

CITY OF CORVALLIS, OREGON

**HANDBOOK FOR
APPLICANTS AND RECIPIENTS**

**CITY OF CORVALLIS
HUMAN SERVICES FUND**

**DEVELOPED FOR APPLICATIONS AND ACTIVITIES TO BE FUNDED IN THE
FISCAL YEAR BEGINNING JULY 1, 2010 AND ENDING JUNE 30, 2011.**

*City of Corvallis
Community Development Department
Housing Division*

Updated October 12, 2009

Handbook for Applicants for and Recipients of Funding from the City of Corvallis Human Services Fund

This handbook outlines the process used by the City of Corvallis Housing Division to allocate resources from the Human Services Fund, and provides an overview of what recipients of funding will need to know in order to meet the requirements that will be imposed on them by the City and the U.S. Department of Housing and Urban Development (HUD).

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Section I.

Purpose and Goals of the Human Services Fund

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Section I.

Purpose and Goals of the Human Services Fund

The City of Corvallis Human Services Fund represents one of a number of efforts that are undertaken by the City to improve the breadth and quality of support received by those in our community who are in need of social services. The narrative that follows explains where the resources of the Human Services Fund come from, how they must be applied by the City, and who is eligible to benefit from activities and programs the Fund supports.

Where the Funding Comes From

The Human Services Fund is capitalized with funding from the City’s Community Development Block Grant (CDBG) program, a federal entitlement program overseen nationally by the U.S. Department of Housing and Urban Development (HUD). Each year the City of Corvallis receives funding through HUD’s CDBG program to support locally identified community development initiatives. The initiatives are based on a Consolidated Plan that is developed by the City every five years through a process that includes citizens, service providers and recipients, non-profit and for-profit housing developers, and other community representatives.

Since first qualifying for CDBG funding as an entitlement community in our FY 00-01, the City has received between about \$500,000 and \$700,000 each year—with the amount decreasing fairly steadily over time. The City has the option of committing as much as 15% of each year’s CDBG allocation to what HUD calls “public services,” which is the use we carry out through delivery of the Human Services Fund. To date the City has utilized the full 15% allowable each year to support activities underwritten by the Human Services fund.

What Activities are Eligible for Funding

Federal Eligibility Determination

Two levels of activity eligibility criteria apply to the City’s use of CDBG funding in delivering the Human Services Fund—those that derive from the federal regulations as written by HUD, and those that have been developed locally for the City by its Housing and Community Development Commission and the Corvallis City Council. The federal criteria are drawn from various sections of the Code of Federal Regulations, Title 24, Part 570. The first section of 24CFR 570 which applies not only to the Human Services Fund but to every use of CDBG funding, is found in 24CFR 570.100(2):

Compliance with national objectives. Grant recipients under the Entitlement . . . programs must certify that their projected use of funds has been developed so as to give maximum feasible priority to activities which will carry out one of the national objectives of benefit to low and moderate income families or aid in the prevention of slums or blight; the projected use of funds may also include activities which the recipient certifies are designed to meet other community development needs having a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community where other financial resources are not available to meet such needs. Consistent with the foregoing, each recipient under the Entitlement . . . programs must ensure, and maintain evidence, that each of its activities assisted with CDBG funds meets one of the three national objectives as contained in its certification. Criteria for determining whether an activity addresses one or more of these objectives are contained at §570.208.

As noted in the citation above there are three national objectives for the Community Development Block Grant program, at least one of which must be met by every expenditure of CDBG funds. These include 1) activities benefitting low- and moderate-income persons (which in the terminology used by the City of Corvallis CDBG program equates to low, very low or extremely low income persons); 2) activities which aid in the prevention or elimination of slums or blight; and 3) activities designated to meet community development needs having a particular urgency.

Of the three CDBG national objectives, activities supported with Human Services Fund resources can address only the first as activities that benefit low- and moderate income persons. The other two objectives focus on the physical attributes of a community—its buildings and infrastructure—and not on the provision of services.

As noted in the CFR citation above, §570.208 contains specific criteria for determining whether an activity will meet a national objective. In considering Human Services Fund activities benefitting low and moderate income persons, only §570.208(a)(1) and (2) apply:

(a) *Activities benefitting low and moderate income persons.* Activities meeting the criteria in paragraph (a) (1), (2), (3) or (4) of this section as applicable, will be considered to benefit low and moderate income persons unless there is substantial evidence to the contrary. In assessing any such evidence, the full range of direct effects of the assisted activity will be considered. (The recipient shall appropriately ensure that activities that meet these criteria do not benefit moderate income persons to the exclusion of low income persons.)

(1) *Area benefit activities.* An activity, the benefits of which are available to all the residents in a particular area, where at least 51 percent of the residents are low and moderate income persons. Such an area need not be coterminous with census tracts or other officially recognized boundaries but must be the entire area served by the activity. An activity that serves an area that is not primarily residential in character shall not qualify under this criterion.

(2) *Limited clientele activities.* An activity which benefits a limited clientele, at least 51 percent of whom are low or moderate income persons. (The following kinds of activities may not qualify under paragraph (a)(2) of this section: activities, the benefits of which are available to all the residents of an area; activities involving the acquisition, construction or rehabilitation of property for housing; or activities where the benefit to low and moderate income persons to be considered is the creation or retention of jobs . . . To qualify under paragraph (a)(2) of this section, the activity must meet one of the following tests:

(A) Benefit a clientele who are generally presumed to be principally low and moderate income persons. Activities that exclusively serve a group of persons in any one or a combination of the following categories may be presumed to benefit persons, 51 percent of whom are low and moderate income: abused children, battered spouses, elderly persons, adults meeting the Bureau of the Census' Current Population Reports definition of "severely disabled," homeless persons, illiterate adults, persons living with AIDS, and migrant farm workers; or

(B) Require information on family size and income so that it is evident that at least 51 percent of the clientele are persons whose family income does not exceed the low and moderate income limit; or

(C) Have income eligibility requirements which limit the activity exclusively to low and moderate income persons; or

(D) Be of such nature and be in such location that it may be concluded that the activity's clientele will primarily be low and moderate income persons.

Paragraph §570.208(a)(2)(A) above provides a very specific list of persons who are presumed to be low income. One of those classes listed is "adults meeting the Bureau of the Census' Current Population Reports definition of 'severely disabled'." The Census definition of "severely disabled" as referenced is:

Persons are classified as having a severe disability if they: (a) used a wheel-chair or had used another special aid for six months or longer; (b) are unable to perform one or more "functional activities" or need assistance with an "ADL or IADL"; (c) are prevented from working at a job or doing housework; or (d) have a selected condition including autism, cerebral palsy, Alzheimer's disease, senility or dementia, or mental retardation. Also, persons who are under 65 years of age and who are covered by Medicare or who receive SSI are considered to have a severe disability.

Note: For purposes of this definition, the term "functional activities" includes seeing, hearing, having one's speech understood, lifting and carrying, walking up a flight of stairs, and walking. An ADL is an "activity of daily living" which includes getting around inside the home, getting in or out of bed or a chair, bathing, dressing, eating, and toileting. An IADL is an "instrumental activity of daily living" and includes going outside the home, keeping track of money or bills, preparing meals, doing light housework, and using the telephone.

The next important and applicable element of the federal regulations that applies to the City's allocation of Human Services Fund resources is found in 24CFR 570.201(e), where the activity classification of "public services" is discussed. That paragraph reads:

Public Services. Provision of public services (including labor, supplies, and materials) including but not limited to those concerned with employment, crime prevention, child care, health, drug abuse, education, fair housing counseling, energy conservation, welfare (but excluding the provision of income payments), homebuyer downpayment assistance, or recreational needs. To be eligible for CDBG assistance, a public service must be either a new service or a quantifiable increase in the level of an existing service above that which has been provided by or on behalf of the unit of general local government (through funds raised by the unit or received by the unit from the State in which it is located) in the 12 calendar months before the submission of the action plan. (An exception to this requirement may be made if HUD determines that any decrease in the level of a service was the result of events not within the control of the unit of general local government.)

The Corvallis Consolidated Plan and Local Eligibility Requirements

In addition to applying the foregoing federal regulations in selecting Human Services Fund proposals for funding, the City has also developed a set of local criteria to be used in making funding decisions. The first and most important requirement for any proposal is that it address a Consolidated Plan goal, and that those served by a service or program to be funded with HSF resources fall into one of the priority categories included in that Plan. The priority populations fall into three main categories based on local needs as determined through analysis conducted in the preparation of the FY 08-09 Consolidated Plan. They include:

Homeless/At Risk Sub-Populations with the Following Characteristics

- Chronically homeless individuals, including survivors of domestic violence and youths
- Chronically homeless families with children, including survivors of domestic violence
- Homeless individuals, including survivors of domestic violence and youths
- Homeless families with children, including survivors of domestic violence
- Individuals or families with children at risk of homelessness

Non-Homeless Special Needs Populations

- Persons who are frail elderly or elderly
- Persons with a chronic/severe mentally illness
- Persons with alcohol/other drug addiction
- Persons with HIV/AIDS
- Persons with disabilities

Housing

The Consolidated Plan identifies the housing needs of all households with low incomes (i.e., all households with incomes below 80% of the Corvallis median income level) to be priority needs. However, the following groups are considered to have the highest priority housing and related service needs:

- Special needs populations, all housing types
- Small-related renter households with incomes at or below 30% of median income
- Large-related renter households at or below 30% of median
- Other renter households at or below 30% of median
- Elderly renter households at or below 50% of median
- Owners (all household types) at or below 30% of median

In addition to meeting overall Consolidated Plan goals, Human Services Fund activities must be delivered in ways that will meet a set of criteria that were created by the Corvallis Housing and Community Development at the time they designed the Human Services Fund. The four primary criteria are restated each year in the Human Services Fund Request for Proposals that is distributed at the beginning of our funding process, and are intended to lay out goals which each proposal will be able to address should City funding be provided. The four include:

1. Assist projects or programs that create, build upon or support existing partnership collaborative efforts.

This goal is intended to create and foster project/program linkages, and leverage other, existing community resources through the application of Human Services Fund allocations. A partnership or collaboration will typically consist of shared personnel, financial, and other types of resources, and will be formalized through a subcontracting agreement or memorandum of understanding.

2. Assist projects or programs that foster community-building or neighborhood-building opportunities among individuals and families leading to both formal and informal access to services and other types of support.

This goal is intended to help assisted individuals and families become integral members of the neighborhood and community in which they live. An emphasis of this goal is the fostering of cooperation among groups that are being assisted, or between assisted groups and other community groups.

3. Assist projects or programs that are delivered to people in their homes or through neighborhood centers.

This goal is intended to allow those who receive support services to live anywhere in the community, to enjoy increased stability in their living situation as services are received, and to remain where they live as their need for support services changes or increases.

4. Assist projects or programs that expand capacity and infrastructure to extend services to underserved populations.

This goal is intended to encourage Fund recipients to improve their ability to provide support to those in the community who are most in need by developing more effective, efficient means of delivering services to clients, and/or by transporting clients to or from the source of services.

A Word About Presumed Low Income Clients

On page 1.3 above we cited the HUD regulation (24 CFR 570.208(a)(2)(A)) that identifies groups of eligible CDBG activity beneficiaries that are presumed to be low income. They include abused children, battered spouses, elderly persons, adults meeting the Bureau of the Census' Current Population Reports definition of "severely disabled," homeless persons, illiterate adults, persons living with AIDS, and migrant farm workers. Because these groups are presumed to be low income, HUD does not require that their incomes be documented in order to qualify for assistance. The City's practice, however, is to ask that agencies document the incomes of those they serve whether or not the clients are presumed to be low income. We do this in order to document that we are achieving an overarching goal of our CDBG/HOME program Consolidated Plan: to serve, where possible, those in need in the community with the lowest incomes. When we presume clients are low income, we can only report them to HUD as just that: low income, meaning that they have incomes at or below 80% of the Corvallis median. But if they are actually very low income (at or below 50% of median) or, as is often the case, extremely low income (at or below 30%), we want to be able to report that to HUD. The only way to do that reliably is by gathering income information from all clients, even if they are presumed to be low income, and then reporting on to HUD the numbers within each of the three income categories that are benefitting from their investment of federal funds in Corvallis. Further discussion of income documentation can be found in Section IV. of this document.

Direct Benefit to Clients

Another City-imposed eligibility criterion is that Human Services Fund resources must be used to generate a direct benefit to an agency's clientele. That means certain types of requests—for example, to fund the overall administration of a multi-program organization—will be deemed ineligible. Also ineligible are programs that would utilize HSF resources to provide direct cash payments to clients.

So how is direct benefit determined? In general it's very straight forward: by carrying out the proposed activity an agency simply needs to show that qualifying individuals or families will benefit by receiving a service directly. Examples of direct benefits or services include but are not limited to education, counseling, intervention, meals, or other support. Things like general organizational operating costs, costs of training for service providers, or the costs of fundraising would not be eligible because they do not provide a direct benefit to activity beneficiaries.

Section II.

Human Services Fund Proposal Solicitation and Review Process

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Human Services Fund Proposal Solicitation and Review Process

The RFP Process

The Request for Proposals and proposal review process for the Human Services Fund typically begins in the fall each year. In September/October the initial Request for Proposals document is distributed to prior year recipients, others who have expressed interest, and others who might have an interest or need, and is also advertised in the Corvallis Gazette-Times. Human Services Fund support is available to any 501(c)(3) organization that serves people in Corvallis in ways that are eligible at both the federal and the local level. Detailed information about eligibility criteria was provided in Section I. of this document.

Letters of Intent

The first thing we ask potential Fund applicants to do each year is provide us with a letter of intent to apply for funding. That letter should describe the project or activity that the applicant will ask us to fund, and give a rough estimate of the dollar amount that will be requested. These letters of intent are compiled by staff in order to develop planning estimates for our use and for use by the Housing and Community Development Commission as they begin working through the development of an Action Plan for the coming fiscal year's CDBG and HOME programs. Our policy is that an agency **must** submit a letter of intent in order to have their proposal considered. Proposals for which no letter of intent has been received will not be accepted.

Meetings with City Housing Division Staff

Agencies that have received Human Services Fund support in the past typically won't need to meet with staff to discuss their proposals but are always welcome to do so. Agencies that have not received prior funding, or that intend to seek first-time funding for a new or different program, are asked to meet with staff in order to make sure that what they plan to propose is eligible, and to point out issues or concerns the agency might want to be prepared to address as consideration of their proposal advances.

Preparing a Proposal

It will be unlikely that an agency hasn't prepared grant applications of some type to support their programs and operations, and most Corvallis agencies are quite sophisticated when it comes to putting words on paper to present a compelling case for funding their activity. And because competition for the resources of the Human Services Fund is typically quite tight—we are usually oversubscribed at a rate of two to three times the amount of funding we have

available—the more compelling the case, the more likely that funding will be awarded. But “compelling” doesn’t necessarily equate to “long” in terms of writing a Human Services Fund proposal. For that reason we limit the length of responses to the narrative questions in the proposal form to no more than one additional typed page per question.

The Intent of a Few Proposal Questions

Many of the questions in the Human Services Fund proposal are self explanatory and very straight forward (questions one through three, nine and ten). The intent of other questions may not be quite so clear, and some background on why we ask them might help you formulate effective answers.

Question 4: Describe how your project, program or service meets each of the four goals of the Human Services Fund.

As noted in the previous section of this document, there are two levels of criteria that are applied to proposed activities when the City conducts its reviews - those imposed by HUD and those that have been developed locally. The four local goals of the Human Services Fund were established by the Corvallis Housing and Community Development Commission in consultation with social service experts and service providers. They are based in part on sound service design and delivery concepts, but more significantly, they are also based on philosophies laid out in the Corvallis 2020 Vision Statement and the City’s Comprehensive Plan. Those documents clarify the City’s focus on building a sense of community by strengthening the components and environments that are essential to that achievement. With that in mind, it will be important to consider the key elements of the four goals as you answer this question:

- Promoting collaboration among service providers and other community entities in order to make service delivery as effective and efficient as possible;
- Increasing the involvement and ownership of community members—both service recipients and non-recipients—in the configuration and delivery of services in order to build a stronger sense of community;
- Strengthening the network of supports at both the community and the neighborhood levels in order to assure a more integrated delivery system available to all, whether clients come to the services or the services come to them in their homes; and
- Improving the capacity at the service provider level to reach out to those in the community who need but cannot access the services that are available.

Question 5: Describe the steps you’ve taken to determine the community’s need for this project, program or service, and what you’ve done to assure that your services are coordinated with other providers who serve the same target population(s).

This question is intended to show that you’ve done your homework before suggesting a new or expanded program in order to make sure it is one the community needs, as well as one that isn’t already being offered by another provider. It also looks to show that there is a collaborative approach among providers where there is overlap in serving a particular population.

Question 6: Explain what adjustments you would make to your program or service if you receive less funding than you are requesting in this application, and also if you receive no funding at all.

This question is intended to encourage agencies to seek out and secure sources of funds to supplement what the City's Human Services Fund provides from year to year. In making allocation recommendations for the HSF in its first few years, the City's Housing and Community Development Commission intended to limit an agency to no more than three years of funding for a program or activity. The purpose of this approach was to encourage agencies to seek other sources of funding adequate to eventually replace what the Human Services Fund provided.

The three-year funding limitation no longer applies to the Human Services Fund, but it is still the intent of the HCDC to encourage agencies to seek other sources of funding to increasingly replace what the HSF provides in order to be able to shift HSF funding to other activities without having proven services discontinue for lack of funding. Clearly this is a difficult policy to put into practice, but in recent years most agencies seeking funding for a second, third or fourth year have seen their allocations reduced each year.

Question 7: Tell us how you think we should measure the effectiveness of your project, program or service, both in terms of its magnitude (e.g., number of households or persons served) and in terms of its quality. In other words, what outcomes do you expect to achieve, and how can we tell if you've been successful? Please be as specific as possible, as these measures will be incorporated into your grant agreement if your proposal is funded.

