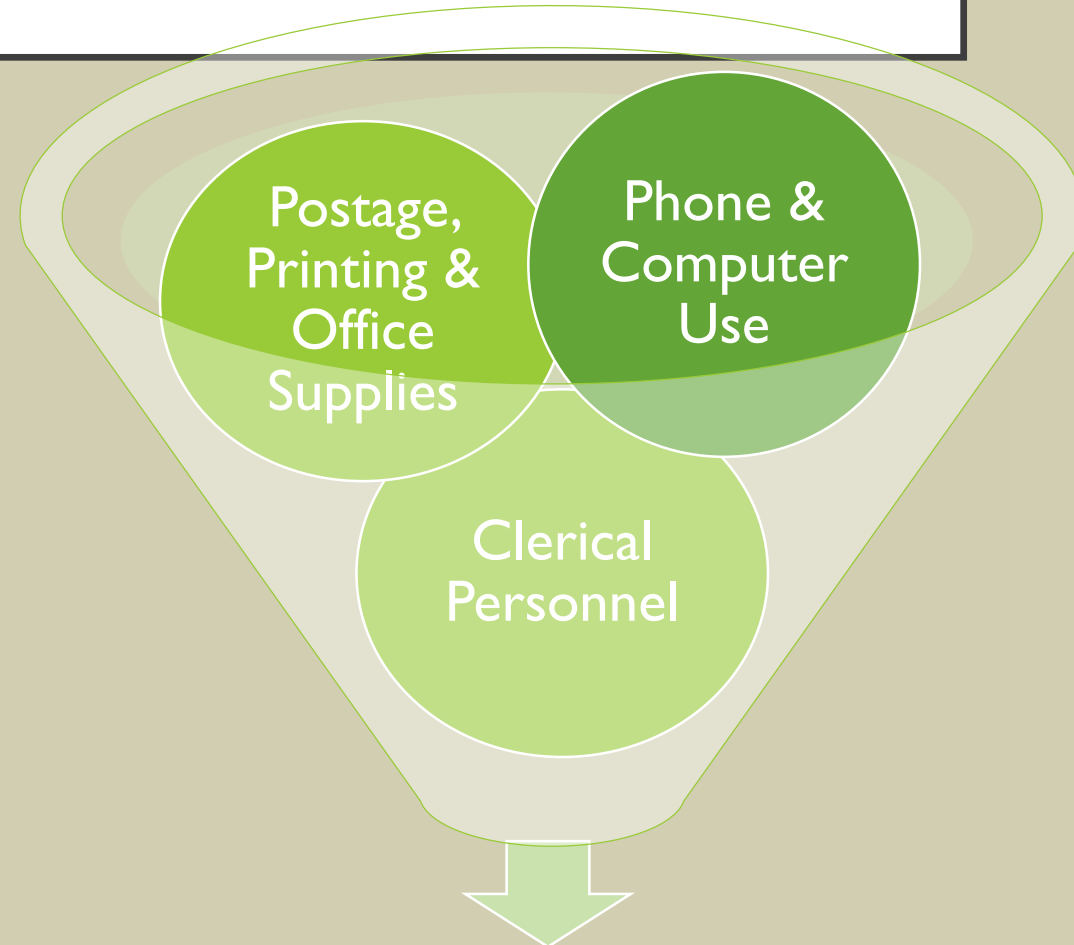
Any cost covered in your indirect cost pool should **not** also be charged directly to the subaward.

This is considered double-charging.



INDIRECT COSTS

Make sure to know what's covered in your indirect rate and treat costs **consistently** as direct or indirect.



