



**Department of  
Development**

Office of Housing and Community Partnerships

# **Attachment 9**

## **Ohio Department of Development Cost Principles**

---

**Effective Date: January 1, 1993**

**Update: November 2008**

**Prepared By:**

**Ohio Department of Development**

**Community Development Division**

**Office of Housing and Community Partnerships**

**Ted Strickland**, Governor of Ohio

**Lee Fisher**, Lt. Governor of Ohio

Director, Ohio Department of Development

# OHIO DEPARTMENT OF DEVELOPMENT

## Cost Principles for Grantees

Purpose: This document establishes principles for determining allowable costs of grants, contracts and other agreements with grantees. The principals are designed to provide that the Ohio Department of Development (ODOD) bears its fair share of costs recognized under these principles, except where prohibited or restricted by law. No provision for profit or other increment above cost is intended, except as otherwise provided for in these principles.

Applicability: These principles shall be used by ODOD's program offices in determining the costs of work performed by grantees. All subgrants and subcontracts are also subject to these principles.

These principals apply only to grants made from state funds and to funds awarded to the ODOD for which the ODOD has the authority to determine administrative rules and guidelines. All subgrants and subcontracts are also subject to these principles.

### Definitions:

**Grant** means any funds provided by means of a contract or grant agreement from the ODOD.

**Grantee** means any organization receiving a grant from the ODOD.

**Grantor** means the ODOD.

**Prior Approval** means securing written permission from the program office or offices, in advance, to incur costs for those items designated as requiring prior approval. If a cost requiring prior approval is identified in sufficient detail in the budget of a grant, approval of the budget may constitute approval of that cost. The program office will notify grantees during the application review whether or not the budget submitted provides sufficient detail for approval. If it does not, a budget line item may still be tentatively approved, with final approval being granted at a later date when more detailed information is provided by the grantee.

Prior approval of the use of a cost pool does not constitute specific approval for any expenditure in the pool that is also subject to prior approval. In such cases, a grantee must obtain specific prior approval for the expenditure.

Waivers: The Grantor may grant waivers to the requirements of these principles which are permissible under law. However, in the interest of achieving maximum uniformity, waivers will be permitted only in highly unusual circumstances. All waivers will be granted only in writing.

Effective Date: The provisions of this document shall be effective July 1, 1993. The provision shall apply to costs incurred on or after the effective date and shall not be applied retroactively.

## TABLE OF CONTENTS

### Section I: General Principles

**Part A: Basic Considerations**

1. Composition of total costs
2. Factors affecting allowability of costs
3. Reasonable costs
4. Allocable costs
5. Applicable credits

**Part B: Direct Costs**

**Part C: Indirect and Other Cost Pools**

1. General
2. Criteria for distribution
3. Types of rates
4. Acceptance of Federally approved cost pools
5. Approval of indirect other cost pools

### Section II: Selected Items of Cost

**Part A: Allowable Costs**

**Part B: Limitations on Costs**

1. Equipment
2. Idle facilities and idle capacity
3. Losses on other awards
4. Pre-award costs
5. Space costs
6. Termination costs
7. Travel costs

**Part C: Unallowable Costs**

1. Alcoholic beverages
2. Bad debts
3. Contingency provisions
4. Contributions and donations
5. Entertainment
6. Fines and penalties
7. Goods and services for personal use
8. Grantee-furnished vehicles
9. Interest, fundraising, and investment management
10. Legal services
11. Lobbying
12. Losses on other awards
13. Taxes