This question is intended to serve two purposes. The first is simply to allow us to evaluate how predicted outcomes will help achieve Consolidated Plan goals if Human Services Fund support is provided, and also weigh the outcomes predicted for one program against those predicted for another during the competitive allocations process.

The second reason for including this question is to give the City a basis for measuring the effectiveness of the programs we fund. This helps us assure not only that agencies do what they say they will in terms of numbers of people assisted (what has typically been called "service units"), but also that the intended improvements in peoples lives, achieved with assistance from the Human Services Fund, are measured and can be reported to decision makers. HUD has been working for two years on regulatory requirements that now attach outcomes and performance measurement systems to our use of CDBG, and thus Human Services Fund, resources. By stating outcomes clearly, applicants for HSF assistance help themselves meet the requirements HUD has imposed, and in turn help the City meet those requirements.

Question 8: Describe your program or service as it will be two or three years from now: what changes will have been made; will it be serving more, fewer, or the same number of clients; will the clients be from the same target population; what will your mix of funding look like?

This question also serves two purposes. The first is to help the City understand the visions of community service providers and how those visions might begin to play out as the become trends in service delivery in the near future. The second purpose is to encourage service providers to be thinking about and planning for the program they're asking us to fund, and to look at it with longer than a year-to-year approach within the context of community needs and other providers' services.

Preparing the Budget Pages

Two separate budget pages are included in the proposal packet, one specific to the program or activity for which you're seeking Human Services Fund support, and a second to represent your overall agency budget. Each page has the same categories for revenues and expenditures, and each covers the same three budget periods. The format was designed to capture all of the categories of income and expense an agency might have; in many cases, you may have fewer than the sheet provides. If this is the case and you are working from an electronic version of the proposal that we provided, you are welcome to delete rows in which you have no entries.

There is typically confusion about the time periods covered by the "Last Year Actual" and the "Current Year Budget" columns. What these intend to capture are the current and prior years' budgets for your program or organization based on your fiscal year, whatever it may be. If your fiscal year matches the calendar year, "Last Year" would be calendar 2008 (since you'll be submitting your proposal in 2009), and "Current Year" would be 2009. If you use a fiscal year that doesn't match up with the calendar year, the "Last Year" column should reflect the most recent completed fiscal year, and "Current Year" should reflect the year that is underway.

The "One Year CDBG Grant Funding Period Budget" column is intended to project your revenues and expenditures for the period represented by the City's fiscal year, which begins July 1 and ends June 30. For those whose fiscal years match the City's, this column is relatively easy to complete; if your agency's fiscal year does not match the City's, please provide us with the most accurate projection of your budget that you can for the given period.

As you prepare the budget sheet that will reflect the activity for which you are seeking Human Services Fund support, it will be important to consider the eligibility of the individual expense items you plan to include. The regulations that apply to a non-profit agency's use of federal funds to carry out projects or activities are very strict, but fortunately also very clear and well documented. Attachment A to this Handbook offers OMB Circular A-122 - *Cost Principles for Non-Profit Organizations*, a document that outlines an extensive list of individual expenditure types and the situations in which they are, or are not, considered eligible for federal cost purposes. Please review and follow the *Circular* carefully as you develop your proposal budget.

As agencies prepare budgets for their Human Services Fund proposals, it is important to keep in mind that the Fund will only cover the costs of operating an activity (and which meet eligibility requirements found in OMB Circular A-122), and **under no circumstances may HSF resources be used to acquire real property, equipment, vehicles, or other capital assets.**

Presentation and Consideration of Human Services Fund Proposals

Each year, applicants for Human Services Fund support have an opportunity to present an overview of their proposed project to the City's Housing and Community Development Commission (HCDC). The Commission is a citizen body made up of nine voting individuals and a liaison member from the City Council. Each Commissioner represents a specific segment of the Corvallis community as follows:

- Mortgage Lending/Finance Industry (one member)
- Real Estate Sales/Development Industry (one member)
- Housing Construction Industry (one member)
- Recipient of Social Services (one member)
- Recipient of Housing Assistance (one member)
- General Public (three members)
- Representative from the Planning Commission (one member)

The HCDC is charged with formulating and recommending policies for City Council consideration in the area of affordable housing, especially for low income residents; formulating and recommending community revitalization policies; and reviewing agency applications for funding from the City's Community Development Block Grant and HOME Investment Partnerships programs.

To carry out the last of the charge elements listed above, the HCDC gathers each spring, typically in March, to hear and evaluate agency proposals for all of the funding types the City supports with our CDBG and HOME resources, including Human Services Fund requests. Agencies that are requesting HSF resources for the first time, or for a new activity, typically have about fifteen minutes to provide a proposal overview and answer questions from members of the Commission. Agencies seeking continued funding typically have about ten minutes for their presentation and questions.

Since the amount of time that is provided is fairly brief, it is important for agencies to use it effectively by presenting an organized overview of their activity and proposal, making sure to explain how, if funded, they will address the goals and criteria that HUD and the City have established for the Human Services Fund. It's also important to leave time for questions—sometimes what's learned during the Q & A portion of your presentation is as important as what you prepare and present when it comes to the HCDC making funding decisions.

It's helpful, but not critical, to have more than one presenter, especially when an Executive Director will present the proposal, but there's a program manager who might know more about the operational details. Because we typically have space limitations we ask that you limit your presentation team to no more than three, and preferably just one or two members.

After the HCDC has heard all of the HSF proposal presentations they gather again to discuss the merits of each proposal, seek any clarification they need from staff (and if necessary, the agencies

themselves) and then each independently allocates the available funding as they feel is in the best interests of the community. The individual allocations are then posted and discussed by the whole body, with amounts being adjusted by consensus until everyone is satisfied, and the amount of HSF resources available has been fully allocated. It is often the case that one or two agencies receive the full amount they have requested (typically smaller requests), and sometimes one or more agencies will not be funded at all.

Consideration and Approval by the City Council

The work the HCDC does to develop an allocation plan for the Human Services Fund and other CDBG and HOME resources forms the basis of the City's draft CDBG/HOME Program Action Plan for the coming fiscal year. The draft Action Plan is considered at this point to be a set of recommendations, and is forwarded from the HCDC to the City Council for its consideration and approval during a public hearing, typically held in late April or early May each year. Anyone is welcome to address the Council during this hearing, both to support the recommendations or to suggest an alternative, and the Council considers this testimony as they move to approve the Action Plan either as it has been submitted, or with amendments that result from the hearing process.

Following the Council's formal approval of the draft Action Plan, staff does two things: prepares and mails notices of pending awards to all who will be funded in the coming fiscal year; and finalizes the Plan and submits it to HUD for its review and approval. The deadline for submitting the Plan to HUD is May 15; as long as this deadline is met, HUD must complete its review of the Plan, and communicate its findings to the City no later than June 30. This schedule is structured to allow the City to begin funding the activities in its Action Plan beginning on July 1.

Section III.

What to Do After Receiving a Notice of Award

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Section III. What to Do After Receiving a Notice of Award

Prior to the Beginning of the Fiscal Year

Letters notifying agencies of the City Council's approval of awards from the Human Services Fund are typically mailed soon after the Council's hearing in late April or early May. Activities that will be funded with coming-year HSF resources may not begin before July 1; but during the time between notification of award and the beginning of the fiscal year (July 1) there are a few things agencies can begin working on to prepare themselves for the coming grant period.

Insurance

The first thing for agencies to work on is securing the insurance coverage the City will require them to carry in order to receive Human Services Fund support. The insurance requirements may change from year to year; for FY 08-09 the following requirements will apply, and will be written into each grant agreement:

INSURANCE. During the term of this contract, Contractor shall maintain in force at its own expense each insurance noted below:

- A. Workers' compensation insurance in compliance with ORS 656.017, which requires subject employers to provide Oregon workers' compensation coverage for all their subject workers.
- B. Commercial General Liability insurance with coverage limits not lower than \$1,000,000 each occurrence with a General Aggregate of not lower than \$2,000,000 for bodily injury and property damage, and this coverage must provide that the City and its officers and employees are Additional Insureds with respect to the Contractor's services to be provided under this agreement. In addition, the policy providing the required coverage must not specifically exclude coverage for sexual abuse and molestation. If sexual abuse and molestation coverage is excluded under Contractor's Commercial General Liability coverage, evidence of separate sexual abuse and molestation coverage and the limits of that coverage must be shown in the form of an insurance certificate provided to the City.
- C. If an automobile will be used in the course of providing services under this contract, automobile Liability insurance with a combined single limit, or the equivalent, of not less than \$500,000 each accident for Bodily Injury and Property Damage, including coverage for owned, hired, or non-owned vehicles, as applicable.
- D. Each insurance endorsement shall state that coverage shall not be suspended, voided, or canceled by either party, reduced in coverage or in material limits except after thirty (30) days prior written notice by certified mail, return receipt requested, has been given to City.

- E. Contractor shall furnish acceptable insurance certificates to City with original endorsements for each insurance policy signed by a person authorized by that insurer to bind coverage on its behalf. Certificates will be received and approved by City prior to its issuance of a Notice to Proceed. The certificate shall specify the City and its officers, agents, employees and volunteers are Additional Insured as respects to the work under the contract. Insuring companies or entities are subject to City acceptance. Contractor shall be financially responsible for all pertinent deductibles, self-insured retention and/or self-insurance. All such deductibles, retention, or self-insurance must be declared to, and approved by, City.

Many agencies already carry all of the coverages outlined above, and for them all that's necessary is that their insurer provide the City with a certificate of the coverage(s) prior to executing their grant agreement. New agencies, or agencies that don't have the required coverage should secure their insurance as soon as possible after receiving a notice of award, as it can sometimes take a month or more to be able to provide the City with the required certificate(s) of coverage.

Background Checks

Through execution of a funding agreement, agencies must certify to the City that they have performed criminal background checks for any employees, volunteers, or other representatives who will have contact with the agencies' clients in carrying out the City's Human Services Fund contract. The purpose of this requirement is to lessen an agency's and the City's legal exposure by making sure that they select their staff and volunteers carefully and appropriately, and that the agency and its clients are not placed in situations where they might be taken advantage of.

Please note that agencies are only being required to certify that they have conducted criminal background checks. ***The City is not requiring that agencies provide copies of those criminal background checks and requests that agencies not provide copies with their proposal or insurance certificate submittal.***

Funding Agreement Development and Execution

The last thing to occur prior to the beginning of the funding year is execution of a funding agreement. The agreement outlines the general HUD and City requirements for the award, specifies the City's and our grantees' responsibilities in carrying out the award, and also details the things the City's HSF funding will pay for within the funded agencies' activity budgets. A final, critical element of the agreement is its description of who will be assisted, how many will be assisted, and what the outcomes of providing them with services will be (see discussion of outcomes and performance measurement in Section I).

City staff generally prepare draft HSF funding agreements by early- to mid-June of each year and distribute them to agencies whose funding will start up the following July. Recipient agencies are asked to review the drafts closely, especially where they describe the specifics of the activity that will be provided and who will benefit. This final piece of the funding agreement is very important for both the agencies and the City, as it provides the basis for the monthly, quarterly and annual reports that the agencies will be preparing. More on reporting requirements can be found in Section IV of this handbook.

It sometimes happens that a key element of a funding agreement—something like the schedule of payments, the number of clients to be served, or the outcomes to be achieved—causes a conflict or hardship for a recipient agency, or does not match up with what is occurring in practice in the delivery of the HSF-funded activity due to circumstances beyond the control of the agency. In these cases agencies are encouraged to contact the City’s Housing Division to discuss the situation and potential resolutions in order to give the City enough information to determine whether a contract amendment is warranted. Adjustments to expectations that are deemed to be inconsequential in terms of the overall intent of the funding agreement (e.g., changing the schedule of funds release without changing the total amount of the grant) will not require a contract amendment, and will instead be handled through a written request/response process.

Other activity changes, such as increasing the grant amount or changing the activity or the target population(s) it will serve, will most likely require a contract amendment. The process for considering a contract amendment begins with a written request from the recipient agency to the City outlining the circumstances that have led to the need for the amendment, and requesting the amendment in terms as specific as possible. City staff will review the request for an amendment, request more information as needed, and then forward the request to the City Manager for consideration. If approved by the City Manager, a Grant Amendment document outlining the proposed changes will be prepared by City Staff for execution by the City Manager and the Executive Director of the recipient agency.

Beginning July 1 of the HSF Funding Year

In most years the activities an agency will carry out with support from the City’s Human Services Fund may begin on July 1. For purposes of this discussion, the beginning of supported activities means beginning to do the program work for which an agency will be accruing grant-funded costs and seeking City reimbursement.

There have however been two years when HUD took a bit longer than the regulations stipulate with their review of the City’s Action Plan, and thus did not provide us with funding agreements to execute by July 1. When a delay like this occurs, grantees are technically not authorized to begin carrying out any HSF-funded activities, and both they and the City must wait until agreements between HUD and the City are executed to begin accruing program costs. Because of past delays and the uncertainty they add, the City now provides either written or verbal notice to all HSF-funded agencies as to when they may begin their activities on or after July 1.

If the steps outlined above—securing insurance and executing a HSF funding agreement—have been completed and a verbal or written notice to proceed has been issued, the next step for agencies is simple: begin (or in some cases, continue) delivering the services that will be funded by the City’s Human Services Fund. Section IV. of this Handbook outlines the record keeping and reporting requirements each agency will take on as a condition of their receipt of Human Services Fund support. Please review these requirements closely, and contact the City right away if you have any questions about how to go about meeting them.

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Section IV.

Carrying Out a Human Services Fund Supported Activity

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Section IV.

Carrying Out a Human Services Fund Supported Activity

As agencies begin carrying out the services for which Human Services Fund support has been committed by the City, there are three primary areas, beyond delivering the services themselves, that require focused attention: record keeping, reporting, and payments and reimbursements. Descriptions of each area follow.

Record Keeping

There are five key areas when it comes to keeping records about Human Services Fund supported activities. The first four of these areas involve the clients who benefit from the City's funding: how many there are, what their incomes are, what their races and ethnicities are, and what outcomes have been achieved in serving them. The last key area for record keeping is financial in nature, and involves the tracking of grant-related expenditures and revenues. Unless the City notifies an agency otherwise, all of the records described below must be maintained for no less than four years after the end of the funding year, and must be made available for review and inspection by the City and/or HUD upon reasonable notice.

Beneficiary Records

Each recipient of HSF funding will be required to count the number of clients they serve each month, as well as track certain other characteristics about those clients.

Counting Beneficiaries:

The first thing a recipient will need to track is the number of people or households who benefit from the delivery of their activity each month. For purposes of counting beneficiaries there are two types to track: those who are new to the activity during a month, and those who are continuing to benefit from the activity. New beneficiaries are defined as those who are using a service for the first time in the fiscal year. For record keeping purposes, grantees will want to count a new beneficiary in the first month they receive services. This system meets HUD's requirements that the City and its grantees maintain an unduplicated count of the beneficiaries of federally-funded activities. Both numbers (new and returning beneficiaries) will be reported to the City each month. The City has a basic form that can be adapted for use to track beneficiary information (included in Attachment B).

Determining Income Levels:

In most cases, agencies will also need to determine the income levels of the clients they serve (check with the City's Housing Division to see whether you can be exempted from this requirement). The preferred method of gathering income information is to have clients complete an intake form the first time they utilize services during a funding year. A sample form is included in Attachment B, **in both English and Spanish**. Agencies are welcome to adapt this form for their use, but must make sure that the income levels they use conform to the levels the City uses to determine whether someone is low, very low, or extremely low income. These figures are calculated by HUD each year, and are available on the City's Web site on the Housing Division's page.

There are a number of other ways to confirm that someone is low income (e.g., receipt of SSI, eligibility for Medicare), and in some cases the City may allow their use. If you intend to confirm income using any method other than having clients provide you with their actual monthly or annual income, please discuss your proposed approach with City staff.

The key to assuring that clients' incomes qualify them for services is for each grantee to review source documentation such as pay stubs or benefit award letters. The income verification/documentation process can have many potential variations, so consultation with City staff to find the best method is critical.

Gathering Race and Ethnicity Data:

HUD requires that for each individual or head of household reported to them as being the beneficiary of a CDBG activity, both race and ethnicity information be gathered and reported. This means that agencies receiving grants from the Human Services Fund will be required to gather and provide this information to the City for every beneficiary. The sample ~~income verification~~ **Client Intake** form noted in the section above, and included in Attachment B, provides the race and ethnicity categories into which beneficiaries will fall and offers a relatively clean method to report the data to the City.

The collection of this data has caused some confusion for grantees in recent years since, with the release of the 2000 Census, there were some significant changes in what the U.S. government says constitutes a race and what constitutes an ethnicity. **The Race Description Worksheet, also included in Attachment B, should assist grantees to understand the categories of Race as described by federal government reporting guidelines.** The following Q&A section is written to help grantees understand how best to collect the required race and ethnicity data.

Q: What are the current Census and HUD race categories?

A: The five individual race categories are:
1) American Indian or Alaska Native;
2) Asian;
3) Black or African American;
4) Native Hawaiian or Other Pacific Islander; and
5) White

A person may be any one of these races alone, or may be any combination of two or

more, including a combination of all five. Thus in filling out the reporting form, any number of boxes, up to all five, may be checked.

Q: What are the current Census and HUD categories for ethnicity?

A: There are currently only two categories for ethnicity:

- 1) Hispanic or Latino; or
- 2) Not Hispanic or Latino

Unlike race, where a person may fall into more than one category, a person is either of Hispanic or Latino ethnicity, or they are not of Hispanic or Latino ethnicity. Thus, in the reporting form only one of the two optional boxes may be checked.

Q: How should race and ethnicity be determined for a client?

A: HUD has advised its CDBG entitlement communities that it is most desirable to have beneficiaries identify their own race and ethnicity, and that all efforts should be made to provide a process that allows for this opportunity. However, if it happens that a beneficiary is unwilling or unable to provide the information, HUD directs that observation by the service provider should be used to determine race and ethnicity.

