



Reviewing Allowable Costs



Overview

- 2 C.F.R. Part 200, Subpart E Cost Principles
 - 2 C.F.R. § 200.403 – Factors affecting allowability of costs
 - Common Unallowable Costs
- Framework for Justifying a Certain Cost
- Direct vs. Indirect Costs
- Other Cost Considerations
- “Uniform Grants Guidance” (2 C.F.R. Part 200) Updates



2 C.F.R. Part 200: Uniform Grant Guidance

- Includes requirements for ALL Federal grants
- Establishes uniform administrative requirements, allowable costs, and audit requirements
- Offers the guiding principle: is the cost reasonable and necessary?
- Applies principles of allowability to both SLAA funds and Match
- Sets out requirements for pass-through entities (SLAAs)
- Was last updated in spring of 2024 (to be applied soon!)

2 C.F.R. Part 200, Subpart E Cost Principles

- Includes:

- General Provisions
- Basic Considerations
- Direct and Indirect Costs
- Special Considerations for States
- General Provisions for Selected Items of Cost
 - Comprised of an alphabetical listing of common costs
 - eCFR is also searchable: <https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200>

▼ Part 200	Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards	200.0 – 200.521
▶ Subpart A	Acronyms and Definitions	200.0 – 200.1
▶ Subpart B	General Provisions	200.100 – 200.113
▶ Subpart C	Pre-Federal Award Requirements and Contents of Federal Awards	200.200 – 200.216
▶ Subpart D	Post Federal Award Requirements	200.300 – 200.346
▶ Subpart E	Cost Principles	200.400 – 200.476
▶ Subpart F	Audit Requirements	200.500 – 200.521



2 C.F.R. § 200.403: Allowability

Under “Basic Considerations,” Costs must be **Necessary** and **Reasonable**, as well as:

- Be consistent with policies for both federal and non-federal activities
- Follow generally accepted accounting principles (GAAP)
- Not be used for matching requirements for other federal awards (few exceptions)
- Be adequately documented
- Be incurred during the approved budget period



Common Allowable Costs

- Salaries and wages for a funded project
- Supplies and materials
- Books, and access to electronic collections
- Training, education, and associated travel
- Marketing for an LSTA funded project
- Group memberships and subscriptions
- Discussion: What kind of other projects do you do?



Common Unallowable Costs: Entertainment

- No parties or celebrations
- No concerts
- No alcohol
- If it does not have an educational component, it is a NO
- See: [2 C.F.R. § 200.438 Entertainment Costs](#)



Common Unallowable Costs: General Advertising

- No general advertising or marketing for the library
- You CAN advertise a LSTA-funded service, but it should be reported with related project costs
- See: [2 C.F.R. § 200.421 Advertising and public relations](#)
- See also: [IMLS guidance on Advertising, Public Relations, and Promotional Materials](#)



Common Unallowable Costs: Advocacy

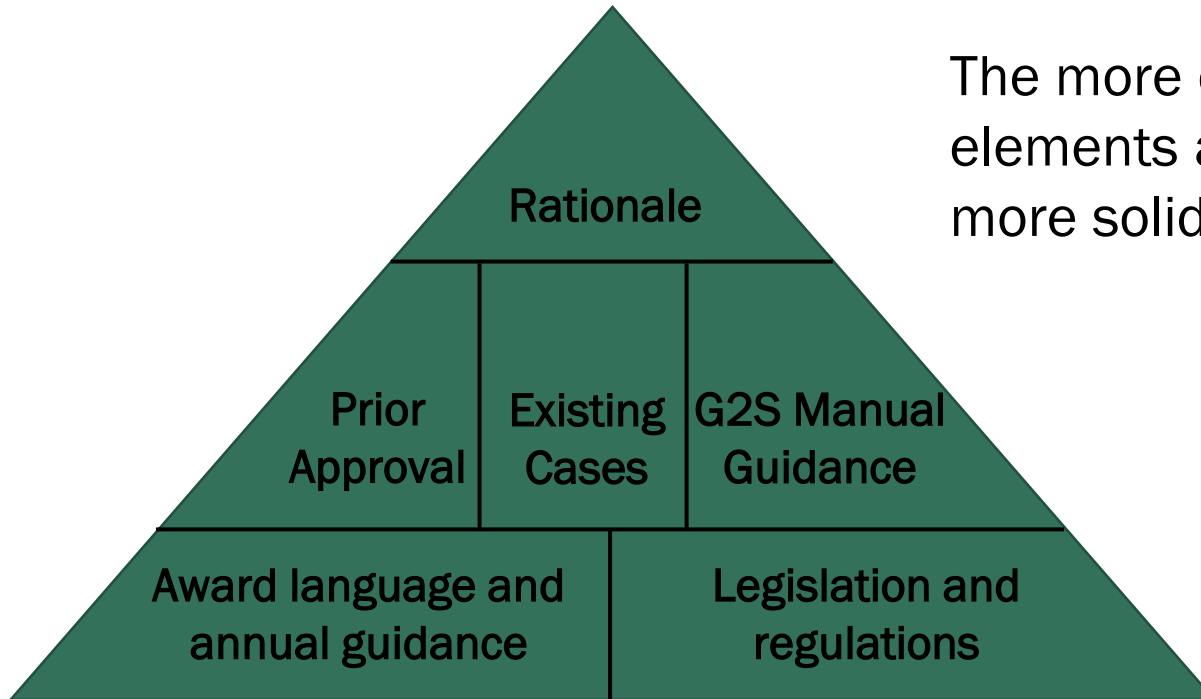
- No lobbying to lawmakers or contributing to political campaigns
- No fundraising activities
- No direct costs toward applying for other grants (indirect costs only)
- General grant writing workshops are ok, as it is considered building capacity
- See: [2 C.F.R. § 200.450 Lobbying](#)
- See also: [IMLS guidance on Proposal Writing and Fundraising](#)



