

Overview

The following guidance is meant as a review of the OMB Circular A-122 Attachment B for allowable versus unallowable costs on the CSBG grant.

Applicable Federal Programs

The guidance below applies to the Community Services Block Grant, Low Income Home Energy Assistance, Indiana Home Energy Assistance Program (State EAP), and Low Income Weatherization Assistance Program.

OMB Circular Updates

The following areas provide OMB Circular clarification about allowability. All policies are effective January 1, 2014, starting with the 2014 CSBG allocation.

Advertising and Public Relations- Costs incurred for the specific purpose of agency-wide marketing and communications are not allowable under OMB Circular A-122, No. 1(f).

However, costs incurred for the specific purpose of increasing awareness about specific programs, procurement, and employment opportunities are allowable, in accordance with OMB Circular A-122 1(c and d). Those costs must be properly documented and detailed on the accounting ledgers.

Promotional Items that are designed solely to promote the nonprofit organization are unallowable under OMB Circular A-122, Section 1(f) 3 and 4.

Logo apparel and items include shirts, sweatshirts, polos, padfolios, notepads, or other items are allowable if employee allocates at least 30 percent of his or her time interacting with the public. Costs associated with program staff should be charged to the appropriate programs. Costs associated with management and executive staff may be charged to CSBG.

Bad Debt and Business Losses- Collection of bad debt and/or business losses are not allowable expenses under federal programs according to OMB Circular A-122, No. 5 (Bad Debts) and 26 (Losses on other awards or contracts).

Donations and Contributions - Costs incurred for the donation of good, services, and sponsorships are not allowable expenses according to OMB Circular A-122, No. 12 (a), (b), and (c).

Sponsorships- Sponsorships have been classified as “Donations and Contributions” under OMB Circular A-122. These expenses are not allowable. In lieu of a sponsorship, agencies should consider other alternatives for supporting local community initiatives and partnerships. Some alternatives may include, but are not limited to,

- Providing staff support at local events
- Providing supplies and printed materials to be distributed to participants at the events
- Pay for professional services to be provided at local events

Employee Morale- Costs incurred for employee related expenses such as publications, health and first aid, recreational activities, counseling services, and other services that improve work conditions, employer-employee relations, morale, and performance are allowable. IHCDCA has deemed the following expenses are unallowable: holiday events, raffles, gift cards/certificates, staff evaluations/appraisals meetings, monthly, quarterly or annual celebrations, plaques/certificate, anniversary/birthday celebrations, giveaways, bereavement, and honorariums/in memorial gifts.

Entertainment- Costs incurred for the purpose of entertainment, including the purchase of alcoholic beverages, are not allowable expenses according to OMB Circular A-122, No. 14.

Fundraising- Costs of organized fundraising, including financial campaigns, endowment drives, solicitation of gifts and bequests, and similar expenses incurred solely to raise capital or obtain contributions are unallowable, according to OMB Circular A-122, No 17 (a).

IHCDCA will not allow any expenses (including staff time) incurred for the purposes of fundraising on behalf of the agency, as disallowed by OMB Circular A-122, No. 17.

Meetings and Trainings- Costs incurred for the purposes of meetings are allowable only if the purpose of the meeting is the dissemination of technical information, as allowed by OMB Circular A-122, No. 29.

OMB Circular A-122 defines indirect costs as “those that have been incurred for common or joint objectives and cannot be readily identified with a particular final cost objective”. Meetings and trainings whose primary focus is to support overall agency administration would be classified under this definition.

All meetings and trainings identified below must be cost allocated across appropriate programs. Agencies are no longer allowed to charge the entire costs of these meetings to CSBG.

Board Meetings- The purchase of food and beverages for board trainings and meetings are allowable. Expenses must be cost allocated appropriately across all applicable programs.

Annual Meetings- The purchase of food and beverage, room rental, audio/visual support, and decorations for annual meetings are allowable. Expenses must be cost allocated appropriately across all applicable programs.

Trainings- The purchase of food, supplies, and materials for agency provided trainings are allowable. Expenses must be cost allocated appropriately across all applicable programs.

Monthly Staff Meetings- Costs incurred for staff meetings that reflect the dissemination of technical information, policy development, and/or program implementation are allowable. If the meeting's primary focus is to provide a review of the agency's programs and/or operations, then those costs are not allowed. For meetings where the agency would like to submit claims for costs related to staff meetings, the agency may consider keeping minutes to reflect that the costs met the standards in this guidance.

Staff Evaluations/Performance Appraisals- Staff time is allowable, but food and beverage, room rental, audio/visual support, and decorations costs associated with staff evaluations and performance appraisal meetings are not allowable. Even if technical information is disseminated at the meeting, the primary purpose of the meeting was discussion about the staff's job performance.

Staff Appreciation Events- Staff time is allowable, but food and beverage, room rental, audio/visual support, and decorations associated with meetings are not allowable because the primary purpose is recognition or appreciation for work or service. If the primary purpose is technical information, then the expenses are allowable.

If an agency questions whether a cost is allowable, the agency is strongly encouraged to contact the CSBG Program Staff at IHEDA for guidance prior to incurring the expense.

Cost Shifting versus Overspent Administrative Expenses

According to Information Memorandum 37, "cost shifting" is defined as "using funds from one grant award to pay for program costs instead of the funds already provided for those same costs within another current-year Federal grant award". CSBG prohibits cost shifting.

However, CSBG is allowed to "pay for program costs in excess of the amounts provided for those costs in the other current-year award". Specifically, CSBG funds may not be used in place of the amounts provided by another current-year Federal grant award for (1) direct or administrative expenditures that were included as line items in that other grant award, or (2) costs that were included in developing the indirect cost rate. However, CSBG funds may be used to pay for costs of such program activities **above and beyond the levels financed by another Federal grant award.**

Therefore, consistent with Congressional intent and HHS grants policy, CSBG funds may supplement other grant awards by paying for expansion and enhancement of existing services and programs that already receive Federal, State, local, or private funding for those activities. For more information about direct and administrative expenses, visit Information Memorandum 37.

CSBG Contract Language

As stated in the 2014 CSBG grant agreement, Section 8 for Ineligible Expenses:

“The Grantee shall promptly repay, out of non-federal resources, IHCD for any funds, under this Agreement, that it utilizes for expenses that are deemed “ineligible” by any of the following: IHCD, HHS, 45 CFR 96 Block Grants, an A-133 audit, or the Program Manual. Accordingly, if a utility vendor refuses to return funds, which are considered an over-payment, the Grantee must repay the amount of the overpayment out of non-federal resources.”

Program Guidance on Expenses

For more information about cost allowability, agencies may use the following resources.

- Information Memorandum 37: Definition and Allowability of Direct and Administrative Cost Block Appropriation and Allocations
<http://www.acf.hhs.gov/programs/ocs/resource/im-no-37-definition-and-allowability-of-direct-and-administrative-cost>
- Justification of Estimates for Appropriations Committee
<http://www.acf.hhs.gov/programs/olab/budget>
- OMB Circular A-122
http://www.whitehouse.gov/omb/circulars_a122_2004/#attb

Note that these resources serve as a basis for policy guidance. However, IHCD state staff reserves the right to be more restrictive, when doing provides better program administration.