Q: What happens if an agency doesn't provide race and/or ethnicity data?

A: Not gathering and providing race and ethnicity data for each client is not an option, either for the City or for our grantees. The Web-based system that HUD uses to receive beneficiary reports from entitlement communities like Corvallis requires that the race and ethnicity for every individual or head of household assisted be included in activity reports for each funded agency. If the information is not included, the report will not be accepted, and full funding for that activity may not be released by HUD. Thus, in order for a Human Services Fund-supported agency to be assured of receiving the full amount of CDBG funding committed to it by the City, complete race and ethnicity data for every activity beneficiary must be gathered and reported.

Tracking Female Heads of Household Served:

The last demographic statistic that HUD requires grantees to track is the number of beneficiaries served who are female heads of household. Human Services Fund recipients typically gather this information using a client intake form like the sample that is provided in Attachment B. Examples of households that would check the "female head of household" box include a one-person, female household; an all-female household; a one-parent family headed by its mother; or a two parent, two gender family that determines itself to have a female head of household.

Reporting Requirements

Agencies that receive Human Services Fund support will report on the results of their activities many times, and in a variety of ways, during the course of the funding year. The City's intent is to make the reporting process as simple and quick as possible, while at the same time assuring that all of the information the City is required to maintain in our files, and in many cases report on to HUD, is captured. Three types of reports are required of all HSF agencies: monthly, quarterly and annual reports.

Monthly Reports

Each HSF recipient agency is required to provide the City with a one-page report each month (a sample report is provided in Attachment B). Report content is simply a compilation of the data for clients served during the reporting month, which is pulled from client intake forms and totaled. Depending on how many clients an agency is serving, the preparation of this report should take no more than 30 to 60 minutes each month.

Reports are due by the 15th of the month following the month being reported - so for example, the report for July will be due by August 15. Reports may be mailed or hand-delivered to the Housing Division. The mailing address is: City of Corvallis Housing Division, P.O. Box 1083, Corvallis, 97339; the hand-delivery address is 501 SW Madison Avenue.

Quarterly Reports

On a quarterly basis HSF recipients must submit reports that provide updates about their success in achieving the outcomes they outlined in their funding proposals. These reports also provide information and feedback to the City about significant achievements during the period, as well as issues of concern with regard to the activity funded with Human Services Fund resources. This report is typically a narrative, rather than being simply a reporting of numbers. Its format may vary according to what works best for each grantee, but a simple approach to meeting the content requirements might look like:

Outcome #1: During the quarter XXX clients were assisted in achieving this outcome through our agency's XXX Program. Examples of the ways in which progress was achieved in reaching outcomes included . . .

Outcome #2: During the quarter XXX clients were assisted in achieving this outcome through our agency's XXX Program. Examples of the ways in which progress was achieved in reaching outcomes included . . .

Quarterly Achievements: Major achievements for the quarter included . . .

Issues of Concern: One issue arose during the quarter that will require . . .

As with the monthly reports, it is not intended that the preparation of quarterly reports be time consuming or difficult. By tracking the achievement of outcomes on an ongoing basis, agencies should be able to translate that information into a narrative form in about 60 minutes.

Quarterly reports are due to the City, by the same means noted for monthly reports, on the 15th of the month following the end of the quarter. These due dates are October 15, January 15, April 15 and July 15.

Annual Reports

Following the end of the funding year, by July 15, Human Services Fund recipients are required to provide the City with an annual report that joins together and totals the data of the 12 monthly reports, summarizes the entire year's worth of outcomes achievements in narrative form, and also provides a final financial summary and reconciliation for the activity funded with HSF resources. This annual report should be a combination of three formats: 1) the monthly report format that includes the full year's totaled client data makes up its first section; 2) the fourth quarterly narrative report makes up its second section; and 3) the final actual sources and uses financial summary, using the budget sheet completed for the original application for Human Services Fund support, makes up its third and final section.

The third section of the annual report—the financial summary—should detail the amounts of funding received from all sources to support the HSF-funded activity during the City's funding year, and should also detail activity expenditures by type and amount.

If grantees have questions at any time about preparation of the monthly, quarterly, or annual Human Services Fund reports, they should feel free to contact the City of Corvallis Housing Division at 766-6944.

Payments and Reimbursements

Unless the City specifically approves alternative arrangements, agencies funded with Human Services Fund resources will receive their funds on a reimbursement basis, with payments spread evenly over the full twelve months of the funding year. With prior approval, disproportionate payments may be allowed. An example of a situation in which this might be requested is when an activity takes a few months to get underway and incur costs: in this case, if no costs were incurred for three months, the City would likely approve spreading the full amount of the HSF grant evenly over the remaining nine months of the funding period.

To request a payment, grantees will submit an invoice for a full month's worth of the HSF-funded costs of providing the activity. The cost categories that will be considered eligible for City reimbursement will be included in each agency's Human Services Fund funding contract. Invoices are due to the City's Housing Division by the 15th of the month for which the costs are accrued (e.g., by July 15th for the July reimbursement). Reimbursement checks will be mailed by the City's Finance Department on the last working day of each month.

As HSF-supported expenditures are identified in the development of each agency's funding agreement, the City attempts to select costs that are both eligible (according to OMB Circular A-122 - *Cost Principles for Non-Profit Organizations*, which was described in Section 2 of this handbook and is included as Attachment A), and for which the monthly amount will be both consistent and predictable over the course of the funding period. Examples of the types of costs often selected are personnel costs for staff directly involved in the delivery of the HSF-funded activity (but not for organizational administrative staff who are not directly delivering the activity); rent and utility costs (for a single activity agency, or for a facility that will be rented in order to deliver the HSF-funded activity); and insurance required by the City (which in this case can cover the entire organization).

Monthly agency invoices should also include a budget status sheet that reflects amounts expended and reimbursed under the Human Services Fund funding contract through the end of the prior month. An example of the invoice and budget status formats preferred by the City are included in Attachment B to this Handbook. Agencies that would like to propose using alternative formats should contact the City at 766-6944.

Section V.

Monitoring of Human Services Fund Recipient Agencies

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Section V.

Monitoring of Human Services Fund Recipient Agencies

The City's approach to overseeing the performance of its Human Services Fund grantees includes conducting at least one monitoring visit during the course of each funding period. In a monitoring visit, one or more City employees will arrange a time to meet with key agency staff at the location where HSF-funded activities are being conducted. There are two primary purposes for a monitoring visit: first, it provides an opportunity to review an agency's records and practices to ensure that the HUD and City requirements for the program are being met; and second (and more importantly), it gives the City a chance to provide any technical assistance needed to help grantees understand the rules, regulations, requirements and expectations that come with their acceptance of a grant from the Human Services Fund.

An example of the Site Visit/Program Review Worksheet that will be used at the Monitoring visit is attached for your reference. This monitoring worksheet is subject to change at any time, but Grantees may expect that the following documentation and practices will be reviewed during a monitoring visit:

- Intake forms completed by clients of an HSF-funded activity the first time they are served;
- Overview of methodology used to count clients;
- Overview of methodology used to determine client incomes, or for low income presumption;
- Time sheets for employees whose personnel costs are being funded with HSF resources;
- Invoices and evidence of payment for costs paid with HSF resources;
- Overview of the methodology being used to track and report on activity performance measures and outcomes;
- A-133 Audits where they are required. Most Corvallis agencies funded with Human Services Fund resources are not required to conduct an annual A-133 Audit; however, if an agency expends \$300,000 or more in federal funding (including federal funds passed through a state or local agency) during a fiscal year, they are required to conduct an A-133 Audit. A-133 subject agencies are required to provide the City with a copy of their Audit upon its completion, and must be prepared to discuss any findings and the means they will use to address them during the City's monitoring visit.

Monitoring visits are followed up by a written summary of the visit prepared by City staff. The summary provides feedback about what is being done well, what could benefit from improved practices or procedures, and at times, what an agency must do to alter its practices or procedures in order to regain program compliance. Feedback items that fall into the latter category are known as "findings" and, if serious enough, may be grounds for the suspension or termination of Human Services Fund funding. Examples of findings include inadequate documentation of

beneficiary qualification or race/ethnicity, inadequate documentation of expenditure amounts and eligibility, and a lack of timely reporting. Typically, if a finding is noted, the agency will be given a specific amount of time to adjust its practices and procedures. If a monitoring results in a findings letter, agencies will have an opportunity to respond, also in writing, to outline areas of disagreement, or to describe what they will do to address the finding. From this point forward the City and the agency will work together to determine whether the finding resulted from a misunderstanding or is valid. If the finding is determined to be valid, the agency will have an opportunity to resolve it within the City's stated time frame and if it is resolved, no suspension or termination of support will be imposed.

Section VI.

Fiscal Year End and Grant Closeout

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Section VI. Fiscal Year End and Grant Closeout

For Human Services Fund supported agencies, grant closeout occurs following a series of year-end activities that include the City's review and acceptance of the final monthly and quarterly reports, as well as review and acceptance of the agency's annual report (all of which are described in Section IV of this Handbook). These reports are all due to the City no later than July 15th, immediately following the end of the City's fiscal year.

Because Human Services Fund support is provided only on a one-year basis, each year represents a separate activity, even if the City funds it for two or more years in a row. For this reason, all records and reports related to the City's provision of Human Services Fund assistance should be maintained on a year-by-year basis.

Following the conclusion of the fiscal year and the City's review and approval of all agency reports, the City completes its final drawdown of federal funds through HUD's Web-based Integrated Disbursement and Information System. In conducting this drawdown the City also completes its entry of beneficiary and performance data for each agency's HSF-supported activity. This data is then used to generate a series of HUD-required reports which, combined with narrative summaries of the full range of the City's use of federal Community Development Block Grant and HOME Investment Partnerships program funding, comprises the Consolidated Annual Performance Evaluation Report, or CAPER.

Each year the City submits a CAPER to HUD by September 30 for their review and approval. The HUD review process typically takes up to six months, and results either in approval, a request for more information, or a CAPER amendment. Once any outstanding issues are resolved and HUD's notice of final acceptance of the City's CAPER is received, the Human Services Fund activities conducted during the year may be considered closed.

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Attachment A:

OMB Circular A-122 - Cost Principles for Nonprofit Organizations

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Attachment A
CIRCULAR NO. A-122, Revised May 10, 2004

TO THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

SUBJECT: Cost Principles for Non-Profit Organizations

1. Purpose. This Circular establishes principles for determining costs of grants, contracts and other agreements with non-profit organizations. It does not apply to colleges and universities which are covered by Office of Management and Budget (OMB) Circular A-21, "Cost Principles for Educational Institutions"; State, local, and federally recognized Indian tribal governments which are covered by OMB Circular A-87, "Cost Principles for State, Local, and Indian Tribal Governments"; or hospitals. The principles are designed to provide that the Federal Government bear its fair share of costs except where restricted or prohibited by law. The principles do not attempt to prescribe the extent of cost sharing or matching on grants, contracts, or other agreements. However, such cost sharing or matching shall not be accomplished through arbitrary limitations on individual cost elements by Federal agencies. Provision for profit or other increment above cost is outside the scope of this Circular.

2. Supersession. This Circular supersedes cost principles issued by individual agencies for non-profit organizations.

3. Applicability.

a. These principles shall be used by all Federal agencies in determining the costs of work performed by non-profit organizations under grants, cooperative agreements, cost reimbursement contracts, and other contracts in which costs are used in pricing, administration, or settlement. All of these instruments are hereafter referred to as awards. The principles do not apply to awards under which an organization is not required to account to the Federal Government for actual costs incurred.

b. All cost reimbursement subawards (subgrants, subcontracts, etc.) are subject to those Federal cost principles applicable to the particular organization concerned. Thus, if a subaward is to a non-profit organization, this Circular shall apply; if a subaward is to a commercial organization, the cost principles applicable to commercial concerns shall apply; if a subaward is to a college or university, Circular A-21 shall apply; if a subaward is to a State, local, or federally recognized Indian tribal government, Circular A-87 shall apply.

4. Definitions.

a. Non-profit organization means any corporation, trust, association, cooperative, or other organization which:

(1) is operated primarily for scientific, educational, service, charitable, or similar purposes in the public interest;

(2) is not organized primarily for profit; and

(3) uses its net proceeds to maintain, improve, and/or expand its operations. For this purpose, the term

"non-profit organization" excludes (i) colleges and universities; (ii) hospitals; (iii) State, local, and federally recognized Indian tribal governments; and (iv) those non-profit organizations which are excluded from coverage of this Circular in accordance with paragraph 5.

b. Prior approval means securing the awarding agency's permission in advance to incur cost for those items that are designated as requiring prior approval by the Circular. Generally this permission will be in writing. Where an item of cost requiring prior approval is specified in the budget of an award, approval of the budget constitutes approval of that cost.

5. Exclusion of some non-profit organizations. Some non-profit organizations, because of their size and nature of operations, can be considered to be similar to commercial concerns for purpose of applicability of cost principles. Such non-profit organizations shall operate under Federal cost principles applicable to commercial concerns. A listing of these organizations is contained in Attachment C. Other organizations may be added from time to time.

6. Responsibilities. Agencies responsible for administering programs that involve awards to non-profit organizations shall implement the provisions of this Circular. Upon request, implementing instruction shall be furnished to OMB. Agencies shall designate a liaison official to serve as the agency representative on matters relating to the implementation of this Circular. The name and title of such representative shall be furnished to OMB within 30 days of the date of this Circular.

7. Attachments. The principles and related policy guides are set forth in the following Attachments:

Attachment A - General Principles

Attachment B - Selected Items of Cost

Attachment C - Non-Profit Organizations Not Subject To This Circular

8. Requests for exceptions. OMB may grant exceptions to the requirements of this Circular when permissible under existing law. However, in the interest of achieving maximum uniformity, exceptions will be permitted only in highly unusual circumstances.

9. Effective Date. The provisions of this Circular are effective immediately. Implementation shall be phased in by incorporating the provisions into new awards made after the start of the organization's next fiscal year. For existing awards, the new principles may be applied if an organization and the cognizant Federal agency agree. Earlier implementation, or a delay in implementation of individual provisions, is also permitted by mutual agreement between an organization and the cognizant Federal agency.

10. Inquiries. Further information concerning this Circular may be obtained by contacting the Office of Federal Financial Management, OMB, Washington, DC 20503, telephone (202) 395-3993.

ATTACHMENT A
Circular No. A-122

GENERAL PRINCIPLES

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GENERAL PRINCIPLES

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:

1. Be reasonable for the performance of the award and be allocable thereto under these principles.
2. Conform to any limitations or exclusions set forth in these principles or in the award as to types or amount of cost items.
3. Be consistent with policies and procedures that apply uniformly to both federally financed and other activities of the organization.
4. Be accorded consistent treatment.
5. Be determined in accordance with generally accepted accounting principles (GAAP).
6. Not be included as a cost or used to meet cost sharing or matching requirements of any other federally financed program in either the current or a prior period.
7. 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 organizations or separate divisions thereof which receive the preponderance of their support from awards made by Federal agencies. In determining the reasonableness of a given cost, consideration shall be given to:

1. Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the organization or the performance of the award.
2. The restraints or requirements imposed by such factors as generally accepted sound business practices, arms length bargaining, Federal and State laws and regulations, and terms and conditions of the award.
3. Whether the individuals concerned acted with prudence in the circumstances, considering their responsibilities to the organization, its members, employees, and clients, the public at large, and the Federal Government.
4. Significant deviations from the established practices of the organization which may unjustifiably

increase the award costs.

4. Allocable costs.

1. A cost is allocable to a particular cost objective, such as a grant, contract, project, service, or other activity, in accordance with the relative benefits received. A cost is allocable to a Federal award if it is treated consistently with other costs incurred for the same purpose in like circumstances and if it:

(1) Is incurred specifically for the award.

(2) Benefits both the award and other work and can be distributed in reasonable proportion to the benefits received, or

(3) Is necessary to the overall operation of the organization, although a direct relationship to any particular cost objective cannot be shown.

2. Any cost allocable to a particular award or other cost objective under these principles may not be shifted to other Federal awards to overcome funding deficiencies, or to avoid restrictions imposed by law or by the terms of the award.

5. Applicable credits.

1. The term applicable credits refers to those receipts, or reduction of expenditures which operate to offset or reduce expense items that are allocable to awards 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 organization relate to allowable cost, they shall be credited to the Federal Government either as a cost reduction or cash refund, as appropriate.

2. In some instances, the amounts received from the Federal Government to finance organizational activities or service operations should be treated as applicable credits. Specifically, the concept of netting such credit items against related expenditures should be applied by the organization in determining the rates or amounts to be charged to Federal awards for services rendered whenever the facilities or other resources used in providing such services have been financed directly, in whole or in part, by Federal funds.

3. For rules covering program income (i.e., gross income earned from federally supported activities) see Sec. __.24 of Office of Management and Budget (OMB) Circular A-110, "Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations."

6. Advance understandings. Under any given award, the reasonableness and allocability of certain items of costs may be difficult to determine. This is particularly true in connection with organizations that receive a preponderance of their support from Federal agencies. In order to avoid subsequent disallowance or dispute based on unreasonableness or nonallocability, it is often desirable to seek a written agreement with the cognizant or awarding agency in advance of the incurrence of special or unusual costs. The absence of an advance agreement on any element of cost will not, in itself, affect the reasonableness or allocability of that element.

7. Conditional exemptions.

1. OMB authorizes conditional exemption from OMB administrative requirements and cost principles circulars for certain Federal programs with statutorily-authorized consolidated planning and consolidated administrative funding, that are identified by a Federal agency and approved by the head of the Executive department or establishment. A Federal agency shall consult with OMB during its consideration of whether to grant such an exemption.