Other Common Unallowable Costs

- Costs associated with starting a new organization (2 C.F.R. § 200.455)
- Personal memberships (institutional memberships are allowable) (2 C.F.R. § § 200.445 and 200.454)
- Bad debts/ funds for services not rendered (2 C.F.R. § 200.426)
- Video surveillance equipment from certain companies (2 C.F.R. § 200.216)
- Furniture with no programmatic purpose
- Adding to endowments
- Activities unrelated to [LSTA purposes and priorities](#)

Framework for Justifying a Certain Cost



The more of these elements are present, the more solid your case is!



Let's take a breather

- What are your thoughts so far?
- What are you confused about?



Direct vs. Indirect Costs

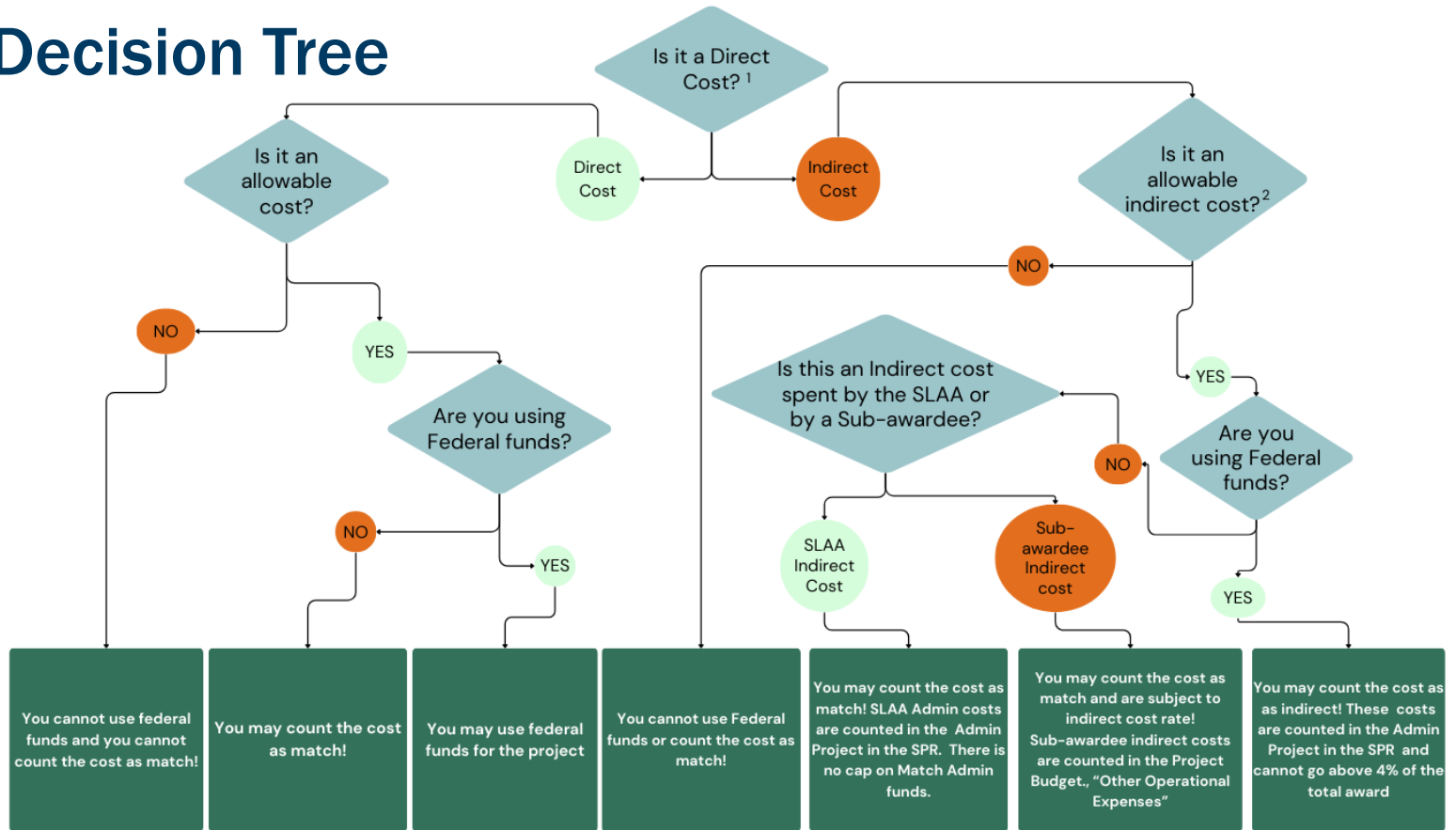
- [Direct costs \(2 C.F.R. § 200.413\)](#) can be identified with a particular cost objective.
 - Examples: staff, equipment, consultant fee, travel expenses
- [Indirect costs \(2 C.F.R. § 200.414\)](#) are for a common or joint purpose benefitting more than one cost objective.
 - Examples: heating, lighting, accounting and personnel administration, office furniture, rent, phone lines