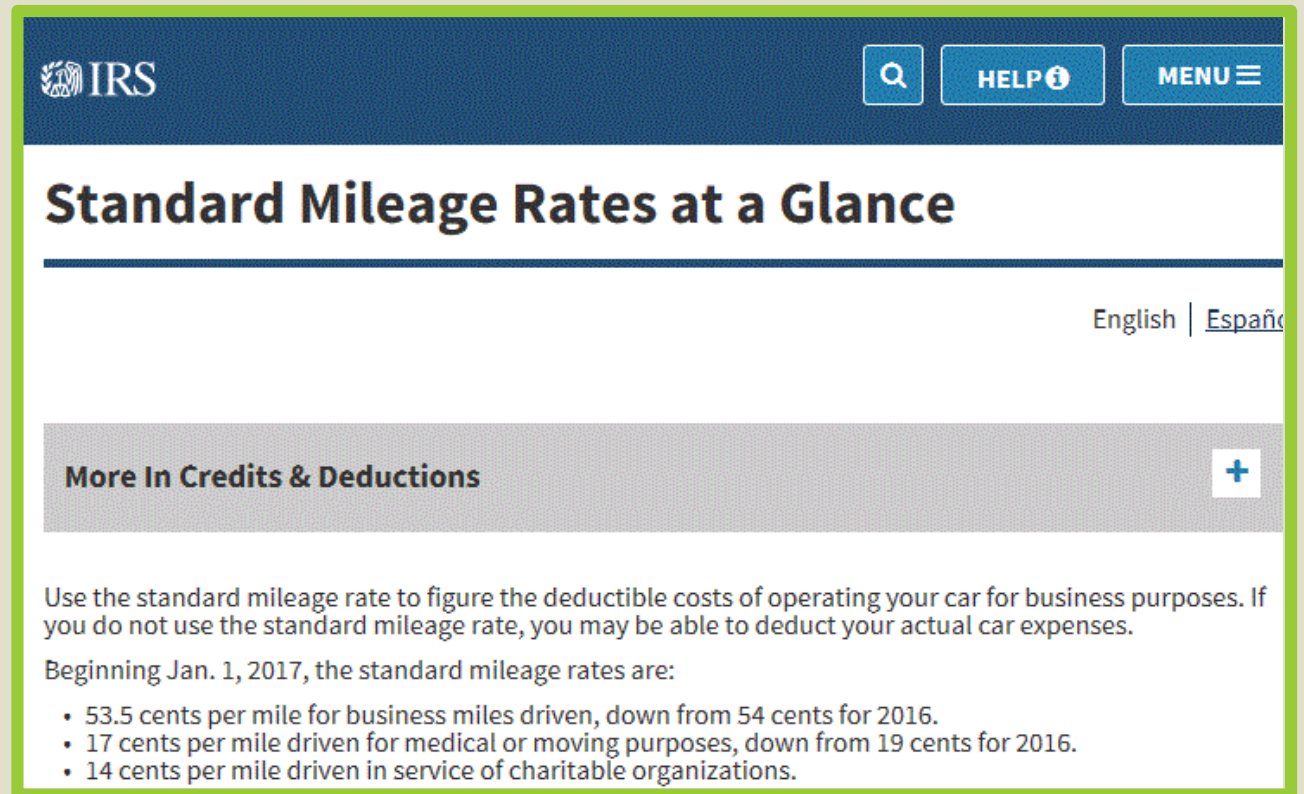
Indirect Cost Pool

TRAVEL COSTS

What are best practices for assessing travel costs?

TRAVEL BY CAR FOR THE SUBAWARD

The best practice for determining a value for the costs of operating a vehicle is to use the widely accepted **federal mileage reimbursement rate**, updated annually by the IRS.



The screenshot shows the IRS website's 'Standard Mileage Rates at a Glance' page. The header includes the IRS logo, a search icon, a 'HELP' button, and a 'MENU' button. The main heading is 'Standard Mileage Rates at a Glance', with language options for 'English' and 'Español'. Below the heading is a section titled 'More In Credits & Deductions' with a plus sign icon. The main content area contains the following text:

Use the standard mileage rate to figure the deductible costs of operating your car for business purposes. If you do not use the standard mileage rate, you may be able to deduct your actual car expenses.

Beginning Jan. 1, 2017, the standard mileage rates are:

- 53.5 cents per mile for business miles driven, down from 54 cents for 2016.
- 17 cents per mile driven for medical or moving purposes, down from 19 cents for 2016.
- 14 cents per mile driven in service of charitable organizations.

TRAVEL BY CAR FOR THE SUBAWARD

The rate was set
at **54.5 cents per mile**
in 2018.

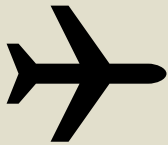
It covers all costs of operating a
vehicle, such as ...

expenses of maintenance and
repairs, gasoline, oil, and insurance.



TRAVEL BY OTHER MEANS

Other forms of commercial transportation (i.e. plane, bus, train, rental car, or taxi), purchased for the purpose of the subaward, will be reimbursed at actual costs that are **necessary, reasonable, and prudent.**



MEALS & LODGING FOR THE SUBAWARD

DNRC prefers to reimburse meals and lodging at the **state of Montana** per diem and lodging rates, online at

<https://sfsd.mt.gov/SAB/EmployeeTravel>.