2. To promote efficiency in State and local program administration, when Federal non-entitlement programs with common purposes have specific statutorily-authorized consolidated planning and consolidated administrative funding and where most of the State agency's resources come from non-Federal sources, Federal agencies may exempt these covered State-administered, non-entitlement grant programs from certain OMB grants management requirements. The exemptions would be from all but the allocability of costs provisions of OMB Circulars A-87 (Attachment A, subsection C.3), "Cost Principles for State, Local, and Indian Tribal Governments," A-21 (Section C, subpart 4), "Cost Principles for Educational Institutions," and A-122 (Attachment A, subsection A.4), "Cost Principles for Non-Profit Organizations," and from all of the administrative requirements provisions of OMB Circular A-110, "Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations," and the agencies' grants management common rule.

3. When a Federal agency provides this flexibility, as a prerequisite to a State's exercising this option, a State must adopt its own written fiscal and administrative requirements for expending and accounting for all funds, which are consistent with the provisions of OMB Circular A-87, and extend such policies to all subrecipients. These fiscal and administrative requirements must be sufficiently specific to ensure that: funds are used in compliance with all applicable Federal statutory and regulatory provisions, costs are reasonable and necessary for operating these programs, and funds are not be used for general expenses required to carry out other responsibilities of a State or its subrecipients.

B. Direct Costs

1. Direct costs are those that can be identified specifically with a particular final cost objective, i.e., a particular award, project, service, or other direct activity of an organization. However, a cost may not be assigned to an award as a direct cost if any other cost incurred for the same purpose, in like circumstance, has been allocated to an award as an indirect cost. Costs identified specifically with awards are direct costs of the awards and are to be assigned directly thereto. Costs identified specifically with other final cost objectives of the organization are direct costs of those cost objectives and are not to be assigned to other awards 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 cost of certain activities are not allowable as charges to Federal awards (see, for example, fundraising costs in paragraph 17 of Attachment B). However, even though these costs are unallowable for purposes of computing charges to Federal awards, they nonetheless must be treated as direct costs for purposes of determining indirect cost rates and be allocated their share of the organization's indirect costs if they represent activities which (1) include the salaries of personnel, (2) occupy space, and (3) benefit from the organization's indirect costs.

4. The costs of activities performed primarily as a service to members, clients, or the general public when significant and necessary to the organization's mission must be treated as direct costs whether or not allowable and be allocated an equitable share of indirect costs. Some examples of these types of activities include:

1. Maintenance of membership rolls, subscriptions, publications, and related functions.
2. Providing services and information to members, legislative or administrative bodies, or the public.
3. Promotion, lobbying, and other forms of public relations.
4. Meetings and conferences except those held to conduct the general administration of the organization.
5. Maintenance, protection, and investment of special funds not used in operation of the organization.
6. Administration of group benefits on behalf of members or clients, including life and hospital insurance, annuity or retirement plans, financial aid, etc.

C. Indirect Costs

1. Indirect costs are those that have been incurred for common or joint objectives and cannot be readily identified with a particular final cost objective. Direct cost of minor amounts may be treated as indirect costs under the conditions described in subparagraph B.2. After direct costs have been determined and assigned directly to awards or other work as appropriate, indirect costs are those remaining to be allocated to benefiting cost objectives. A cost may not be allocated to an award as an indirect cost if any other cost incurred for the same purpose, in like circumstances, has been assigned to an award as a direct cost.

2. Because of the diverse characteristics and accounting practices of non-profit organizations, it is not possible to specify the types of cost which may be classified as indirect cost in all situations. However, typical examples of indirect cost for many non-profit organizations may include depreciation or use allowances on buildings and equipment, the costs of operating and maintaining facilities, and general administration and general expenses, such as the salaries and expenses of executive officers, personnel administration, and accounting.

3. Indirect costs shall be classified within two broad categories: "Facilities" and "Administration." "Facilities" is defined as depreciation and use allowances on buildings, equipment and capital improvement, interest on debt associated with certain buildings, equipment and capital improvements, and operations and maintenance expenses. "Administration" is defined as general administration and general expenses such as the director's office, accounting, personnel, library expenses and all other types of expenditures not listed specifically under one of the subcategories of "Facilities" (including cross allocations from other pools, where applicable). See indirect cost rate reporting requirements in subparagraphs D.2.e and D.3.g.

D. Allocation of Indirect Costs and Determination of Indirect Cost Rates

1. General.

1. Where a non-profit organization has only one major function, or where all its major functions benefit from its indirect costs to approximately the same degree, the allocation of indirect costs and the computation of an indirect cost rate may be accomplished through simplified allocation procedures, as described in subparagraph 2.

2. Where an organization has several major functions which benefit from its indirect costs in varying degrees, allocation of indirect costs may require the accumulation of such costs into separate cost groupings which then are allocated individually to benefiting functions by means of a base which best measures the relative degree of benefit. The indirect costs allocated to each function are then distributed to individual awards and other activities included in that function by means of an indirect cost rate(s).

3. The determination of what constitutes an organization's major functions will depend on its purpose in being; the types of services it renders to the public, its clients, and its members; and the amount of effort it devotes to such activities as fundraising, public information and membership activities.

4. Specific methods for allocating indirect costs and computing indirect cost rates along with the conditions under which each method should be used are described in subparagraphs 2 through 5.

5. The base period for the allocation of indirect costs is the period in which such costs are incurred and accumulated for allocation to work performed in that period. The base period normally should coincide with the organization's fiscal year but, in any event, shall be so selected as to avoid inequities in the allocation of the costs.

2. Simplified allocation method.

1. Where an organization's major functions benefit from its indirect costs to approximately the same degree, the allocation of indirect costs may be accomplished by (i) separating the organization's total costs for the base period as either direct or indirect, and (ii) dividing the total allowable indirect costs (net of applicable credits) by an equitable distribution base. The result of this process is an indirect cost rate which is used to distribute indirect costs to individual awards. The rate should be expressed as the percentage which the total amount of allowable indirect costs bears to the base selected. This method should also be used where an organization has only one major function encompassing a number of individual projects or activities, and may be used where the level of Federal awards to an organization is relatively small.

2. Both the direct costs and the indirect costs shall exclude capital expenditures and unallowable costs. However, unallowable costs which represent activities must be included in the direct costs under the conditions described in subparagraph B.3.

3. The distribution base may be total direct costs (excluding capital expenditures and other distorting items, such as major subcontracts or subgrants), direct salaries and wages, or other base which results in an equitable distribution. The distribution base shall generally exclude participant support costs as defined in paragraph 32 of Attachment B.

4. Except where a special rate(s) is required in accordance with subparagraph 5, the indirect cost rate

developed under the above principles is applicable to all awards at the organization. If a special rate(s) is required, appropriate modifications shall be made in order to develop the special rate(s).

5. For an organization that receives more than \$10 million in Federal funding of direct costs in a fiscal year, a breakout of the indirect cost component into two broad categories, Facilities and Administration as defined in subparagraph C.3, is required. The rate in each case shall be stated as the percentage which the amount of the particular indirect cost category (i.e., Facilities or Administration) is of the distribution base identified with that category.

3. Multiple allocation base method

1. General. Where an organization's indirect costs benefit its major functions in varying degrees, indirect costs shall be accumulated into separate cost groupings, as described in subparagraph b. Each grouping shall then be allocated individually to benefitting functions by means of a base which best measures the relative benefits. The default allocation bases by cost pool are described in subparagraph c.

2. Identification of indirect costs. Cost groupings shall be established so as to permit the allocation of each grouping on the basis of benefits provided to the major functions. Each grouping shall constitute a pool of expenses that are of like character in terms of functions they benefit and in terms of the allocation base which best measures the relative benefits provided to each function. The groupings are classified within the two broad categories: "Facilities" and "Administration," as described in subparagraph C.3. The indirect cost pools are defined as follows:

(1) Depreciation and use allowances. The expenses under this heading are the portion of the costs of the organization's buildings, capital improvements to land and buildings, and equipment which are computed in accordance with paragraph 11 of Attachment B ("Depreciation and use allowances").

(2) Interest. Interest on debt associated with certain buildings, equipment and capital improvements are computed in accordance with paragraph 23 of Attachment B ("Interest").

(3) Operation and maintenance expenses. The expenses under this heading are those that have been incurred for the administration, operation, maintenance, preservation, and protection of the organization's physical plant. They include expenses normally incurred for such items as: janitorial and utility services; repairs and ordinary or normal alterations of buildings, furniture and equipment; care of grounds; maintenance and operation of buildings and other plant facilities; security; earthquake and disaster preparedness; environmental safety; hazardous waste disposal; property, liability and other insurance relating to property; space and capital leasing; facility planning and management; and, central receiving. The operation and maintenance expenses category shall also include its allocable share of fringe benefit costs, depreciation and use allowances, and interest costs.

(4) General administration and general expenses. The expenses under this heading are those that have been incurred for the overall general executive and administrative offices of the organization and other expenses of a general nature which do not relate solely to any major function of the organization. This category shall also include its allocable share of fringe benefit costs, operation and maintenance expense, depreciation and use allowances, and interest costs. Examples of this category include central offices, such as the director's office, the office of finance, business services, budget and planning, personnel, safety and risk management, general counsel, management information systems, and library costs.

In developing this cost pool, special care should be exercised to ensure that costs incurred for the same purpose in like circumstances are treated consistently as either direct or indirect costs. For example, salaries of technical staff, project supplies, project publication, telephone toll charges, computer costs, travel costs, and specialized services costs shall be treated as direct costs wherever identifiable to a particular program. The salaries and wages of administrative and pooled clerical staff should normally be treated as indirect costs. Direct charging of these costs may be appropriate where a major project or activity explicitly requires and budgets for administrative or clerical services and other individuals involved can be identified with the program or activity. Items such as office supplies, postage, local telephone costs, periodicals and memberships should normally be treated as indirect costs.

3. Allocation bases. Actual conditions shall be taken into account in selecting the base to be used in allocating the expenses in each grouping to benefitting functions. The essential consideration in selecting a method or a base is that it is the one best suited for assigning the pool of costs to cost objectives in accordance with benefits derived; a traceable cause and effect relationship; or logic and reason, where neither the cause nor the effect of the relationship is determinable. When an allocation can be made by assignment of a cost grouping directly to the function benefited, the allocation shall be made in that manner. When the expenses in a cost grouping are more general in nature, the allocation shall be made through the use of a selected base which produces results that are equitable to both the Federal Government and the organization. The distribution shall be made in accordance with the bases described herein unless it can be demonstrated that the use of a different base would result in a more equitable allocation of the costs, or that a more readily available base would not increase the costs charged to sponsored awards. The results of special cost studies (such as an engineering utility study) shall not be used to determine and allocate the indirect costs to sponsored awards.

(1) Depreciation and use allowances. Depreciation and use allowances expenses shall be allocated in the following manner:

(a) Depreciation or use allowances on buildings used exclusively in the conduct of a single function, and on capital improvements and equipment used in such buildings, shall be assigned to that function.

(b) Depreciation or use allowances on buildings used for more than one function, and on capital improvements and equipment used in such buildings, shall be allocated to the individual functions performed in each building on the basis of usable square feet of space, excluding common areas, such as hallways, stairwells, and restrooms.

(c) Depreciation or use allowances on buildings, capital improvements and equipment related space (e.g., individual rooms, and laboratories) used jointly by more than one function (as determined by the users of the space) shall be treated as follows. The cost of each jointly used unit of space shall be allocated to the benefitting functions on the basis of:

(i) the employees and other users on a full-time equivalent (FTE) basis or salaries and wages of those individual functions benefitting from the use of that space; or

(ii) organization-wide employee FTEs or salaries and wages applicable to the benefitting functions of the organization.

(d) Depreciation or use allowances on certain capital improvements to land, such as paved parking areas, fences, sidewalks, and the like, not included in the cost of buildings, shall be allocated to user categories on a FTE basis and distributed to major functions in proportion to the salaries and wages of all employees applicable to the functions.

(2) Interest. Interest costs shall be allocated in the same manner as the depreciation or use allowances on the buildings, equipment and capital equipments to which the interest relates.

(3) Operation and maintenance expenses. Operation and maintenance expenses shall be allocated in the same manner as the depreciation and use allowances.

(4) General administration and general expenses. General administration and general expenses shall be allocated to benefitting functions based on modified total direct costs (MTDC), as described in subparagraph D.3.f. The expenses included in this category could be grouped first according to major functions of the organization to which they render services or provide benefits. The aggregate expenses of each group shall then be allocated to benefitting functions based on MTDC.

4. Order of distribution.

(1) Indirect cost categories consisting of depreciation and use allowances, interest, operation and maintenance, and general administration and general expenses shall be allocated in that order to the remaining indirect cost categories as well as to the major functions of the organization. Other cost categories could be allocated in the order determined to be most appropriate by the organization. When cross allocation of costs is made as provided in subparagraph (2), this order of allocation does not apply.

(2) Normally, an indirect cost category will be considered closed once it has been allocated to other cost objectives, and costs shall not be subsequently allocated to it. However, a cross allocation of costs between two or more indirect costs categories could be used if such allocation will result in a more equitable allocation of costs. If a cross allocation is used, an appropriate modification to the composition of the indirect cost categories is required.

5. Application of indirect cost rate or rates. Except where a special indirect cost rate(s) is required in accordance with subparagraph D.5, the separate groupings of indirect costs allocated to each major function shall be aggregated and treated as a common pool for that function. The costs in the common pool shall then be distributed to individual awards included in that function by use of a single indirect cost rate.

6. Distribution basis. Indirect costs shall be distributed to applicable sponsored awards and other benefitting activities within each major function on the basis of MTDC. MTDC consists of all salaries and wages, fringe benefits, materials and supplies, services, travel, and subgrants and subcontracts up to the first \$25,000 of each subgrant or subcontract (regardless of the period covered by the subgrant or subcontract). Equipment, capital expenditures, charges for patient care, rental costs and the portion in excess of \$25,000 shall be excluded from MTDC. Participant support costs shall generally be excluded from MTDC. Other items may only be excluded when the Federal cost cognizant agency determines that an exclusion is necessary to avoid a serious inequity in the distribution of indirect costs.

7. Individual Rate Components. An indirect cost rate shall be determined for each separate indirect cost pool developed. The rate in each case shall be stated as the percentage which the amount of the particular indirect cost pool is of the distribution base identified with that pool. Each indirect cost rate negotiation or determination agreement shall include development of the rate for each indirect cost pool as well as the overall indirect cost rate. The indirect cost pools shall be classified within two broad categories: "Facilities" and "Administration," as described in subparagraph C.3.

4. Direct allocation method.

1. Some non-profit organizations treat all costs as direct costs except general administration and general expenses. These organizations generally separate their costs into three basic categories: (i) General administration and general expenses, (ii) fundraising, and (iii) other direct functions (including projects performed under Federal awards). Joint costs, such as depreciation, rental costs, operation and maintenance of facilities, telephone expenses, and the like are prorated individually as direct costs to each category and to each award or other activity using a base most appropriate to the particular cost being prorated.

2. This method is acceptable, provided each joint cost is prorated using a base which accurately measures the benefits provided to each award or other activity. The bases must be established in accordance with reasonable criteria, and be supported by current data. This method is compatible with the Standards of Accounting and Financial Reporting for Voluntary Health and Welfare Organizations issued jointly by the National Health Council, Inc., the National Assembly of Voluntary Health and Social Welfare Organizations, and the United Way of America.

3. Under this method, indirect costs consist exclusively of general administration and general expenses. In all other respects, the organization's indirect cost rates shall be computed in the same manner as that described in subparagraph 2.

5. Special indirect cost rates. In some instances, a single indirect cost rate for all activities of an organization or for each major function of the organization may not be appropriate, since it would not take into account those different factors which may substantially affect the indirect costs applicable to a particular segment of work. For this purpose, a particular segment of work may be that performed under a single award or it may consist of work under a group of awards performed in a common environment. These factors may include the physical location of the work, the level of administrative support required, the nature of the facilities or other resources employed, the scientific disciplines or technical skills involved, the organizational arrangements used, or any combination thereof. When a particular segment of work is performed in an environment which appears to generate a significantly different level of indirect costs, provisions should be made for a separate indirect cost pool applicable to such work. The separate indirect cost pool should be developed during the course of the regular allocation process, and the separate indirect cost rate resulting therefrom should be used, provided it is determined that (i) the rate differs significantly from that which would have been obtained under subparagraphs 2, 3, and 4, and (ii) the volume of work to which the rate would apply is material.

E. Negotiation and Approval of Indirect Cost Rates

1. Definitions. As used in this section, the following terms have the meanings set forth below:

1. Cognizant agency means the Federal agency responsible for negotiating and approving indirect cost rates for a non-profit organization on behalf of all Federal agencies.

2. Predetermined rate means an indirect cost rate, applicable to a specified current or future period, usually the organization's fiscal year. The rate is based on an estimate of the costs to be incurred during the period. A predetermined rate is not subject to adjustment.

3. Fixed rate means an indirect cost rate which has the same characteristics as a predetermined rate, except that the difference between the estimated costs and the actual costs of the period covered by the rate is carried forward as an adjustment to the rate computation of a subsequent period.

4. Final rate means an indirect cost rate applicable to a specified past period which is based on the actual costs of the period. A final rate is not subject to adjustment.

5. Provisional rate or billing rate means a temporary indirect cost rate applicable to a specified period which is used for funding, interim reimbursement, and reporting indirect costs on awards pending the establishment of a final rate for the period.

6. Indirect cost proposal means the documentation prepared by an organization to substantiate its claim for the reimbursement of indirect costs. This proposal provides the basis for the review and negotiation leading to the establishment of an organization's indirect cost rate.

7. Cost objective means a function, organizational subdivision, contract, grant, or other work unit for which cost data are desired and for which provision is made to accumulate and measure the cost of processes, projects, jobs and capitalized projects.