Indirect/Administrative/Operational Costs

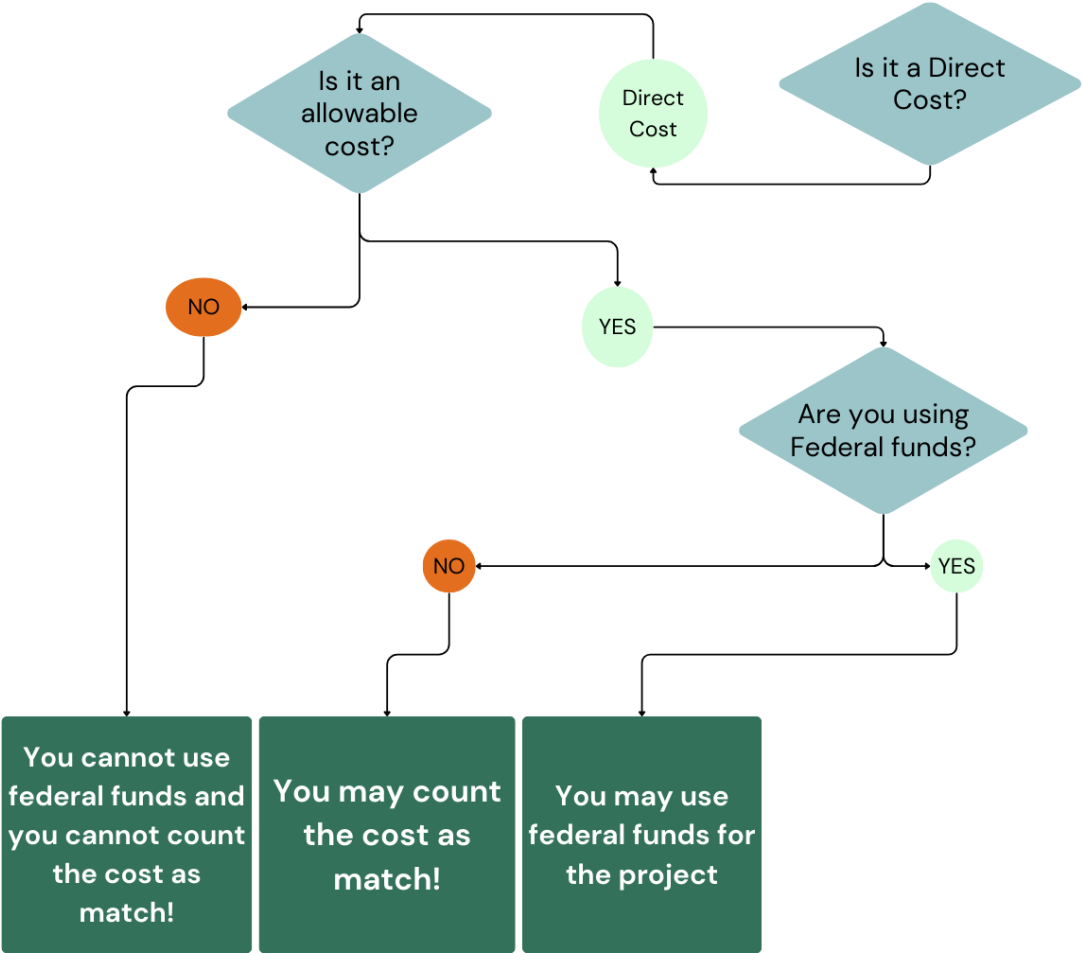
- LSTA has a 4% Administrative cap for SLAAs. Be mindful of:
 - All facilities-related costs incurred at the state level
 - Office or other furniture that doesn't directly relate to a project
 - Phone lines
- THESE ARE UNALLOWABLE AS DIRECT COSTS