**Part D: Documentation of Costs**

1. Compensation for personal services
2. Professional services

## ODOD Cost Principles

### Section I: General Principles

#### Part A - Basic Considerations

1. Composition of total costs: The total cost of an award is the sum of the allowable direct and allocable indirect costs less any applicable credits.
2. Factors affecting allowability of costs: To be allowable under an award, costs must meet the following general criteria:
  - a) Be reasonable for the performance of the award and be allocable thereto under these principles.
  - b) Conform to any limitations or exclusions set forth in these principles or in the grant as to types or amount of cost items.
  - c) Be consistent with policies and procedures that apply uniformly to all grantee activities.
  - d) Be accorded consistent treatment by the grantee.
  - e) Be determined in accordance with generally accepted accounting principles as long as they do not conflict with the limitations of the ODOD Cost Principles.
  - f) Not be included as a cost or used to meet cost sharing or matching requirements of any other State or any Federally-funded program in either the current or prior period with prior notice to ODOD.
  - g) Be adequately documented.
3. Reasonable costs: A cost is reasonable if, in its nature or 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 costs. The question of the reasonableness of specific costs must be scrutinized with particular care in connection with grantees, or separate divisions thereof, which receive the preponderance of their support from grants made by the ODOD. Final determination of the reasonableness of a cost to a grant rests with the grantor. In determining the reasonableness of a given costs, consideration shall be given to:
  - a) Whether the cost is of a type generally recognized as appropriate and necessary for the operation of the grantee and the performance of the grant.
  - b) The restraints or requirements imposed by such actors as generally accepted sound business practices, arms length bargaining, Federal and State laws and regulations, and the terms and conditions of the grant.
  - c) Whether the individuals concerned acted with prudence in the circumstances, considering their responsibilities to the grantee, its board, employees, clients, the public at large, and the ODOD.
  - d) Significant deviations from the established practices of the grantee which may unjustifiably increase the grant costs.

4. Allocable costs:

- a) A cost is allocable to a particular cost objective, such as a grant, project, service, or other activity, in accordance with the relative benefits received. A cost is allocable to an ODOD grant if it is treated consistently with other costs incurred for the same purpose in like circumstances and it:
  - 1) Is incurred specifically for the grant.
  - 2) Benefits both grant and other work, and can be distributed in reasonable proportion to the benefits received.
  - 3) Is necessary to the overall operation of the grantee, although a direct relationship to any particular cost objective cannot be shown.
- b) Any cost allocable to a particular grant or other cost objective under these principles may not be shifted to other awards to overcome funding deficiencies (except with prior approval) or to avoid restrictions imposed by law or by the terms of the grant.

5. Applicable credits:

- a) The term “applicable credits” refers to those receipts, or reduction of expenditures, which operate to offset or reduce expense items that are allocable to grants as direct or indirect costs. Typical examples of such transactions are: purchase discounts, rebates or allowances, recoveries or indemnities on losses, insurance refunds and adjustments of overpayments or erroneous charges. To the extent that such credits accruing or received by the grantee relate to allowable costs, they shall be credited to the ODOD either as a cost reduction or cash refund as appropriate.

Part B – Direct Costs

- 1. Direct Costs are those that can be identified specifically with a particular final cost objective: i.e., a particular grant, project, service, or other direct activity of a grantee. However, a cost may not be assigned to a grant as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to a grant as an indirect cost or through another type of cost pool. Costs identified specifically with grants are direct costs of the grant and are assigned directly to the grant. Costs identified specifically with other final cost objectives of the grantee are direct costs of those cost objectives and are not to be assigned to other grants directly or indirectly.
- 2. Any direct cost of a minor amount may be treated as an indirect cost for reasons of practicality where the accounting treatment for such cost is consistently applied to all final cost objectives.
- 3. The costs of certain activities are not allowable as charges to Grants. Costs which are specifically unallowable are discussed in Section II, Part C - Unallowable Cost. Even though these costs are unallowable for purposes of computing charges to grants, they must be treated as direct costs when determining indirect cost rates. They must also be allocated their share of the grantee’s indirect costs if they represent activities which (1) include the salaries of personnel, (2) occupy space, and (3) benefit from the grantee’s indirect costs.
- 4. The cost of activities performed primarily as a service to members, clients, or the general public when significant and necessary to the grantee’s mission must be treated as direct costs whether or not they are allowable charges to a grant. They must be allocated an equitable share of indirect costs.