2. Negotiation and approval of rates.

1. Unless different arrangements are agreed to by the agencies concerned, the Federal agency with the largest dollar value of awards with an organization will be designated as the cognizant agency for the negotiation and approval of the indirect cost rates and, where necessary, other rates such as fringe benefit and computer charge-out rates. Once an agency is assigned cognizance for a particular non-profit organization, the assignment will not be changed unless there is a major long-term shift in the dollar volume of the Federal awards to the organization. All concerned Federal agencies shall be given the opportunity to participate in the negotiation process but, after a rate has been agreed upon, it will be accepted by all Federal agencies. When a Federal agency has reason to believe that special operating factors affecting its awards necessitate special indirect cost rates in accordance with subparagraph D.5, it will, prior to the time the rates are negotiated, notify the cognizant agency.

2. A non-profit organization which has not previously established an indirect cost rate with a Federal agency shall submit its initial indirect cost proposal immediately after the organization is advised that an award will be made and, in no event, later than three months after the effective date of the award.

3. Organizations that have previously established indirect cost rates must submit a new indirect cost proposal to the cognizant agency within six months after the close of each fiscal year.

4. A predetermined rate may be negotiated for use on awards where there is reasonable assurance, based on past experience and reliable projection of the organization's costs, that the rate is not likely to exceed a rate based on the organization's actual costs.

5. Fixed rates may be negotiated where predetermined rates are not considered appropriate. A fixed rate, however, shall not be negotiated if (i) all or a substantial portion of the organization's awards are expected to expire before the carry-forward adjustment can be made; (ii) the mix of Federal and non-Federal work at the organization is too erratic to permit an equitable carry-forward adjustment; or (iii) the organization's operations fluctuate significantly from year to year.

6. Provisional and final rates shall be negotiated where neither predetermined nor fixed rates are appropriate.

7. The results of each negotiation shall be formalized in a written agreement between the cognizant agency and the non-profit organization. The cognizant agency shall distribute copies of the agreement to all concerned Federal agencies.

8. If a dispute arises in a negotiation of an indirect cost rate between the cognizant agency and the non-profit organization, the dispute shall be resolved in accordance with the appeals procedures of the cognizant agency.

9. To the extent that problems are encountered among the Federal agencies in connection with the negotiation and approval process, OMB will lend assistance as required to resolve such problems in a timely manner.

ATTACHMENT B
Circular No. A-122

SELECTED ITEMS OF COST

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ATTACHMENT B
Circular No. A-122

SELECTED ITEMS OF COST

Paragraphs 1 through 53 provide principles to be applied in establishing the allowability of certain items of cost. These principles apply whether a cost is treated as direct or indirect. Failure to mention a particular item of cost is not intended to imply that it is unallowable; rather, determination as to allowability in each case should be based on the treatment or principles provided for similar or related items of cost.

1. Advertising and public relations costs.

1. The term advertising costs means the costs of advertising media and corollary administrative costs. Advertising media include magazines, newspapers, radio and television, direct mail, exhibits, electronic or computer transmittals, and the like.

2. The term public relations includes community relations and means those activities dedicated to maintaining the image of the non-profit organization or maintaining or promoting understanding and favorable relations with the community or public at large or any segment of the public.

3. The only allowable advertising costs are those which are solely for:

(1) The recruitment of personnel required for the performance by the non-profit organization of obligations arising under a Federal award (See also Attachment B, paragraph 41, Recruiting costs, and paragraph 42, Relocation costs);

(2) The procurement of goods and services for the performance of a Federal award;

(3) The disposal of scrap or surplus materials acquired in the performance of a Federal award except when non-profit organizations are reimbursed for disposal costs at a predetermined amount; or

(4) Other specific purposes necessary to meet the requirements of the Federal award.

4. The only allowable public relations costs are:

(1) Costs specifically required by the Federal award;

(2) Costs of communicating with the public and press pertaining to specific activities or accomplishments which result from performance of Federal awards (these costs are considered necessary as part of the outreach effort for the Federal award); or

(3) Costs of conducting general liaison with news media and government public relations officers, to the extent that such activities are limited to communication and liaison necessary keep the public informed on matters of public concern, such as notices of Federal contract/grant awards, financial matters, etc.

5. Costs identified in subparagraphs c and d if incurred for more than one Federal award or for both sponsored work and other work of the non-profit organization, are allowable to the extent that the principles in Attachment A, paragraphs B. (“Direct Costs”) and C. (“Indirect Costs”) are observed.

6. Unallowable advertising and public relations costs include the following:

(1) All advertising and public relations costs other than as specified in subparagraphs c, d, and e; (2) Costs of meetings, conventions, convocations, or other events related to other activities of the non-profit organization, including:

(a) Costs of displays, demonstrations, and exhibits;

(b) Costs of meeting rooms, hospitality suites, and other special facilities used in conjunction with shows and other special events; and

(c) Salaries and wages of employees engaged in setting up and displaying exhibits, making demonstrations, and providing briefings;

(3) Costs of promotional items and memorabilia, including models, gifts, and souvenirs;

(4) Costs of advertising and public relations designed solely to promote the non-profit organization.

2. Advisory Councils

Costs incurred by advisory councils or committees are allowable as a direct cost where authorized by the Federal awarding agency or as an indirect cost where allocable to Federal awards.

3. Alcoholic beverages. Costs of alcoholic beverages are unallowable.

4. Audit costs and related services

1. The costs of audits required by, and performed in accordance with, the Single Audit Act, as implemented by Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations" are allowable. Also see 31 USC 7505(b) and section 230 (“Audit Costs”) of Circular A-133.

2. Other audit costs are allowable if included in an indirect cost rate proposal, or if specifically approved by the awarding agency as a direct cost to an award.

3. The cost of agreed-upon procedures engagements to monitor subrecipients who are exempted from A-133 under section 200(d) are allowable, subject to the conditions listed in A-133, section 230 (b)(2).

5. Bad debts. Bad debts, including losses (whether actual or estimated) arising from uncollectable accounts and other claims, related collection costs, and related legal costs, are unallowable.

6. Bonding costs.

1. Bonding costs arise when the Federal Government requires assurance against financial loss to itself or others by reason of the act or default of the non-profit organization. They arise also in instances where the non-profit organization requires similar assurance. Included are such bonds as bid, performance, payment, advance payment, infringement, and fidelity bonds.

2. Costs of bonding required pursuant to the terms of the award are allowable.

3. Costs of bonding required by the non-profit organization in the general conduct of its operations are allowable to the extent that such bonding is in accordance with sound business practice and the rates and premiums are reasonable under the circumstances.

7. Communication costs. Costs incurred for telephone services, local and long distance telephone calls, telegrams, postage, messenger, electronic or computer transmittal services and the like are allowable.

8. Compensation for personal services.

1. Definition. Compensation for personal services includes all compensation paid currently or accrued by the organization for services of employees rendered during the period of the award (except as otherwise provided in subparagraph h). It includes, but is not limited to, salaries, wages, director's and executive committee member's fees, incentive awards, fringe benefits, pension plan costs, allowances for off-site pay, incentive pay, location allowances, hardship pay, and cost of living differentials.

2. Allowability. Except as otherwise specifically provided in this paragraph, the costs of such compensation are allowable to the extent that:

(1) Total compensation to individual employees is reasonable for the services rendered and conforms to the established policy of the organization consistently applied to both Federal and non-Federal activities; and

(2) Charges to awards whether treated as direct or indirect costs are determined and supported as required in this paragraph.

3. Reasonableness.

(1) When the organization is predominantly engaged in activities other than those sponsored by the Federal Government, compensation for employees on federally sponsored work will be considered reasonable to the extent that it is consistent with that paid for similar work in the organization's other activities.

(2) When the organization is predominantly engaged in federally sponsored activities and in cases where the kind of employees required for the Federal activities are not found in the organization's other activities, compensation for employees on federally sponsored work will be considered reasonable to the extent that it is comparable to that paid for similar work in the labor markets in which the organization competes for the kind of employees involved.

4. Special considerations in determining allowability. Certain conditions require special consideration and possible limitations in determining costs under Federal awards where amounts or types of compensation appear unreasonable. Among such conditions are the following:

(1) Compensation to members of non-profit organizations, trustees, directors, associates, officers, or the immediate families thereof. Determination should be made that such compensation is reasonable for the actual personal services rendered rather than a distribution of earnings in excess of costs.

(2) Any change in an organization's compensation policy resulting in a substantial increase in the organization's level of compensation, particularly when it was concurrent with an increase in the ratio of Federal awards to other activities of the organization or any change in the treatment of allowability of specific types of compensation due to changes in Federal policy.

5. Unallowable costs. Costs which are unallowable under other paragraphs of this Attachment shall not be allowable under this paragraph solely on the basis that they constitute personal compensation.

6. Overtime, extra-pay shift, and multi-shift premiums. Premiums for overtime, extra-pay shifts, and multi-shift work are allowable only with the prior approval of the awarding agency except:

(1) When necessary to cope with emergencies, such as those resulting from accidents, natural disasters, breakdowns of equipment, or occasional operational bottlenecks of a sporadic nature.

(2) When employees are performing indirect functions, such as administration, maintenance, or accounting.

(3) In the performance of tests, laboratory procedures, or other similar operations which are continuous in nature and cannot reasonably be interrupted or otherwise completed.

(4) When lower overall cost to the Federal Government will result.

7. Fringe benefits.

(1) Fringe benefits in the form of regular compensation paid to employees during periods of authorized absences from the job, such as vacation leave, sick leave, military leave, and the like, are allowable, provided such costs are absorbed by all organization activities in proportion to the relative amount of time or effort actually devoted to each.

(2) Fringe benefits in the form of employer contributions or expenses for social security, employee insurance, workmen's compensation insurance, pension plan costs (see subparagraph h), and the like, are allowable, provided such benefits are granted in accordance with established written organization policies. Such benefits whether treated as indirect costs or as direct costs, shall be distributed to particular awards and other activities in a manner consistent with the pattern of benefits accruing to the individuals or group of employees whose salaries and wages are chargeable to such awards and other activities.

(3) (a) Provisions for a reserve under a self-insurance program for unemployment compensation or workers' compensation are allowable to the extent that the provisions represent reasonable estimates of the liabilities for such compensation, and the types of coverage, extent of coverage, and rates and premiums would have been allowable had insurance been purchased to cover the risks. However, provisions for self-insured liabilities which do not become payable for more than one year after the provision is made shall not exceed the present value of the liability.

(b) Where an organization follows a consistent policy of expensing actual payments to, or on behalf of, employees or former employees for unemployment compensation or workers' compensation, such payments are allowable in the year of payment with the prior approval of the awarding agency, provided they are allocated to all activities of the organization.

(4) Costs of insurance on the lives of trustees, officers, or other employees holding positions of similar responsibility are allowable only to the extent that the insurance represents additional compensation. The costs of such insurance when the organization is named as beneficiary are unallowable.

8. Organization-furnished automobiles. That portion of the cost of organization-furnished automobiles that relates to personal use by employees (including transportation to and from work) is unallowable as fringe benefit or indirect costs regardless of whether the cost is reported as taxable income to the employees. These costs are allowable as direct costs to sponsored award when necessary for the performance of the sponsored award and approved by awarding agencies.

9. Pension plan costs.

(1) Costs of the organization's pension plan which are incurred in accordance with the established policies of the organization are allowable, provided:

(a) Such policies meet the test of reasonableness;

(b) The methods of cost allocation are not discriminatory;

(c) The cost assigned to each fiscal year is determined in accordance with generally accepted accounting principles (GAAP), as prescribed in Accounting Principles Board Opinion No. 8 issued by the American Institute of Certified Public Accountants; and

(d) The costs assigned to a given fiscal year are funded for all plan participants within six months after the end of that year. However, increases to normal and past service pension costs caused by a delay in funding the actuarial liability beyond 30 days after each quarter of the year to which such costs are assignable are unallowable.

(2) Pension plan termination insurance premiums paid pursuant to the Employee Retirement Income Security Act (ERISA) of 1974 (Pub. L. 93-406) are allowable. Late payment charges on such premiums are unallowable.

(3) Excise taxes on accumulated funding deficiencies and other penalties imposed under ERISA are unallowable.

10. Incentive compensation. Incentive compensation to employees based on cost reduction, or efficient performance, suggestion awards, safety awards, etc., are allowable to the extent that the overall compensation is determined to be reasonable and such costs are paid or accrued pursuant to an agreement entered into in good faith between the organization and the employees before the services were rendered, or pursuant to an established plan followed by the organization so consistently as to imply, in effect, an agreement to make such payment.

11. Severance pay.

(1) Severance pay, also commonly referred to as dismissal wages, is a payment in addition to regular salaries and wages, by organizations to workers whose employment is being terminated. Costs of severance pay are allowable only to the extent that in each case, it is required by

- (a) law,
- (b) employer-employee agreement,
- (c) established policy that constitutes, in effect, an implied agreement on the organization's part, or
- (d) circumstances of the particular employment.

(2) Costs of severance payments are divided into two categories as follows:

(a) Actual normal turnover severance payments shall be allocated to all activities; or, where the organization provides for a reserve for normal severances, such method will be acceptable if the charge to current operations is reasonable in light of payments actually made for normal severances over a representative past period, and if amounts charged are allocated to all activities of the organization.

(b) Abnormal or mass severance pay is of such a conjectural nature that measurement of costs by means of an accrual will not achieve equity to both parties. Thus, accruals for this purpose are not allowable. However, the Federal Government recognizes its obligation to participate, to the extent of its fair share, in any specific payment. Thus, allowability will be considered on a case-by-case basis in the event or occurrence.

(c) Costs incurred in certain severance pay packages (commonly known as "a golden parachute" payment) which are in an amount in excess of the normal severance pay paid by the organization to an employee upon termination of employment and are paid to the employee contingent upon a change in management control over, or ownership of, the organization's assets are unallowable.

(d) Severance payments to foreign nationals employed by the organization outside the United States, to the extent that the amount exceeds the customary or prevailing practices for the organization in the United States are unallowable, unless they are necessary for the performance of Federal programs and approved by awarding agencies.

(e) Severance payments to foreign nationals employed by the organization outside the United States due to the termination of the foreign national as a result of the closing of, or curtailment of activities by, the organization in that country, are unallowable, unless they are necessary for the performance of Federal programs and approved by awarding agencies.

12. Training costs. See paragraph 49.

13. Support of salaries and wages.

(1) Charges to awards for salaries and wages, whether treated as direct costs or indirect costs, will be based on documented payrolls approved by a responsible official(s) of the organization. The distribution of salaries and wages to awards must be supported by personnel activity reports, as prescribed in subparagraph (2), except when a substitute system has been approved in writing by the cognizant agency. (See subparagraph E.2 of Attachment A.)

(2) Reports reflecting the distribution of activity of each employee must be maintained for all staff members (professionals and nonprofessionals) whose compensation is charged, in whole or in part, directly to awards. In addition, in order to support the allocation of indirect costs, such reports must also be maintained for other employees whose work involves two or more functions or activities if a distribution of their compensation between such functions or activities is needed in the determination of the organization's indirect cost rate(s) (e.g., an employee engaged part-time in indirect cost activities and part-time in a direct function). Reports maintained by non-profit organizations to satisfy these requirements must meet the following standards:

(a) The reports must reflect an after-the-fact determination of the actual activity of each employee. Budget estimates (i.e., estimates determined before the services are performed) do not qualify as support for charges to awards.

(b) Each report must account for the total activity for which employees are compensated and which is required in fulfillment of their obligations to the organization.

(c) The reports must be signed by the individual employee, or by a responsible supervisory official having first hand knowledge of the activities performed by the employee, that the distribution of activity represents a reasonable estimate of the actual work performed by the employee during the periods covered by the reports.

(d) The reports must be prepared at least monthly and must coincide with one or more pay periods.

(3) Charges for the salaries and wages of nonprofessional employees, in addition to the supporting documentation described in subparagraphs (1) and (2), must also be supported by records indicating the total number of hours worked each day maintained in conformance with Department of Labor regulations implementing the Fair Labor Standards Act (FLSA) (29 CFR Part 516). For this purpose, the term "nonprofessional employee" shall have the same meaning as "nonexempt employee," under FLSA.

(4) Salaries and wages of employees used in meeting cost sharing or matching requirements on awards must be supported in the same manner as salaries and wages claimed for reimbursement from awarding agencies.

9. Contingency provisions. Contributions to a contingency reserve or any similar provision made for events the occurrence of which cannot be foretold with certainty as to time, intensity, or with an assurance of their happening, are unallowable.

The term "contingency reserve" excludes self-insurance reserves (see Attachment B, paragraphs 8.g. (3) and 22.a(2)(d)); pension funds (see paragraph 8.i); and reserves for normal severance pay (see paragraph 8.k.)

10. Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringement.

1. Definitions.

(1) Conviction, as used herein, means a judgment or a conviction of a criminal offense by any court of competent jurisdiction, whether entered upon as a 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; and the costs of the services of accountants, consultants, or others retained by the organization 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 corruption or attempts to defraud the Federal 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 3729-3731, 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.

2. (1) Except as otherwise described herein, costs incurred in connection with any criminal, civil or administrative proceeding (including filing of a false certification) commenced by the Federal Government, or a State, local or foreign government, are not allowable if the proceeding: (1) relates to a violation of, or failure to comply with, a Federal, State, local or foreign statute or regulation by the organization (including its agents and employees), and (2) results in any of the following dispositions:

(a) In a criminal proceeding, a conviction.

(b) In a civil or administrative proceeding involving an allegation of fraud or similar misconduct, a determination of organizational liability.

(c) In the case of any civil or administrative proceeding, the imposition of a monetary penalty.

(d) A final decision by an appropriate Federal official to debar or suspend the organization, to rescind or void an award, or to terminate an award for default by reason of a violation or failure to comply with a law or regulation.

(e) A disposition by consent or compromise, if the action could have resulted in any of the dispositions described in (a), (b), (c) or (d).

(2) If more than one proceeding involves the same alleged misconduct, the costs of all such proceedings shall be unallowable if any one of them results in one of the dispositions shown in subparagraph b.(1).