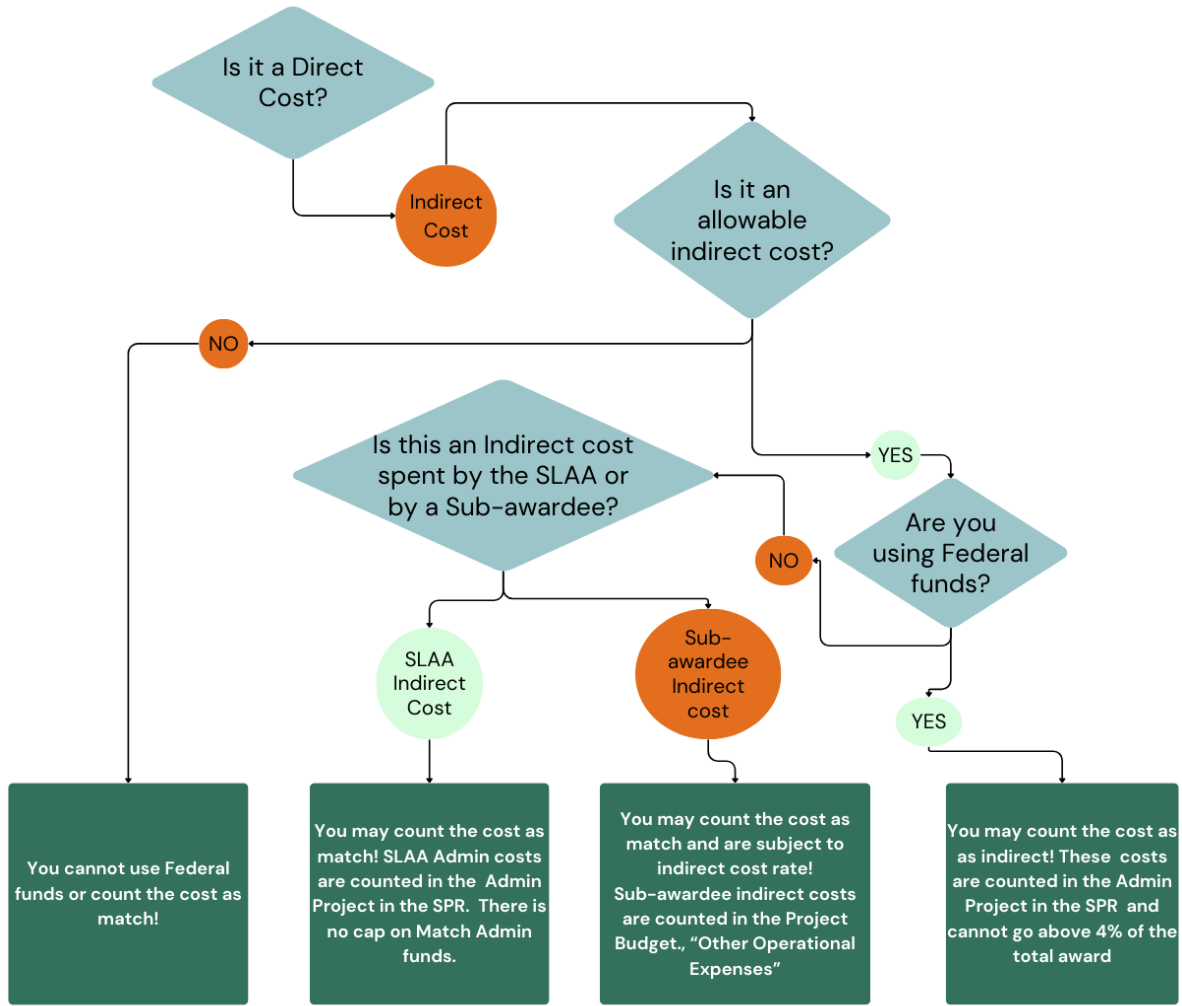
Cost Decision Tree



1. **2 CFR 200.413 Direct costs:** <https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200/subpart-E/subject-group-ECFRd93f2a98b1f6455/section-200.413>

2. **2 C.F.R. 200.414: Indirect Costs:** <https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200/subpart-E/subject-group-ECFRd93f2a98b1f6455>





Is it a Direct Cost?

Indirect Cost

Is it an allowable indirect cost?

NO

Is this an Indirect cost spent by the SLAA or by a Sub-awardee?

Are you using Federal funds?

YES

SLAA Indirect Cost

Sub-awardee Indirect cost

You cannot use Federal funds or count the cost as match!

You may count the cost as match! SLAA Admin costs are counted in the Admin Project in the SPR. There is no cap on Match Admin funds.

You may count the cost as match and are subject to indirect cost rate! Sub-awardee indirect costs are counted in the Project Budget., "Other Operational Expenses"

You may count the cost as as indirect! These costs are counted in the Admin Project in the SPR and cannot go above 4% of the total award



Other Considerations: Project Dates

- Costs dated before the project period start date and after the end date are unallowable
- Materials and equipment must be ordered and delivered within the grant award period
- Liquidations of costs may occur up to 120 days after the award period is over
- Grant period extensions (especially due to unspent funds) are generally not allowed
- See: 2 C.F.R. § § 200.403 Factors affecting allowability of costs and 200.458 Pre-award costs.



Other Considerations: Salaries & Benefits

- Hours worked must be pro-rated to the project ([2 C.F.R. § 200.405 Allocable costs](#))
- Generally cannot cover incentives or bonuses
- Volunteer hours can be converted to in-kind match (Match-Other in the SPR)
- See: [2 C.F.R. § 200.430 Compensation](#)



Other Considerations: Program Income

- Does your project charge someone money?
- Earned funds must generally go back into the project and must be pre-approved by your Program Officer
- See [IMLS guidance on Program Income](#)



Other Considerations: Required Certifications

- The certs apply to ALL your LSTA funded projects