## Part C – Indirect and Other Cost Pools

1. General: Indirect and other cost pools are those that are incurred for common or joint objectives and, therefore, cannot be identified readily and specifically with a particular program, grant or other activity.
2. Criteria for Distribution:
  - a) Base period: The period for distribution of costs grouped in indirect or other cost pools is the period which the costs are incurred. The base period normally should be the fiscal year established for the organization.
  - b) Need for cost pools: The overall objectives for indirect and other cost pools is to distribute the pools to the major functions of the organization in proportions which are reasonably consistent with the nature and extent of their use of the organization's resources. In general, each cost pool should constitute a group of expenses that are considered to be of like nature in terms of their relative contribution to the program, grant or activity to which distribution is appropriate. The number of cost pools should be determined by considering the materiality of the amounts and the degree of precision attainable through less selective methods of distribution.
  - c) Selection of distribution base or method: Actual conditions must be considered when selecting the base or method for distributing cost pools. The most important consideration is that it be the one best suited for assigning the cost pool to the organization's programs, grants and activities in accordance with the benefit derived. There should be a traceable cause and effect. Whether neither benefit nor a cause and effect relationship is determinable, logic and reason should be used to select the distribution base or method.
  - d) Determination of an indirect or other cost rate: The expenses for each cost pool shall be aggregated separately. The amount in each pool should be divided by the distribution base to arrive at a single cost rate for each pool. The rate is used to distribute pooled costs to individual programs, grants, or activities. The rate shall be reviewed periodically (at least annually) to determine whether it should be updated.
3. Type of Rates:
  - a) Predetermined rate: A predetermined rate is applicable to a specified period, usually the organization's fiscal year. The rate is based on an estimate of costs to be incurred during the period. A predetermined rate is not subject to adjustment.
  - b) Fixed rate: A fixed rate is similar to a predetermined rate except that the difference between the estimated costs and the actual costs of the period covered is carried forward as an adjustment to a subsequent period.
  - c) Provisional/final rate: A provisional rate is a temporary rate applicable to a specified period. It is used to report costs and determine reimbursements until a final rate is approved. The final rate is based on the actual costs incurred. If the final rate is lower than the provision rate, organizations are required to refund amounts related to this reduction in costs. If the final rate is higher than the provisional rate, ODOD will reimburse the organization for the increased cost only if funds are still available based on the amount of the grant, the restrictions of the funding source, and the policies of the program.

4. Acceptance of Federally Approved Cost Pools: If an organization has received approval from its Federal cognizant agency for an indirect cost rate or for other cost pools it plans to charge to an ODOD-administered grant, ODOD will accept the approval of the Federal agency. The organization must submit evidence of such approval to ODOD.
5. Approval of Indirect and Other Cost Pools: Organizations shall follow the procedures specified by the ODOD program office for determining and seeking approval of indirect cost rates and any other cost pools for which the organization has not received approval from its Federal cognizant agency.

## **Section II: Selected Items of Cost**

### **Part A – Allowable Costs**

Costs listed below are generally allowable if budgeted and if related to the workplan. Some program offices may require prior approval of these costs.

1. Advertising
2. Advisory councils and boards
3. Bonding
4. Communications costs such as telephones, postage, fax, etc.
5. Compensation for personal services such as salaries and wages, paid leave, pension plans, health insurance, and incentive compensation which is paid pursuant to a written plan
6. Exhibits
7. General management costs such as accounting, audits, budgeting, procurement, and personal and labor relations
8. Insurance
9. Legal services such as drafting contracts, reviewing grantee policies and procedures, and providing general advice on personnel matters
10. Maintenance and repairs of buildings and equipment
11. Materials and supplies
12. Meetings and conferences
13. Memberships, subscriptions and professional activities
14. Printing and reproduction
15. Professional services such as auditing, consulting, and management advisory services
16. Public information services
17. Training and education

### **Part B – Limitations on Costs**

The following costs are limited as described. Some program offices may require prior approval of these costs.

1. Equipment (See Section II, Part C.8, Grantee-Furnished Vehicles)
  - a) Definitions – as used in this paragraph, the following terms have the meaning set forth below:
    - 1) “Equipment” means an article of nonexpendable tangible personal property having a useful life of more than two years or an acquisition cost of \$1,000 or more per unit. A grantee may use its own definition provided that it includes all nonexpendable tangible personal property as defined herein.

- 2) "Acquisition Cost" means the net invoice unit price of an item of equipment, including the cost of any modifications, attachments, accessories, or auxiliary apparatus necessary to make it useable for the purpose for which it is acquired. Ancillary charges, such as taxes, duty, protective intransit insurance, freight, and installation shall be included in or excluded from acquisition cost in accordance with the grantee's regular written accounting practices.
- 3) A "related party," or less-than-arms-length transaction, is one in which one party to the transaction can substantially influence the actions of the other. Such transactions include, but are not limited to, those between:
  - a) Divisions of a grantee such as the corporation and a program;
  - b) Organizations under common control through common officers, directors, or members; and
  - c) An organization and a director, trustee, officer or key employee of the organization or a member of his immediate family either directly or through corporations, trusts, or similar arrangements in which a controlling interest is held.

b) Allowable Costs:

- 1) Costs charged to a grant for equipment purchased with non-grant funds or leased from a related third party shall be determined as follows:
  - a) For equipment costing \$2,000 or less, the acquisition cost will be divided by the expected life or 24-months, whichever is greater.
  - b) For equipment costing over \$2,000, the acquisition cost, or the amount of the down payment and the total loan payments (principal and interest) will be divided by life of the loan or 36-months, whichever is greater.
  - c) Once the cost of equipment is fully recovered under the provisions of (a), or (b) above, a use allowance of up to 8% of the acquisition cost per year may be charging for up to three years. A use allowance of up to 4% may be charged for the next three-year period. No further use allowance will be allowed after six years. Maintenance and other costs as described in (4) below are also allowable.
- 2) Costs charged for equipment purchased with grant funds shall include only those items defined above as acquisition cost. Prior approval of the appropriate ODOD program office must be obtained for equipment with a unit cost in excess of \$1,000.
- 3) Costs for equipment leased from an unrelated third party are allowable to the extent that the rates are reasonable after considering such factors as the rental costs of comparable property; market conditions in the area; and the type, life expectancy, condition, and value of property leased.
- 4) Other items of cost related to the use of equipment which are allowable include repairs, maintenance, insurance, supplies, etc.

- 5) Proceeds from Disposition:
  - a) Proceeds from disposition of property purchased with grant funds with an acquisition cost of \$2,000 or more shall be credited to program income. The use of such program income shall be subject to the usual rules and regulations of the various ODOD offices.
  - b) Proceeds from disposition of property purchased with grant funds with an acquisition cost of less than \$2,000 and from property purchased with the grantee's funds, shall belong solely to the grantee.
- 6) Documentation: Written documentation must be maintained to support the basis for costs, cost comparisons, allocation of costs, value of equipment, etc. to meet the requirements of this paragraph. Physical inventories must be taken at least every two years to ensure that the equipment exists and is in usable condition.

2. Idle Facilities and Idle Capacity

- a) Definitions – as used in this paragraph, the following terms have the meaning set forth below:
  - 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 grantee.
  - 2) "Idle Facilities" means completely unused facilities that are excess to the grantee's current needs.
  - 3) "Idle Capacity" means the unused capacity of partially used facilities. It is the difference between that which a facility could achieve under 100% operating time on a one-shift basis, less operating interruptions resulting from time lost for repairs, setups, unsatisfactory materials, and other normal delays, and the extent to which the facility was actually used to meet demands during the accounting period.
  - 4) "Costs of Idle Facilities or Idle Capacity" means costs such as maintenance, repair, housing, rent, and other related costs; e.g., property taxes, insurance and use allowances.
- b) Allowable Costs: The costs of idle facilities are unallowable except to the extent that:
  - 1) They are necessary to meet fluctuations in workload; 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 these circumstances, costs of idle facilities are allowable for a reasonable period of time, ordinarily not to exceed one year, depending upon the initiative taken to use, lease, or dispose of such facilities.

- 3) The costs of idle capacity are normal costs of doing business and are a factor in the normal fluctuating of usage or indirect cost rates from period to period. Such costs are allowable provided the capacity is reasonably anticipated to be necessary or was originally reasonable, and is subject to reduction or elimination by subletting, renting, or sale, in accordance with sound business, economics or security practices. Widespread idle capacity throughout an entire facility, or among a group of assets having substantially the same function, may be idle facilities.
- 4) Prior approval by the program office is required to charge the costs of idle facilities to ODOD-administered grants.

3. Losses on Other Awards

(See Section II, Part C.12, Losses on Other Awards)

Any excess of costs over income on any award or grant is allowable with approval only if it involves a cost-sharing agreement in which the grantor's funds are already being utilized.

4. Pre-Award Costs

Costs incurred prior to the effective date of the grant or contract, and which are directly related to the negotiation and are incurred in anticipation of the grant or contract, where such costs are necessary to comply with the proposed delivery schedule or period of performance, are allowable when specifically provided for in the grant agreement, whether or not they would have been allowable if incurred after the effective date.

5. Space Costs

- a) Definitions – as used in this paragraph, the following terms have the meaning set forth below:
  - 1) "Cost" includes those expenses associated with the purchase and ownership of a building, such as acquisition costs, and financing costs (debt service, closing costs, etc.).
  - 2) A "related party," or less-than-arms-length transaction, is one in which one party to the transaction can substantially influence the actions of the other. Such transactions include, but are not limited to, those between:
    - a) Divisions of a grantee such as the corporation and a program;
    - b) Organizations under common control through common offices, directors or members; and
    - c) An organization and director, trustee, officer or key employee of the organization or a member of his immediate family either directly or through corporations, trusts, or similar arrangements in which a controlling interest is held.