3. If a proceeding referred to in subparagraph b is commenced by the Federal Government and is resolved by consent or compromise pursuant to an agreement entered into by the organization and the Federal Government, then the costs incurred by the organization in connection with such proceedings

that are otherwise not allowable under subparagraph b may be allowed to the extent specifically provided in such agreement.

4. If a proceeding referred to in subparagraph b is commenced by a State, local or foreign government, the authorized Federal official may allow the costs incurred by the organization for such proceedings, if such authorized official determines that the costs were incurred as a result of (1) a specific term or condition of a federally sponsored award, or (2) specific written direction of an authorized official of the sponsoring agency.

5. Costs incurred in connection with proceedings described in subparagraph b, but which are not made unallowable by that subparagraph, may be allowed by the Federal Government, but only to the extent that:

(1) The costs are reasonable in relation to the activities required to deal with the proceeding and the underlying cause of action;

(2) Payment of the costs incurred, as allowable and allocable costs, is not prohibited by any other provision(s) of the sponsored award;

(3) The costs are not otherwise recovered from the Federal Government or a third party, either directly as a result of the proceeding or otherwise; and,

(4) The percentage of costs allowed does not exceed the percentage determined by an authorized Federal official to be appropriate, considering the complexity of the litigation, generally accepted principles governing the award of legal fees in civil actions involving the United States as a party, and such other factors as may be appropriate. Such percentage shall not exceed 80 percent. However, if an agreement reached under subparagraph c has explicitly considered this 80 percent limitation and permitted a higher percentage, then the full amount of costs resulting from that agreement shall be allowable.

6. Costs incurred by the organization in connection with the defense of suits brought by its employees or ex-employees under section 2 of the Major Fraud Act of 1988 (Pub. L. 100-700), including the cost of all relief necessary to make such employee whole, where the organization was found liable or settled, are unallowable.

7. Costs of legal, accounting, and consultant services, and related costs, incurred in connection with defense against Federal Government claims or appeals, antitrust suits, or the prosecution of claims or appeals against the Federal Government, are unallowable.

8. Costs of legal, accounting, and consultant services, and related costs, incurred in connection with patent infringement litigation, are unallowable unless otherwise provided for in the sponsored awards.

9. Costs which may be unallowable under this paragraph, including directly associated costs, shall be segregated and accounted for by the organization separately. During the pendency of any proceeding covered by subparagraphs b and f, the Federal Government shall generally withhold payment of such costs. However, if in the best interests of the Federal Government, the Federal Government may provide for conditional payment upon provision of adequate security, or other adequate assurance, and agreements by the organization to repay all unallowable costs, plus interest, if the costs are subsequently determined to be unallowable.

11. Depreciation and use allowances.

1. Compensation for the use of buildings, other capital improvements, and equipment on hand may be made through use allowance or depreciation. However, except as provided in Attachment B, paragraph f, a combination of the two methods may not be used in connection with a single class of fixed assets (e.g., buildings, office equipment, computer equipment, etc.).

2. The computation of use allowances or depreciation shall be based on the acquisition cost of the assets involved. The acquisition cost of an asset donated to the non-profit organization by a third party shall be its fair market value at the time of the donation.

3. The computation of use allowances or depreciation will exclude:

(1) The cost of land;

(2) Any portion of the cost of buildings and equipment borne by or donated by the Federal Government irrespective of where title was originally vested or where it presently resides; and

(3) Any portion of the cost of buildings and equipment contributed by or for the non-profit organization in satisfaction of a statutory matching requirement.

4. Where depreciation method is followed, the period of useful service (useful life) established in each case for usable capital assets must take into consideration such factors as type of construction, nature of the equipment used, technological developments in the particular program area, and the renewal and replacement policies followed for the individual items or classes of assets involved. The method of depreciation used to assign the cost of an asset (or group of assets) to accounting periods shall reflect the pattern of consumption of the asset during its useful life.

In the absence of clear evidence indicating that the expected consumption of the asset will be significantly greater or lesser in the early portions of its useful life than in the later portions, the straight-line method shall be presumed to be the appropriate method.

Depreciation methods once used shall not be changed unless approved in advance by the cognizant Federal agency. When the depreciation method is introduced for application to assets previously subject to a use allowance, the combination of use allowances and depreciation applicable to such assets must not exceed the total acquisition cost of the assets.

5. When the depreciation method is used for buildings, a building's shell may be segregated from each building component (e.g., plumbing system, heating, and air conditioning system, etc.) and each item depreciated over its estimated useful life; or the entire building (i.e., the shell and all components) may be treated as a single asset and depreciated over a single useful life.

6. When the depreciation method is used for a particular class of assets, no depreciation may be allowed on any such assets that, under subparagraph d, would be viewed as fully depreciated. However, a reasonable use allowance may be negotiated for such assets if warranted after taking into consideration the amount of depreciation previously charged to the Federal Government, the estimated useful life remaining at time of negotiation, the effect of any increased maintenance charges or decreased efficiency due to age, and any other factors pertinent to the utilization of the asset for the purpose contemplated.

7. Where the use allowance method is followed, the use allowance for buildings and improvement (including land improvements, such as paved parking areas, fences, and sidewalks) will be computed at an annual rate not exceeding two percent of acquisition cost.

The use allowance for equipment will be computed at an annual rate not exceeding six and two-thirds percent of acquisition cost. When the use allowance method is used for buildings, the entire building must be treated as a single asset; the building's components (e.g., plumbing system, heating and air conditioning, etc.) cannot be segregated from the building's shell.

The two percent limitation, however, need not be applied to equipment which is merely attached or fastened to the building but not permanently fixed to it and which is used as furnishings or decorations or for specialized purposes (e.g., dentist chairs and dental treatment units, counters, laboratory benches bolted to the floor, dishwashers, modular furniture, carpeting, etc.). Such equipment will be considered as not being permanently fixed to the building if it can be removed without the need for costly or extensive alterations or repairs to the building or the equipment. Equipment that meets these criteria will be subject to the 6 2/3 percent equipment use allowance limitation.

8. Charges for use allowances or depreciation must be supported by adequate property records and physical inventories must be taken at least once every two years (a statistical sampling basis is acceptable) to ensure that assets exist and are usable and needed. When the depreciation method is followed, adequate depreciation records indicating the amount of depreciation taken each period must also be maintained.

12. Donations and contributions.

1. Contributions or donations rendered. Contributions or donations, including cash, property, and services, made by the organization, regardless of the recipient, are unallowable.

2. Donated services received:

(1) Donated or volunteer services may be furnished to an organization by professional and technical personnel, consultants, and other skilled and unskilled labor. The value of these services is not reimbursable either as a direct or indirect cost. However, the value of donated services may be used to meet cost sharing or matching requirements in accordance with the Common Rule.

(2) The value of donated services utilized in the performance of a direct cost activity shall, when material in amount, be considered in the determination of the non-profit organization's indirect costs or rate(s) and, accordingly, shall be allocated a proportionate share of applicable indirect costs when the following exist:

(a) The aggregate value of the services is material;

(b) The services are supported by a significant amount of the indirect costs incurred by the non-profit organization; and

(c) The direct cost activity is not pursued primarily for the benefit of the Federal Government.

(3) In those instances where there is no basis for determining the fair market value of the services rendered, the recipient and the cognizant agency shall negotiate an appropriate allocation of indirect cost to the services.

(4) Where donated services directly benefit a project supported by an award, the indirect costs allocated to the services will be considered as a part of the total costs of the project. Such indirect costs may be reimbursed under the award or used to meet cost sharing or matching requirements.

(5) The value of the donated services may be used to meet cost sharing or matching requirements under conditions described in Sec. __.23 of Circular A-110. Where donated services are treated as indirect costs, indirect cost rates will separate the value of the donations so that reimbursement will not be made.

3. Donated goods or space.

(1) Donated goods; i.e., expendable personal property/supplies, and donated use of space may be furnished to a non-profit organization. The value of the goods and space is not reimbursable either as a direct or indirect cost.

(2) The value of the donations may be used to meet cost sharing or matching share requirements under the conditions described in Circular A-110. Where donations are treated as indirect costs, indirect cost rates will separate the value of the donations so that reimbursement will not be made.

13. Employee morale, health, and welfare costs.

1. The costs of employee information publications, health or first-aid clinics and/or infirmaries, recreational activities, employee counseling services, and any other expenses incurred in accordance with the non-profit organization's established practice or custom for the improvement of working conditions, employer-employee relations, employee morale, and employee performance are allowable.

2. Such costs will be equitably apportioned to all activities of the non-profit organization. Income generated from any of these activities will be credited to the cost thereof unless such income has been irrevocably set over to employee welfare organizations.

14. Entertainment costs. Costs of entertainment, including amusement, diversion, and social activities and any costs directly associated with such costs (such as tickets to shows or sports events, meals, lodging, rentals, transportation, and gratuities) are unallowable.

15. Equipment and other capital expenditures.

1. For purposes of this subparagraph, the following definitions apply:

(1) "Capital Expenditures" means expenditures for the acquisition cost of capital assets (equipment, buildings, land), or expenditures to make improvements to capital assets that materially increase their value or useful life. Acquisition cost means the cost of the asset including the cost to put it in place. Acquisition cost for equipment, for example, means the net invoice price of the equipment, including the cost of any modifications, attachments, accessories, or auxiliary apparatus necessary to make it usable for the purpose for which it is acquired. Ancillary charges, such as taxes, duty, protective in transit insurance, freight, and installation may be included in, or excluded from the acquisition cost in accordance with the non-profit organization's regular accounting practices.

(2) "Equipment" means an article of nonexpendable, tangible personal property having a useful life of more than one year and an acquisition cost which equals or exceeds the lesser of the capitalization level established by the non-profit organization for financial statement purposes, or \$5000.

(3) "Special purpose equipment" means equipment which is used only for research, medical, scientific, or other technical activities. Examples of special purpose equipment include microscopes, x-ray machines, surgical instruments, and spectrometers.

(4) "General purpose equipment" means equipment, which is not limited to research, medical, scientific or other technical activities. Examples include office equipment and furnishings, modular offices, telephone networks, information technology equipment and systems, air conditioning equipment, reproduction and printing equipment, and motor vehicles.

2. The following rules of allowability shall apply to equipment and other capital expenditures:

(1) Capital expenditures for general purpose equipment, buildings, and land are unallowable as direct charges, except where approved in advance by the awarding agency.

(2) Capital expenditures for special purpose equipment are allowable as direct costs, provided that items with a unit cost of \$5000 or more have the prior approval of the awarding agency.

(3) Capital expenditures for improvements to land, buildings, or equipment which materially increase their value or useful life are unallowable as a direct cost except with the prior approval of the awarding agency.

(4) When approved as a direct charge pursuant to paragraph 15.b.(1), (2), and (3) above, capital expenditures will be charged in the period in which the expenditure is incurred, or as otherwise determined appropriate by and negotiated with the awarding agency.

(5) Equipment and other capital expenditures are unallowable as indirect costs. However, see Attachment B, paragraph 11., Depreciation and use allowance, for rules on the allowability of use allowances or depreciation on buildings, capital improvements, and equipment. Also, see Attachment B, paragraph 43., Rental costs of buildings and equipment, for rules on the allowability of rental costs for land, buildings, and equipment.

(6) The unamortized portion of any equipment written off as a result of a change in capitalization levels may be recovered by continuing to claim the otherwise allowable use allowances or depreciation on the equipment, or by amortizing the amount to be written off over a period of years negotiated with the cognizant agency.

16. Fines and penalties. Costs of fines and penalties resulting from violations of, or failure of the organization to comply with Federal, State, and local laws and regulations are unallowable except when incurred as a result of compliance with specific provisions of an award or instructions in writing from the awarding agency.

17. Fund raising and investment management costs.

1. 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.

2. Costs of investment counsel and staff and similar expenses incurred solely to enhance income from investments are unallowable.

3. Fund raising and investment activities shall be allocated an appropriate share of indirect costs under the conditions described in subparagraph B.3 of Attachment A.

18. Gains and losses on depreciable assets.

1. (1) Gains and losses on sale, retirement, or other disposition of depreciable property shall be included in the year in which they occur as credits or charges to cost grouping(s) in which the depreciation applicable to such property was included. The amount of the gain or loss to be included as a credit or charge to the appropriate cost grouping(s) shall be the difference between the amount realized on the property and the undepreciated basis of the property.

(2) Gains and losses on the disposition of depreciable property shall not be recognized as a separate credit or charge under the following conditions:

(a) The gain or loss is processed through a depreciation account and is reflected in the depreciation allowable under paragraph 11.

(b) The property is given in exchange as part of the purchase price of a similar item and the gain or loss is taken into account in determining the depreciation cost basis of the new item.

(c) A loss results from the failure to maintain permissible insurance, except as otherwise provided in Attachment B, paragraph 22.

(d) Compensation for the use of the property was provided through use allowances in lieu of depreciation in accordance with paragraph 9.

(e) Gains and losses arising from mass or extraordinary sales, retirements, or other dispositions shall be considered on a case-by-case basis.

2. Gains or losses of any nature arising from the sale or exchange of property other than the property covered in subparagraph a shall be excluded in computing award costs.

19. Goods or services for personal use. Costs of goods or services for personal use of the organization's employees are unallowable regardless of whether the cost is reported as taxable income to the employees.

20. Housing and personal living expenses.

1. Costs of housing (e.g., depreciation, maintenance, utilities, furnishings, rent, etc.), housing allowances and personal living expenses for/of the organization's officers are unallowable as fringe benefit or indirect costs regardless of whether the cost is reported as taxable income to the employees. These costs are allowable as direct costs to sponsored award when necessary for the performance of the sponsored award and approved by awarding agencies.

2. The term "officers" includes current and past officers and employees.

21. Idle facilities and idle capacity.

1. As used in this section the following terms have the meanings 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 non-profit organization.

(2) "Idle facilities" means completely unused facilities that are excess to the non-profit organization's current needs.

(3) "Idle capacity" means the unused capacity of partially used facilities. It is the difference between: (a) that which a facility could achieve under 100 percent operating time on a one-shift basis less operating interruptions resulting from time lost for repairs, setups, unsatisfactory materials, and other normal delays; and (b) the extent to which the facility was actually used to meet demands during the accounting period. A multi-shift basis should be used if it can be shown that this amount of usage would normally be expected for the type of facility involved.

(4) "Cost of idle facilities or idle capacity" means costs such as maintenance, repair, housing, rent, and other related costs, e.g., insurance, interest, property taxes and depreciation or use allowances.

2. 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 the exception stated in this subparagraph, costs of idle facilities are allowable for a reasonable period of time, ordinarily not to exceed one year, depending on 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 fluctuations of usage or indirect cost rates from period to period. Such costs are allowable, provided that the capacity is reasonably anticipated to be necessary or was originally reasonable and is not subject to reduction or elimination by use on other Federal awards, subletting, renting, or sale, in accordance with sound business, economic, or security practices. Widespread idle capacity throughout an entire facility or among a group of assets having substantially the same function may be considered idle facilities.

22. Insurance and indemnification.

1. Insurance includes insurance which the organization is required to carry, or which is approved, under the terms of the award and any other insurance which the organization maintains in connection with the general conduct of its operations. This paragraph does not apply to insurance which represents fringe benefits for employees (see subparagraphs 8.g and 8.i(2)).

(1) Costs of insurance required or approved, and maintained, pursuant to the award are allowable.

(2) Costs of other insurance maintained by the organization in connection with the general conduct of its operations are allowable subject to the following limitations:

(a) Types and extent of coverage shall be in accordance with sound business practice and the rates and premiums shall be reasonable under the circumstances.

(b) Costs allowed for business interruption or other similar insurance shall be limited to exclude coverage of management fees.

(c) Costs of insurance or of any provisions for a reserve covering the risk of loss or damage to Federal property are allowable only to the extent that the organization is liable for such loss or damage.

(d) Provisions for a reserve under a self-insurance program are allowable to the extent that types of coverage, extent of coverage, rates, and premiums would have been allowed had insurance been purchased to cover the risks. However, provision for known or reasonably estimated self-insured liabilities, which do not become payable for more than one year after the provision is made, shall not exceed the present value of the liability.

(e) Costs of insurance on the lives of trustees, officers, or other employees holding positions of similar responsibilities are allowable only to the extent that the insurance represents additional compensation (see subparagraph 8.g(4)). The cost of such insurance when the organization is identified as the beneficiary is unallowable.

(f) Insurance against defects. Costs of insurance with respect to any costs incurred to correct defects in the organization's materials or workmanship are unallowable.

(g) Medical liability (malpractice) insurance. Medical liability insurance is an allowable cost of Federal research programs only to the extent that the Federal research programs involve human subjects or training of participants in research techniques. Medical liability insurance costs shall be treated as a direct cost and shall be assigned to individual projects based on the manner in which the insurer allocates the risk to the population covered by the insurance.

(3) Actual losses which could have been covered by permissible insurance (through the purchase of insurance or a self-insurance program) are unallowable unless expressly provided for in the award, except:

(a) Costs incurred because of losses not covered under nominal deductible insurance coverage provided in keeping with sound business practice are allowable.

(b) Minor losses not covered by insurance, such as spoilage, breakage, and disappearance of supplies, which occur in the ordinary course of operations, are allowable.

2. Indemnification includes securing the organization against liabilities to third persons and any other loss or damage, not compensated by insurance or otherwise. The Federal Government is obligated to indemnify the organization only to the extent expressly provided in the award.