The screenshot shows the Montana Department of Administration website. The header includes the state logo and the text "the backbone of state government" and "DEPARTMENT OF ADMINISTRATION". A navigation bar contains links for HOME, SERVICES, DIVISIONS, CAREERS, and ABOUT US. The main content area is titled "EMPLOYEE TRAVEL" and is divided into three sections: TRAVEL POLICIES, TRAVEL HELP, and TRAVEL RESOURCES. The TRAVEL POLICIES section lists links for Employee Travel, Lodging Rates, and Mileage Reimbursement Rates. The TRAVEL HELP section includes contact information for Rose Harmon. The TRAVEL RESOURCES section lists various travel information documents and calculators.

Department of ADMINISTRATION MONTANA

the backbone of state government

DEPARTMENT OF ADMINISTRATION

HOME SERVICES DIVISIONS CAREERS ABOUT US

EMPLOYEE TRAVEL

TRAVEL POLICIES

- [Employee Travel](#)
- [Lodging Rates](#)
- [Mileage Reimbursement Rates](#)

TRAVEL HELP

Contact Rose Harmon

- (406) 444-5583
- RoseHarmon@mt.gov

TRAVEL RESOURCES

- [2017-2018 State Employee Travel Information](#)
- [2016-2017 State Employee Travel Information](#)
- [Federal Lodging Rate Guidelines](#)
- [Montana Distance Calculator](#)
- [State Per Diem Lodging](#) Excel Version
- [State Per Diem Lodging](#) Printable Version

MEALS & LODGING FOR THE SUBAWARD

If you believe your circumstances warrant an exception to these procedures, talk to your DNRC program manager to obtain approval **prior** to incurring the expense.

EMPLOYEE COMPENSATION

What are best practices for requesting reimbursement for the compensation of employees who work on the subaward?

REIMBURSEMENT FOR EMPLOYEE S/W/B

Don't just claim the amount an employee is paid (i.e. salary or hourly wages).
Claim the **total amount** the employer pays for the employee, factoring in:

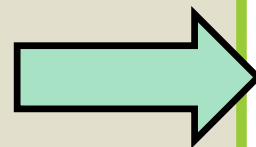
Employer payroll
taxes (Social
Security &
Medicare)

Insurance costs (life,
unemployment,
health, & worker's
compensation)

Pension costs

REIMBURSEMENT FOR EMPLOYEE S/W/B

More information about
employee compensation
and fringe benefits
is found in the
Uniform Guidance
at **2 CFR 200.430-431**.



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VOLUNTEER LABOR

What are best practices for determining the value of volunteer labor to be counted as match?

VOLUNTEER LABOR

Values claimed for volunteer services
must be consistent
with the costs of similar work
performed in your organization
or local labor market.

VOLUNTEER LABOR

If your organization does not have volunteer service rates readily available, DNRC recommends using the Montana-specific average cost per hour at:

http://www.independentsector.org/volunteer_time



INDEPENDENT SECTOR

ABOUT PROGRAMS PUBLIC POLICY EVENTS RESOURCES IS BLOG Q Join User Portal

The Value of Volunteer Time

May 31, 2016

WHEN ARE SUBAWARD FUNDS NO LONGER FEDERAL?

In other words, when do subaward dollars no longer have to be managed or accounted for as federal funds?

WHEN ARE SUBAWARD FUNDS NO LONGER FEDERAL?

Your funds are passed from ...

The Federal
Government
(Grantor)



```
graph LR; A[The Federal Government (Grantor)] --> B[Montana DNRC-Forestry Division (Recipient)]; B --> C[You (Subrecipient)];
```

Montana DNRC-
Forestry Division
(Recipient)

You
(Subrecipient)

At all three stages, funds are considered **federal** and must be handled and accounted for in compliance with all grant rules in the Uniform Guidance.

WHEN ARE SUBAWARD FUNDS NO LONGER FEDERAL?

Once you
pay out funds ...

as s/w/b to an employee
or to a contractor,
vendor, or beneficiary,

funds are **no longer**
federal & **not** subject to
requirements of
the Uniform Guidance.

Although funds are no longer considered federal once received by these entities, they may still have program goals or contractual obligations to meet. As the subrecipient, you **must** ensure these goals & obligations are fulfilled.

QUESTIONS ABOUT ACCOUNTING FOR COSTS?

Contact DNRC Forestry Division
at (406) 542-4300.