- 3) "Maintenance reserve" is an amount set aside, in addition to cost, that must be used for repairs, and maintenance expenses that a building may require. Grantees accruing a maintenance reserve must utilize this reserve for repairs and maintenance expenses before requesting the use of grant funds for his purpose.
- 4) "Use allowance" means a percentage of a building's acquisition cost expressed as an amount charged per square foot.
- 5) "Donated building" means a building which is given to the grantee for its use where the title is transferred to the grantee.

b) Allowable Costs:

- 1) Compensation for the use of buildings that are purchased by the grantee or a related third party with non-grant funds can be made through charging actual costs as defined above.
  - a) Costs will be recovered over the life of the building using the straightline method. A building life of less than twenty years will require approval prior to charging costs to grants.
  - b) Once a grantee or related third party has fully recovered the cost of the building, or in the case of a donated building, a use allowance of up to 5% per year of the acquisition cost of the building may be charged. ODOD reserves the right to require a lesser use allowance based on the condition of the building.
  - c) A maintenance reserve charge may be recovered in addition to the compensation for use permitted in (a) and (b) above. The maintenance reserve charge is limited to no more than fifty cents (\$0.50) per square foot per year, except that the balance in the maintenance reserve may not exceed \$15,000. The grantee must maintain a separate accounting record for the maintenance reserve.
  - d) Compensation for improvements on property owned by the grantee or a related third party can be made through charging actual costs as defined above. Costs will be recovered over the remaining life of the building or over the life of the second mortgage used to pay for the improvements. Prior approval is necessary before any compensation for the debt service costs of a second mortgage will be allowed.
- 2) Costs for a donated building shall be based on the appraised value of the building at the time of acquisition. They shall be calculated using the straightline method and a building life of at least twenty years.
- 3) Costs of space leased from an unrelated third party is allowable to the extent that the rates are reasonable after considering such factors as the rental costs of comparable space; market conditions in the area; and the type, life expectancy, condition, and the value of the space leased.

- 4) Other items of cost related to the use of space which are allowable include janitorial services, insurance, real estate taxes, repairs and maintenance. Repairs and maintenance may be charged to the grant only to the extent that the maintenance reserve is not sufficient to pay the amount allocable to ODOD-administered grants.
- 5) Grants will be charged based upon actual usage of space by a program financed by ODOD funds.
- 6) Written documentation will be maintained by the grantee to support the basis for costs, cost comparisons, allocation of costs and space, value of property, etc. to meet the requirements of this paragraph.

6. Termination Costs

Costs associated with the termination of a grant are allowable with prior grantor approval.

7. Travel Costs

Costs associated with travel within the state (or when the out-of-state destination is within a 50 mile radius of the grantee's headquarters) are allowable.

Travel costs are subject to the limitations identified in the current Federal Travel Regulations or the current State Travel Rule as designated by the program office. All travel costs must be calculated as described by the appropriate rule.

No lodging costs will be reimbursed for trips within 60 miles of the agency's headquarters, unless the purpose of the trip requires traveler attendance in a meeting at the destination subsequent to 6:00 p.m. or requires traveler attendance in a meeting or series of meetings at the destination that are scheduled for at least two consecutive days. These exceptions apply to specially scheduled meeting, not to travel associated with routine agency business.

Appropriate documentation must be kept on file including the purpose of the trip, date, departure and return time, names of travelers, appropriate receipts, etc.

Costs of travel to destinations outside the United States are allowable with prior approval of the program office.

Part C – Unallowable Costs

Costs listed below are considered unreasonable and unallowable.

1. Alcoholic Beverages  
The costs of alcoholic beverages are unallowable.
2. Bad Debts  
Any losses arising from uncollectible accounts and other claims, and related costs, are unallowable.
3. Contingency Provisions  
Contributions to a contingency reserve or any similar provision for unforeseen events are unallowable.