23. Interest.

1. Costs incurred for interest on borrowed capital, temporary use of endowment funds, or the use of the non-profit organization's own funds, however represented, are unallowable. However, interest on debt incurred after September 29, 1995 to acquire or replace capital assets (including renovations, alterations, equipment, land, and capital assets acquired through capital leases), acquired after September 29, 1995 and used in support of Federal awards is allowable, provided that:

(1) For facilities acquisitions (excluding renovations and alterations) costing over \$10 million where the Federal Government's reimbursement is expected to equal or exceed 40 percent of an asset's cost, the non-profit organization prepares, prior to the acquisition or replacement of the capital asset(s), a justification that demonstrates the need for the facility in the conduct of federally sponsored activities. Upon request, the needs justification must be provided to the Federal agency with cost cognizance authority as a prerequisite to the continued allowability of interest on debt and depreciation related to the facility. The needs justification for the acquisition of a facility should include, at a minimum, the following:

- (a) A statement of purpose and justification for facility acquisition or replacement
- (b) A statement as to why current facilities are not adequate
- (c) A statement of planned future use of the facility
- (d) A description of the financing agreement to be arranged for the facility
- (e) A summary of the building contract with estimated cost information and statement of source and use of funds
- (f) A schedule of planned occupancy dates

(2) For facilities costing over \$500,000, the non-profit organization prepares, prior to the acquisition or replacement of the facility, a lease/purchase analysis in accordance with the provisions of Sec. __.30 through __.37 of Circular A-110, which shows that a financed purchase or capital lease is less costly to the organization than other leasing alternatives, on a net present value basis. Discount rates used should be equal to the non-profit organization's anticipated interest rates and should be no higher than the fair market rate available to the non-profit organization from an unrelated ("arm's length") third-party. The lease/purchase analysis shall include a comparison of the net present value of the projected total cost comparisons of both alternatives over the period the asset is expected to be used by the non-profit organization. The cost comparisons associated with purchasing the facility shall include the estimated purchase price, anticipated operating and maintenance costs (including property taxes, if applicable) not included in the debt financing, less any estimated asset salvage value at the end of the period defined above. The cost comparison for a capital lease shall include the estimated total lease payments, any estimated bargain purchase option, operating and maintenance costs, and taxes not included in the capital leasing arrangement, less any estimated credits due under the lease at the end of the period defined above. Projected operating lease costs shall be based on the anticipated cost of leasing comparable facilities at fair market rates under rental agreements that would be renewed or reestablished over the period defined above, and any expected maintenance costs and allowable property taxes to be borne by the non-profit organization directly or as part of the lease arrangement.

(3) The actual interest cost claimed is predicated upon interest rates that are no higher than the fair market rate available to the non-profit organization from an unrelated ("arm's length") third party.

(4) Investment earnings, including interest income, on bond or loan principal, pending payment of the construction or acquisition costs, are used to offset allowable interest cost. Arbitrage earnings reportable to the Internal Revenue Service are not required to be offset against allowable interest costs.

(5) Reimbursements are limited to the least costly alternative based on the total cost analysis required under subparagraph (b). For example, if an operating lease is determined to be less costly than purchasing through debt financing, then reimbursement is limited to the amount determined if leasing had been used. In all cases where a lease/purchase analysis is performed, Federal reimbursement shall be based upon the least expensive alternative.

(6) Non-profit organizations are also subject to the following conditions:

(a) Interest on debt incurred to finance or refinance assets acquired before or reacquired after September 29, 1995, is not allowable.

(b) Interest attributable to fully depreciated assets is unallowable.

(c) For debt arrangements over \$1 million, unless the non-profit organization makes an initial equity contribution to the asset purchase of 25 percent or more, non-profit organizations shall reduce claims for interest expense by an amount equal to imputed interest earnings on excess cash flow, which is to be calculated as follows. Annually, non-profit organizations shall prepare a cumulative (from the inception of the project) report of monthly cash flows that includes inflows and outflows, regardless of the funding source. Inflows consist of depreciation expense, amortization of capitalized construction interest, and annual interest expense. For cash flow calculations, the annual inflow figures shall be divided by the number of months in the year (usually 12) that the building is in service for monthly amounts. Outflows consist of initial equity contributions, debt principal payments (less the pro rata share attributable to the unallowable costs of land) and interest payments. Where cumulative inflows exceed cumulative outflows, interest shall be calculated on the excess inflows for that period and be treated as a reduction to allowable interest expense. The rate of interest to be used to compute earnings on excess cash flows shall be the three month Treasury Bill closing rate as of the last business day of that month.

(d) Substantial relocation of federally sponsored activities from a facility financed by indebtedness, the cost of which was funded in whole or part through Federal reimbursements, to another facility prior to the expiration of a period of 20 years requires notice to the Federal cognizant agency. The extent of the relocation, the amount of the Federal participation in the financing, and the depreciation and interest charged to date may require negotiation and/or downward adjustments of replacement space charged to Federal programs in the future.

(e) The allowable costs to acquire facilities and equipment are limited to a fair market value available to the non-profit organization from an unrelated ("arm's length") third party.

2. For non-profit organizations subject to "full coverage" under the Cost Accounting Standards (CAS) as defined at 48 CFR 9903.201, the interest allowability provisions of subparagraph a do not apply. Instead, these organizations' sponsored agreements are subject to CAS 414 (48 CFR 9903.414), cost of money as an element of the cost of facilities capital, and CAS 417 (48 CFR 9903.417), cost of money as an element of the cost of capital assets under construction.

3. The following definitions are to be used for purposes of this paragraph:

(1) Re-acquired assets means assets held by the non-profit organization prior to September 29, 1995 that have again come to be held by the organization, whether through repurchase or refinancing. It does not include assets acquired to replace older assets.

(2) Initial equity contribution means the amount or value of contributions made by non-profit organizations for the acquisition of the asset or prior to occupancy of facilities.

(3) Asset costs means the capitalizable costs of an asset, including construction costs, acquisition costs, and other such costs capitalized in accordance with GAAP.

24. Labor relations costs. Costs incurred in maintaining satisfactory relations between the organization and its employees, including costs of labor management committees, employee publications, and other related activities are allowable.

25. Lobbying.

1. Notwithstanding other provisions of this Circular, costs associated with the following activities are unallowable:

(1) 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;

(2) 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 elections;

(3) Any attempt to influence: (i) The introduction of Federal or State legislation; or (ii) the enactment or modification of any pending Federal or State legislation through communication with any member or employee of the Congress or State 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 enrolled legislation;

(4) Any attempt to influence: (i) The introduction of Federal or State legislation; or (ii) the enactment or modification of any pending Federal or State legislation by preparing, distributing or using publicity or propaganda, or by urging members of the general public or any segment thereof to contribute to or participate in any mass demonstration, march, rally, fundraising drive, lobbying campaign or letter writing or telephone campaign; or

(5) Legislative liaison activities, including attendance at legislative sessions or committee hearings, gathering information regarding legislation, and analyzing the effect of legislation, when such activities are carried on in support of or in knowing preparation for an effort to engage in unallowable lobbying.

2. The following activities are excepted from the coverage of subparagraph a:

(1) Providing a technical and factual presentation of information on a topic directly related to the performance of a grant, contract or other agreement through hearing testimony, statements or letters to the Congress or a State legislature, or subdivision, member, or cognizant staff member thereof, in

response to a documented request (including a Congressional Record notice requesting testimony or statements for the record at a regularly scheduled hearing) made by the recipient member, legislative body or subdivision, or a cognizant staff member thereof; provided such information is readily obtainable and can be readily put in deliverable form; and further provided that costs under this section for travel, lodging or meals are unallowable unless incurred to offer testimony at a regularly scheduled Congressional hearing pursuant to a written request for such presentation made by the Chairman or Ranking Minority Member of the Committee or Subcommittee conducting such hearing.

(2) Any lobbying made unallowable by subparagraph a(3) to influence State legislation in order to directly reduce the cost, or to avoid material impairment of the organization's authority to perform the grant, contract, or other agreement.

(3) Any activity specifically authorized by statute to be undertaken with funds from the grant, contract, or other agreement.

3. (1) When an organization seeks reimbursement for indirect costs, total lobbying costs shall be separately identified in the indirect cost rate proposal, and thereafter treated as other unallowable activity costs in accordance with the procedures of subparagraph B.3 of Attachment A.

(2) Organizations shall submit, as part of the annual indirect cost rate proposal, a certification that the requirements and standards of this paragraph have been complied with.

(3) Organizations shall maintain adequate records to demonstrate that the determination of costs as being allowable or unallowable pursuant to paragraph 25 complies with the requirements of this Circular.

(4) Time logs, calendars, or similar records shall not be required to be created for purposes of complying with this paragraph during any particular calendar month when: (1) the employee engages in lobbying (as defined in subparagraphs (a) and (b)) 25 percent or less of the employee's compensated hours of employment during that calendar month, and (2) within the preceding five-year period, the organization has not materially misstated allowable or unallowable costs of any nature, including legislative lobbying costs. When conditions (1) and (2) are met, organizations are not required to establish records to support the allowability of claimed costs in addition to records already required or maintained. Also, when conditions (1) and (2) are met, the absence of time logs, calendars, or similar records will not serve as a basis for disallowing costs by contesting estimates of lobbying time spent by employees during a calendar month.

(5) Agencies shall establish procedures for resolving in advance, in consultation with OMB, any significant questions or disagreements concerning the interpretation or application of paragraph 25. Any such advance resolution shall be binding in any subsequent settlements, audits or investigations with respect to that grant or contract for purposes of interpretation of this Circular; provided, however, that this shall not be construed to prevent a contractor or grantee from contesting the lawfulness of such a determination.

4. Executive lobbying costs. Costs incurred in attempting to improperly influence either directly or indirectly, an employee or officer of the Executive Branch of the Federal Government to give consideration or to act regarding a sponsored agreement or a regulatory matter are unallowable. Improper influence means any influence that induces or tends to induce a Federal employee or officer to give consideration or to act regarding a federally sponsored agreement or regulatory matter on any basis other than the merits of the matter.

26. Losses on other sponsored agreements or contracts. 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 organization's contributed portion by reason of cost sharing agreements or any under-recoveries through negotiation of lump sums for, or ceilings on, indirect costs.

27. Maintenance and repair costs. Costs incurred for necessary maintenance, repair, or upkeep of buildings and equipment (including Federal property unless otherwise provided for) which neither add to the permanent value of the property nor appreciably prolong its intended life, but keep it in an efficient operating condition, are allowable. Costs incurred for improvements which add to the permanent value of the buildings and equipment or appreciably prolong their intended life shall be treated as capital expenditures (see paragraph 15).

28. Materials and supplies costs.

1. Costs incurred for materials, supplies, and fabricated parts necessary to carry out a Federal award are allowable.

2. Purchased materials and supplies shall be charged at their actual prices, net of applicable credits. Withdrawals from general stores or stockrooms should be charged at their actual net cost under any recognized method of pricing inventory withdrawals, consistently applied. Incoming transportation charges are a proper part of materials and supplies costs.

3. Only materials and supplies actually used for the performance of a Federal award may be charged as direct costs.

4. Where federally donated or furnished materials are used in performing the Federal award, such materials will be used without charge.

29. Meetings and conferences. Costs of meetings and conferences, the primary purpose of which is the dissemination of technical information, are allowable. This includes costs of meals, transportation, rental of facilities, speakers' fees, and other items incidental to such meetings or conferences. But see Attachment B, paragraphs 14., Entertainment costs, and 33., Participant support costs.

30. Memberships, subscriptions, and professional activity costs.

1. Costs of the non-profit organization's membership in business, technical, and professional organizations are allowable.

2. Costs of the non-profit organization's subscriptions to business, professional, and technical periodicals are allowable.

3. Costs of membership in any civic or community organization are allowable with prior approval by Federal cognizant agency.

4. Costs of membership in any country club or social or dining club or organization are unallowable.

31. Organization costs. Expenditures, such as incorporation fees, brokers' fees, fees to promoters, organizers or management consultants, attorneys, accountants, or investment counselors, whether or not employees of the organization, in connection with establishment or reorganization of an organization, are unallowable except with prior approval of the awarding agency.

32. Page charges in professional journals. Page charges for professional journal publications are allowable as a necessary part of research costs, where:

1. The research papers report work supported by the Federal Government; and
2. The charges are levied impartially on all research papers published by the journal, whether or not by federally sponsored authors.

33. Participant support costs. Participant support costs are direct costs for items such as stipends or subsistence allowances, travel allowances, and registration fees paid to or on behalf of participants or trainees (but not employees) in connection with meetings, conferences, symposia, or training projects. These costs are allowable with the prior approval of the awarding agency.

34. Patent costs.

1. The following costs relating to patent and copyright matters are allowable: (i) cost of preparing disclosures, reports, and other documents required by the Federal award and of searching the art to the extent necessary to make such disclosures; (ii) cost of preparing documents and any other patent costs in connection with the filing and prosecution of a United States patent application where title or royalty-free license is required by the Federal Government to be conveyed to the Federal Government; and (iii) general counseling services relating to patent and copyright matters, such as advice on patent and copyright laws, regulations, clauses, and employee agreements (but see paragraphs 37., Professional services costs, and 44., Royalties and other costs for use of patents and copyrights).

2. The following costs related to patent and copyright matter are unallowable:

(1) Cost of preparing disclosures, reports, and other documents and of searching the art to the extent necessary to make disclosures not required by the award

(2) Costs in connection with filing and prosecuting any foreign patent application, or any United States patent application, where the Federal award does not require conveying title or a royalty-free license to the Federal Government (but see paragraph 45., Royalties and other costs for use of patents and copyrights).

35. Plant and homeland security costs. Necessary and reasonable expenses incurred for routine and homeland security to protect facilities, personnel, and work products are allowable. Such costs include, but are not limited to, wages and uniforms of personnel engaged in security activities; equipment; barriers; contractual security services; consultants; etc. Capital expenditures for homeland and plant security purposes are subject to paragraph 15., Equipment and other capital expenditures, of this Circular.

36. Pre-agreement costs. Pre-award costs are those incurred prior to the effective date of the award directly pursuant to the negotiation and in anticipation of the award where such costs are necessary to comply with the proposed delivery schedule or period of performance. Such costs are allowable only to the extent that they would have been allowable if incurred after the date of the award and only with the written approval of the awarding agency.

37. Professional services costs.

1. Costs of professional and consultant services rendered by persons who are members of a particular profession or possess a special skill, and who are not officers or employees of the non-profit organization, are allowable, subject to subparagraphs b and c when reasonable in relation to the services rendered and when not contingent upon recovery of the costs from the Federal Government.

In addition, legal and related services are limited under Attachment B, paragraph 10.

2. In determining the allowability of costs in a particular case, no single factor or any special combination of factors is necessarily determinative. However, the following factors are relevant:

(1) The nature and scope of the service rendered in relation to the service required.

(2) The necessity of contracting for the service, considering the non-profit organization's capability in the particular area.

(3) The past pattern of such costs, particularly in the years prior to Federal awards.

(4) The impact of Federal awards on the non-profit organization's business (i.e., what new problems have arisen).

(5) Whether the proportion of Federal work to the non-profit organization's total business is such as to influence the non-profit organization in favor of incurring the cost, particularly where the services rendered are not of a continuing nature and have little relationship to work under Federal grants and contracts.

(6) Whether the service can be performed more economically by direct employment rather than contracting.

(7) The qualifications of the individual or concern rendering the service and the customary fees charged, especially on non-Federal awards.

(8) Adequacy of the contractual agreement for the service (e.g., description of the service, estimate of time required, rate of compensation, and termination provisions).

3. In addition to the factors in subparagraph b, retainer fees to be allowable must be supported by evidence of bona fide services available or rendered

38. Publication and printing costs.

1. Publication costs include the costs of printing (including the processes of composition, plate-making, press work, binding, and the end products produced by such processes), distribution, promotion, mailing, and general handling. Publication costs also include page charges in professional publications.

2. If these costs are not identifiable with a particular cost objective, they should be allocated as indirect costs to all benefiting activities of the non-profit organization.

3. Page charges for professional journal publications are allowable as a necessary part of research costs where:

(1) The research papers report work supported by the Federal Government: and

(2) The charges are levied impartially on all research papers published by the journal, whether or not by federally sponsored authors.

39. Rearrangement and alteration costs. Costs incurred for ordinary or normal rearrangement and alteration of facilities are allowable. Special arrangement and alteration costs incurred specifically for the project are allowable with the prior approval of the awarding agency.

40. Reconversion costs. Costs incurred in the restoration or rehabilitation of the non-profit organization's facilities to approximately the same condition existing immediately prior to commencement of Federal awards, less costs related to normal wear and tear, are allowable.

41. Recruiting costs.

1. Subject to subparagraphs b, c, and d, and provided that the size of the staff recruited and maintained is in keeping with workload requirements, costs of "help wanted" advertising, operating costs of an employment office necessary to secure and maintain an adequate staff, costs of operating an aptitude and educational testing program, travel costs of employees while engaged in recruiting personnel, travel costs of applicants for interviews for prospective employment, and relocation costs incurred incident to recruitment of new employees, are allowable to the extent that such costs are incurred pursuant to a well-managed recruitment program. Where the organization uses employment agencies, costs that are not in excess of standard commercial rates for such services are allowable.

2. In publications, costs of help wanted advertising that includes color, includes advertising material for other than recruitment purposes, or is excessive in size (taking into consideration recruitment purposes for which intended and normal organizational practices in this respect), are unallowable.

3. Costs of help wanted advertising, special emoluments, fringe benefits, and salary allowances incurred to attract professional personnel from other organizations that do not meet the test of reasonableness or do not conform with the established practices of the organization, are unallowable.

4. Where relocation costs incurred incident to recruitment of a new employee have been allowed either as an allocable direct or indirect cost, and the newly hired employee resigns for reasons within his control within twelve months after being hired, the organization will be required to refund or credit such relocation costs to the Federal Government.

42. Relocation costs.

1. Relocation costs are costs incident to the permanent change of duty assignment (for an indefinite period or for a stated period of not less than 12 months) of an existing employee or upon recruitment of a new employee. Relocation costs are allowable, subject to the limitation described in subparagraphs b, c, and d, provided that:

(1) The move is for the benefit of the employer.

(2) Reimbursement to the employee is in accordance with an established written policy consistently followed by the employer.

(3) The reimbursement does not exceed the employee's actual (or reasonably estimated) expenses.

2. Allowable relocation costs for current employees are limited to the following:

(1) The costs of transportation of the employee, members of his immediate family and his household, and personal effects to the new location.