- They require adherence to non-discrimination
- They prohibit using your position for personal gain
- Full set of certifications are signed
 - 1) at the time of the new five-year plan, and
 - 2) at the onboarding of a new Authorized Certifying Official
- Annual certifications are signed at the time of the award



Related OMB updates (coming soon)

- The Office of Management and Budget (OMB) released 2 C.F.R. Part 200 updates in spring 2024 that will go into effect soon, including:
 - **§ 200.1 Definitions.** OMB increased the threshold from \$5,000 to \$10,000 for equipment.
 - **§ 200.414 Indirect costs.** OMB raised the de minimis rate from 10 percent to “up to 15 percent.”
 - **§ 200.432 Conferences.** OMB added language to allow for dependent-care costs associated with participants’ attending or partaking in program-related conferences.
 - **§ 200.438 Entertainment and prizes.** OMB added language on “prizes” to the section on entertainment (“allowable if they have a specific and direct programmatic purpose and are included in the Federal award”).



More OMB updates (coming soon)

- Some of the OMB updates will impact work processes:
 - **§ 25.105 Applicability.** OMB clarified that the requirement to obtain a Unique Entity Identifier (UEI) and register in SAM.gov does not apply to second-tier subrecipients or contractors.
 - **§ 200.323 Procurement of recovered materials.** OMB added a new paragraph encouraging Federal award recipients, to the extent consistent with law, to purchase, acquire, or use products and services that can be reused, refurbished, or recycled; contain recycled content, are biobased, or are energy and water efficient; and are sustainable.
 - **§ 200.332 Requirements for pass-through entities.** OMB included the requirement for pass-through entities to confirm that potential subrecipients are not excluded or disqualified.
 - **§ 200.415 Required certifications.** OMB added specific certification language that pass-through entities need to collect from subrecipients whenever applying for funds, requesting payment, and submitting financial reports.
 - **§ 200.501 Audit requirements.** OMB increased the single audit threshold from \$750,000 to \$1,000,000.



Questions?