4. Contributions and Donations  
Contributions and donations by the grantee to individuals or to other organizations are unallowable.
5. Entertainment  
Costs of amusements, social activities, and incidental costs relating thereto, such as meals, alcoholic beverages, lodgings, rentals, transportation, and gratuities are unallowable.
6. Fines and Penalties  
Costs resulting from violations of or failure to comply with Federal, State and local laws and regulations are unallowable.
7. Goods and Services for Personal Use  
Costs of goods and services for personal use by the grantee's employees are unallowable regardless of whether the cost is reported as taxable income to the employee.
8. Grantee-Furnished Vehicles  
The portion of the costs of grantee-furnished vehicles that relates to personal use (including transportation to and from work) is unallowable regardless of whether the cost is reported as taxable income to the employees.
9. Interest, Fundraising, and Investment Management  
Costs incurred for interest on borrowed money (except as permitted in Section II, Part B.1, Equipment and B.5, Space Costs) or interest for the temporary use of endowment funds, however represented, are unallowable.  
  
Costs of organized fund raising, including financial campaigns, endowment drives, solicitation of gifts and bequests, and similar expenses incurred solely to raise capital or obtain contributions are unallowable.  
  
Costs of investment counsel and staff and similar expenses incurred solely to enhance income from investments are unallowable.
10. Legal Services  
Legal services are unallowable for the areas described below:
  - a) Definitions:
    - 1) Conviction, as used herein, 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, but are not limited to, administrative and clerical expenses; the cost of legal services, whether performed by in-house or private counsel; the costs of the services of accountants, consultants, or others retained by the institution to assist it; costs of employees, officers and trustees, and any similar costs incurred before, during, and after commencement of a judicial or administrative proceeding that bears a direct relationship to the proceedings.
    - 3) Fraud, as used herein, means (I) acts of fraud or corruption or attempts to defraud the 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. sections 3729-3721, or the Anti-kickback Act, 41 U.S.C., sections 51 and 54.

- 4) Penalty, does not include restitution, reimbursement, or compensatory damages.
- (5) Proceeding, includes an investigation.

b) Unallowable Costs:

- 1) Costs incurred in connection with any criminal, civil or administrative proceeding brought by the Federal government or a state, local, or foreign government are unallowable if the proceeding relates to violation of, or failure to comply with, a Federal, state, local or foreign statute, regulation or rule by the grantee (including its agents or employees) and results in one of the following dispositions:
  - a) In a criminal proceeding, a conviction.
  - b) In a civil or administrative proceeding, a determination on grantee liability or the imposition of a monetary penalty.
  - c) A final decision by an appropriate Federal or state official to debar or suspend the grantee, or to terminate an award by reason of a violation or failure to comply with a law, regulation, or rule.
  - d) A decision by consent or compromise if the action could have resulted in any of the dispositions described in (a), (b), or (c) above.
- 2) Costs incurred in connection with any civil or administrative proceeding brought by an employee or former employee are unallowable if the proceeding is related to violations of, or failure to comply with, a Federal, state, local or foreign law, regulation, or rule related to anti-discrimination employment, or whistle-blower matters and results in either of the dispositions described in (1) (b) or (1) (d) above.
- 3) Costs which are unallowable under (1) and (2) above may be allowable if one of the following occurs:
  - a) If a proceeding is commenced by the ODOD and is resolved by consent or compromise pursuant to an agreement entered into between the grantee and the State government, the costs may be allowable to the extent specifically provided in such agreement.
  - b) If a proceeding is commenced by the Federal government, by a local or foreign government, or by an employee or former employee, the costs may be allowable if an authorized official of ODOD determines that the costs were incurred as a direct result of (1) a specific term or condition of the grant, or (2) specific written direction of an authorized official of the appropriate ODOD program office.
- 4) Costs for the prosecution of claims against the Federal government or a state, local or foreign government are unallowable.

11. Lobbying

Costs associated with the following activities are unallowable:

- a) 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;
- b) 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 election;
- c) Attempts to influence legislation pending before Congress or a State legislature by communicating with any member or employee of the Congress or legislature, (including efforts to influence state or local officials to engage in similar lobbying activity), or with any government official or employee in connection with a decision to sign or veto enacted legislation.
- d) Preparation, distribution, or use of publicity or propaganda designed to influence legislation pending before Congress or a State legislature by urging members of the general public or any segment thereof to contribute to or participate in any mass demonstration march, rally, or fundraising drive, lobbying campaign, or letter writing or telephone campaign, for the purpose of influencing such legislation; or
- e) Legislative liaison activities, including attendance at legislative sessions or committee hearings, gathering information regarding pending legislation, and analyzing the effect of pending legislation, except to the extent that such activities do not relate to lobbying or related activities.

12. Losses on Other Awards

(See Section II, Part B.3, Losses on Other Awards)

Any excess of costs over income on any award is unallowable as a cost of any other award. This includes, but is not limited to, the grantee's contributed portion by reason of cost sharing agreements (unless approved by the grantor) or any under-recoveries through negotiation of lump sums for, or ceilings on, indirect costs.

Transfers of specific costs which are unrelated to the programs or activities described in the workplan or scope for the grant are allowable.

13. Taxes

Taxes from which the grantee is normally exempt are unallowable.

Part D – Documentation of Costs

The costs listed below shall be documented as described:

1. Compensation for Personal Services

(See Section II, Part C.7, Goods and Services for Personal Use and Part C.8, Grantee-Furnished Vehicles)

- a) General: Compensation for personal services includes all remuneration, paid currently or accrued, for services rendered during the period of performance under the grant agreement, including, but not necessarily limited to, wages, salaries, supplementary compensation, fringe benefits, pensions, and severance pay.
- b) Payroll and Distribution of Time: Amounts charged to grants for personal services, regardless of whether treated as direct or indirect costs will be based on payroll documentation which is prepared in accordance with generally accepted business practices. Payroll must be supported by time and attendance or other equivalent records for individual employees. Salaries and wages for employees chargeable to more than one grant program or to more than one cost objective must be supported by appropriate time distribution records. The method used should produce an equitable distribution of time and effort. Excluded from this form of documentation are those employees included in cost centers, indirect cost plans, or cost pools that have been approved by the grantor.
- c) Documentation for Salaries of Faculty Members at Educational Institutions: Salaries and wages of faculty shall be distributed based on either a system of monitored workload or a system of personnel activity reports. It is recognized that because of the work in educational institutions, the various and interrelated activities of professors and other teaching staff cannot be measured with a high degree of precision. Reliance must, therefore, be placed on reasonably accurate approximations, and acceptance of some degree of tolerance in measurement is appropriate.
- d) Documentation for Salaries of Administrative Staff (executive, accounting, personnel, etc.): Salaries and wages of administrative staff should generally be distributed to grants through an indirect cost rate or other cost pools. When this is not cost effective, salaries and wages shall be distributed based on either a system of monitored workload or a system of personnel activity reports. It is recognized that because of the various and interrelated activities of administrative staff, the amount of time spent on activities related to specific grants cannot be measured with a high degree of precision. Reliance must, therefore, be placed on reasonably accurate approximations, and acceptance of some degree of tolerance in measurement is appropriate.

## 2. Professional Services

Proper invoices for professional services will include the following information:

- a) An itemized description of the services performed.
- b) The dates that the services were performed.
- c) The total amount of time spent by each person providing services.
- d) The hourly or daily rate for each person providing services.
- e) An itemized list of the materials used.
- f) The rates for each type of reimbursable expense.
- g) The total due for the period covered by the invoice.
- h) Supporting documentation as required by the contract.

# Alphabetic Index

## Section II

### Selected Items of Cost:

Advertising	Part A.1
Advisory Councils and Boards	Part A.2
Alcoholic Beverages	Part C.1
Bad Debts	Part C.2
Bonding	Part A.3
Communication Costs	Part A.4
Compensation for Personal Services	Part A.5, Part D.3
Contingency Provisions	Part C.3
Contributions and Donations	Part C.4
Entertainment	Part C.5
Equipment	Part B.1
Exhibits	Part A.6
Fines and Penalties	Part C.6
General Management Costs	Part A.7
Good and Services for Personal Use	Part C.7
Idle Facilities and Idle Capacity	Part B.2
Grantee-Furnished Vehicles	Part C.8
Insurance	Part A.8, Part B.1, Part B.5
Interest, Fundraising, and Investment Management	Part C.9
Legal Services	Part A.9, Part C.10
Lobbying	Part C.11
Losses on Other Awards	Part B.3, Part C.12
Maintenance and Repairs	Part A.10, Part B.1, Part B.5
Materials and Supplies	Part A.11
Meetings and Conferences	Part A.12
Memberships, Subscriptions and Professional Activities	Part A.13
Pre-award Costs	Part B.4
Printing and Reproduction	Part A.14
Professional Services	Part A.15, D.2
Public Information Services	Part A.16
Space Costs	Part B.5
Taxes	Part C.13
Termination	Part B.6
Training and Education	Part A.17
Travel Costs	Part B.7