(2) The costs of finding a new home, such as advance trips by employees and spouses to locate living quarters and temporary lodging during the transition period, up to maximum period of 30 days, including advance trip time.

(3) Closing costs, such as brokerage, legal, and appraisal fees, incident to the disposition of the employee's former home. These costs, together with those described in (4), are limited to 8 percent of the sales price of the employee's former home.

(4) The continuing costs of ownership of the vacant former home after the settlement or lease date of the employee's new permanent home, such as maintenance of buildings and grounds (exclusive of fixing up expenses), utilities, taxes, and property insurance.

(5) Other necessary and reasonable expenses normally incident to relocation, such as the costs of canceling an unexpired lease, disconnecting and reinstalling household appliances, and purchasing insurance against loss of or damages to personal property. The cost of canceling an unexpired lease is limited to three times the monthly rental.

3. Allowable relocation costs for new employees are limited to those described in (1) and (2) of subparagraph b. When relocation costs incurred incident to the recruitment of new employees have been allowed either as a direct or indirect cost and the employee resigns for reasons within his control within 12 months after hire, the organization shall refund or credit the Federal Government for its share of the cost. However, the costs of travel to an overseas location shall be considered travel costs in accordance with paragraph 50 and not relocation costs for the purpose of this paragraph if dependents are not permitted at the location for any reason and the costs do not include costs of transporting household goods.

4. The following costs related to relocation are unallowable:

(1) Fees and other costs associated with acquiring a new home.

(2) A loss on the sale of a former home.

(3) Continuing mortgage principal and interest payments on a home being sold.

(4) Income taxes paid by an employee related to reimbursed relocation costs.

43. Rental costs of buildings and equipment.

1. Subject to the limitations described in subparagraphs b. through d. of this paragraph 43, rental costs are allowable to the extent that the rates are reasonable in light of such factors as: rental costs of comparable property, if any; market conditions in the area; alternatives available; and, the type, life expectancy, condition, and value of the property leased. Rental arrangements should be reviewed periodically to determine if circumstances have changed and other options are available.

2. Rental costs under “sale and lease back” arrangements are allowable only up to the amount that would be allowed had the non-profit organization continued to own the property. This amount would include expenses such as depreciation or use allowance, maintenance, taxes, and insurance.

3. Rental costs under "less-than-arms-length" leases are allowable only up to the amount (as explained in subparagraph b. of this paragraph 43.) that would be allowed had title to the property vested in the non-profit organization. For this purpose, a less-than-arms-length lease is one under which one party to the lease agreement is able to control or substantially influence the actions of the other. Such leases include, but are not limited to those between (i) divisions of a non-profit organization; (ii) non-profit organizations under common control through common officers, directors, or members; and (iii) a non-profit organization and a director, trustee, officer, or key employee of the non-profit organization or his immediate family, either directly or through corporations, trusts, or similar arrangements in which they hold a controlling interest. For example, a non-profit organization may establish a separate corporation for the sole purpose of owning property and leasing it back to the non-profit organization.

4. Rental costs under leases which are required to be treated as capital leases under GAAP are allowable only up to the amount (as explained in subparagraph b) that would be allowed had the non-profit organization purchased the property on the date the lease agreement was executed. The provisions of Financial Accounting Standards Board Statement 13, Accounting for Leases, shall be used to determine whether a lease is a capital lease. Interest costs related to capital leases are allowable to the extent they meet the criteria in subparagraph 23. Unallowable costs include amounts paid for profit, management fees, and taxes that would not have been incurred had the non-profit organization purchased the facility.

44. Royalties and other costs for use of patents and copyrights.

1. Royalties on a patent or copyright or amortization of the cost of acquiring by purchase a copyright, patent, or rights thereto, necessary for the proper performance of the award are allowable unless:

(1) The Federal Government has a license or the right to free use of the patent or copyright.

(2) The patent or copyright has been adjudicated to be invalid, or has been administratively determined to be invalid.

(3) The patent or copyright is considered to be unenforceable.

(4) The patent or copyright is expired.

2. Special care should be exercised in determining reasonableness where the royalties may have arrived at as a result of less-than-arm's-length bargaining, e.g.:

(1) Royalties paid to persons, including corporations, affiliated with the non-profit organization.

(2) Royalties paid to unaffiliated parties, including corporations, under an agreement entered into in contemplation that a Federal award would be made.

(3) Royalties paid under an agreement entered into after an award is made to a non-profit organization.

3. In any case involving a patent or copyright formerly owned by the non-profit organization, the amount of royalty allowed should not exceed the cost which would have been allowed had the non-profit organization retained title thereto.

45. Selling and marketing. Costs of selling and marketing any products or services of the non-profit organization are unallowable (unless allowed under Attachment B, paragraph 1. as allowable public relations cost. However, these costs are allowable as direct costs, with prior approval by awarding agencies, when they are necessary for the performance of Federal programs.

46. Specialized service facilities.

1. The costs of services provided by highly complex or specialized facilities operated by the non-profit organization, such as computers, wind tunnels, and reactors are allowable, provided the charges for the services meet the conditions of either 46 b. or c. and, in addition, take into account any items of income or Federal financing that qualify as applicable credits under Attachment A, subparagraph A.5. of this Circular.

2. The costs of such services, when material, must be charged directly to applicable awards based on actual usage of the services on the basis of a schedule of rates or established methodology that (i) does not discriminate against federally supported activities of the non-profit organization, including usage by the non-profit organization for internal purposes, and (ii) is designed to recover only the aggregate costs of the services. The costs of each service shall consist normally of both its direct costs and its allocable share of all indirect costs. Rates shall be adjusted at least biennially, and shall take into consideration over/under applied costs of the previous period(s).

3. Where the costs incurred for a service are not material, they may be allocated as indirect costs.

4. Under some extraordinary circumstances, where it is in the best interest of the Federal Government and the institution to establish alternative costing arrangements, such arrangements may be worked out with the cognizant Federal agency.

47. Taxes.

1. In general, taxes which the organization is required to pay and which are paid or accrued in accordance with GAAP, and payments made to local governments in lieu of taxes which are commensurate with the local government services received are allowable, except for (i) taxes from which exemptions are available to the organization directly or which are available to the organization based on an exemption afforded the Federal Government and in the latter case when the awarding agency makes available the necessary exemption certificates, (ii) special assessments on land which represent capital improvements, and (iii) Federal income taxes.

2. Any refund of taxes, and any payment to the organization of interest thereon, which were allowed as award costs, will be credited either as a cost reduction or cash refund, as appropriate, to the Federal Government.

48. Termination costs applicable to sponsored agreements.

Termination of awards generally gives rise to the incurrence of costs, or the need for special treatment of costs, which would not have arisen had the Federal award not been terminated. Cost principles covering these items are set forth below. They are to be used in conjunction with the other provisions of this Circular in termination situations.

1. The cost of items reasonably usable on the non-profit organization's other work shall not be allowable unless the non-profit organization submits evidence that it would not retain such items at cost without sustaining a loss. In deciding whether such items are reasonably usable on other work of the non-profit organization, the awarding agency should consider the non-profit organization's plans and orders for current and scheduled activity.

Contemporaneous purchases of common items by the non-profit organization shall be regarded as evidence that such items are reasonably usable on the non-profit organization's other work. Any acceptance of common items as allocable to the terminated portion of the Federal award shall be limited to the extent that the quantities of such items on hand, in transit, and on order are in excess of the reasonable quantitative requirements of other work.

2. If in a particular case, despite all reasonable efforts by the non-profit organization, certain costs cannot be discontinued immediately after the effective date of termination, such costs are generally allowable within the limitations set forth in this Circular, except that any such costs continuing after termination due to the negligent or willful failure of the non-profit organization to discontinue such costs shall be unallowable.

3. Loss of useful value of special tooling, machinery, and is generally allowable if:

(1) Such special tooling, special machinery, or equipment is not reasonably capable of use in the other work of the non-profit organization,

(2) The interest of the Federal Government is protected by transfer of title or by other means deemed appropriate by the awarding agency, and

(3) The loss of useful value for any one terminated Federal award is limited to that portion of the acquisition cost which bears the same ratio to the total acquisition cost as the terminated portion of the Federal award bears to the entire terminated Federal award and other Federal awards for which the special tooling, special machinery, or equipment was acquired.

4. Rental costs under unexpired leases are generally allowable where clearly shown to have been reasonably necessary for the performance of the terminated Federal award less the residual value of such leases, if:

(1) the amount of such rental claimed does not exceed the reasonable use value of the property leased for the period of the Federal award and such further period as may be reasonable, and

(2) the non-profit organization makes all reasonable efforts to terminate, assign, settle, or otherwise reduce the cost of such lease. There also may be included the cost of alterations of such leased property, provided such alterations were necessary for the performance of the Federal award, and of reasonable restoration required by the provisions of the lease.

5. Settlement expenses including the following are generally allowable:

(1) Accounting, legal, clerical, and similar costs reasonably necessary for:

(a) The preparation and presentation to the awarding agency of settlement claims and supporting data with respect to the terminated portion of the Federal award, unless the termination is for default (see Subpart __.61 of Circular A-110); and

(b) The termination and settlement of subawards.

(2) Reasonable costs for the storage, transportation, protection, and disposition of property provided by the Federal Government or acquired or produced for the Federal award, except when grantees or contractors are reimbursed for disposals at a predetermined amount in accordance with Subparts __.32 through __.37 of Circular A-110.

(3) Indirect costs related to salaries and wages incurred as settlement expenses in subparagraphs (1) and (2). Normally, such indirect costs shall be limited to fringe benefits, occupancy cost, and immediate supervision.

6. Claims under sub awards, including the allocable portion of claims which are common to the Federal award, and to other work of the non-profit organization are generally allowable.

An appropriate share of the non-profit organization's indirect expense may be allocated to the amount of settlements with subcontractors and/or subgrantees, provided that the amount allocated is otherwise consistent with the basic guidelines contained in Attachment A. The indirect expense so allocated shall exclude the same and similar costs claimed directly or indirectly as settlement expenses.

49. Training costs.

1. Costs of preparation and maintenance of a program of instruction including but not limited to on-the-job, classroom, and apprenticeship training, designed to increase the vocational effectiveness of employees, including training materials, textbooks, salaries or wages of trainees (excluding overtime compensation which might arise therefrom), and (i) salaries of the director of training and staff when the training program is conducted by the organization; or (ii) tuition and fees when the training is in an institution not operated by the organization, are allowable.

2. Costs of part-time education, at an undergraduate or post-graduate college level, including that provided at the organization's own facilities, are allowable only when the course or degree pursued is relative to the field in which the employee is now working or may reasonably be expected to work, and are limited to:

(1) Training materials.

(2) Textbooks.

(3) Fees charges by the educational institution.

(4) Tuition charged by the educational institution or, in lieu of tuition, instructors' salaries and the related share of indirect costs of the educational institution to the extent that the sum thereof is not in excess of the tuition which would have been paid to the participating educational institution.

(5) Salaries and related costs of instructors who are employees of the organization.

(6) Straight-time compensation of each employee for time spent attending classes during working hours not in excess of 156 hours per year and only to the extent that circumstances do not permit the operation of classes or attendance at classes after regular working hours; otherwise, such compensation is unallowable.

3. Costs of tuition, fees, training materials, and textbooks (but not subsistence, salary, or any other emoluments) in connection with full-time education, including that provided at the organization's own facilities, at a post-graduate (but not undergraduate) college level, are allowable only when the course or degree pursued is related to the field in which the employee is now working or may reasonably be expected to work, and only where the costs receive the prior approval of the awarding agency. Such costs are limited to the costs attributable to a total period not to exceed one school year for each employee so trained. In unusual cases the period may be extended.

4. Costs of attendance of up to 16 weeks per employee per year at specialized programs specifically designed to enhance the effectiveness of executives or managers or to prepare employees for such positions are allowable. Such costs include enrollment fees, training materials, textbooks and related charges, employees' salaries, subsistence, and travel. Costs allowable under this paragraph do not include those for courses that are part of a degree-oriented curriculum, which are allowable only to the extent set forth in subparagraphs b and c.

5. Maintenance expense, and normal depreciation or fair rental, on facilities owned or leased by the organization for training purposes are allowable to the extent set forth in paragraphs 11, 27, and 50.

6. Contributions or donations to educational or training institutions, including the donation of facilities or other properties, and scholarships or fellowships, are unallowable.

7. Training and education costs in excess of those otherwise allowable under subparagraphs b and c may be allowed with prior approval of the awarding agency. To be considered for approval, the organization must demonstrate that such costs are consistently incurred pursuant to an established training and education program, and that the course or degree pursued is relative to the field in which the employee is now working or may reasonably be expected to work.

50. Transportation costs.

Transportation costs include freight, express, cartage, and postage charges relating either to goods purchased, in process, or delivered. These costs are allowable. When such costs can readily be identified with the items involved, they may be directly charged as transportation costs or added to the cost of such items (see paragraph 28). Where identification with the materials received cannot readily be made, transportation costs may be charged to the appropriate indirect cost accounts if the organization follows a consistent, equitable procedure in this respect.

51. Travel costs.

1. General. Travel costs are the expenses for transportation, lodging, subsistence, and related items incurred by employees who are in travel status on official business of the non-profit organization. Such costs may be charged on an actual cost basis, on a per diem or mileage basis in lieu of actual costs incurred, or on a combination of the two, provided the method used is applied to an entire trip and not to selected days of the trip, and results in charges consistent with those normally allowed in like circumstances in the non-profit organization's non-federally sponsored activities.

2. Lodging and subsistence. Costs incurred by employees and officers for travel, including costs of lodging, other subsistence, and incidental expenses, shall be considered reasonable and allowable only to the extent such costs do not exceed charges normally allowed by the non-profit organization in its regular operations as the result of the non-profit organization's written travel policy. In the absence of an acceptable, written non-profit organization policy regarding travel costs, the rates and amounts established under subchapter I of Chapter 57, Title 5, United States Code ("Travel and Subsistence Expenses; Mileage Allowances"), or by the Administrator of General Services, or by the President (or his or her designee) pursuant to any provisions of such subchapter shall apply to travel under Federal awards (48 CFR 31.205-46(a)).

3. Commercial air travel.

(1) Airfare costs in excess of the customary standard commercial airfare (coach or equivalent), Federal Government contract airfare (where authorized and available), or the lowest commercial discount airfare are unallowable except when such accommodations would: (a) require circuitous routing; (b) require travel during unreasonable hours; (c) excessively prolong travel; (d) result in additional costs that would offset the transportation savings; or (e) offer accommodations not reasonably adequate for the traveler's medical needs. The non-profit organization must justify and document these conditions on a case-by-case basis in order for the use of first-class airfare to be allowable in such cases.

(2) Unless a pattern of avoidance is detected, the Federal Government will generally not question a non-profit organization's determinations that customary standard airfare or other discount airfare is unavailable for specific trips if the non-profit organization can demonstrate either of the following: (a) that such airfare was not available in the specific case; or (b) that it is the non-profit organization's overall practice to make routine use of such airfare.

4. Air travel by other than commercial carrier. Costs of travel by non-profit organization-owned, -leased, or -chartered aircraft include the cost of lease, charter, operation (including personnel costs), maintenance, depreciation, insurance, and other related costs. The portion of such costs that exceeds the cost of allowable commercial air travel, as provided for in subparagraph] c., is unallowable.

5. Foreign travel. Direct charges for foreign travel costs are allowable only when the travel has received prior approval of the awarding agency. Each separate foreign trip must receive such approval. For purposes of this provision, "foreign travel" includes any travel outside Canada, Mexico, the United States, and any United States territories and possessions. However, the term "foreign travel" for a non-profit organization located in a foreign country means travel outside that country.

52. Trustees. Travel and subsistence costs of trustees (or directors) are allowable. The costs are subject to restrictions regarding lodging, subsistence and air travel costs provided in paragraph 51.

Attachment B.

Sample Human Services Fund Program Forms

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Attachment B.
Sample Human Services Fund Program Forms

The forms on the following pages have been developed as prototypes for use by the City in delivering its Human Services Fund resources to grantees and, as desired, by HSF grantees in administering their City-funded activities and reporting on their outcomes. Grantees are welcome to use the forms intake and reporting forms as is (the City will provide electronic copies upon request), or to modify them for their own use. If forms will be modified, please provide drafts to the City's Housing Division prior to their first use.

The following sample forms are provided:

- Client Intake Form - English
- **Clint Intake Form - Spanish**
- Monthly Reporting Form
- Monthly Invoice/Budget Update Form
- **Federal Government Race Descriptions**
- **Site Visit/Program Review MonitoringWorksheet**

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Human Services Fund Agency Client Intake Form
(Using 03/19/09 HUD Incomes)

Date: _____

In the table below, please find your household size (the total number, including yourself, who live in your home) in the first column, and then look at the three numbers in the columns to the right of your household size. Please circle the one number that is both **higher** than your annual income, and the **closest** to your annual income:

Household Size	80% AMI (Low Income)	50% AMI (Very Low Income)	30% AMI (Extremely Low Income)
1	\$39,650	\$24,800	\$14,900
2	\$45,300	\$28,300	\$17,000
3	\$51,000	\$31,850	\$19,150
4	\$56,650	\$35,400	\$21,250
5	\$61,200	\$38,250	\$22,950
6	\$65,700	\$41,050	\$24,650

Do you receive SSI, OHP, Food Stamps, TANF, or General Assistance (circle one)? Yes No

Please check the box below next to your race:
(You may check more than one box.)

Please check the box below next to your ethnicity:
(Check only one box.)

- American Indian or Alaska Native
- Asian
- Black or African American
- Native Hawaiian or Other Pacific Islander
- White

- Hispanic or Latino
- Not Hispanic or Latino

Please check the box below next to your gender:

- Male Female

If you checked “female” above, are you the head of your household (either living alone, or a single mother, or living with a female roommate)?

Circle one: Yes No

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En la tabla más abajo, por favor busque en la primera columna el número de habitantes que viven en su casa (el número total, incluyendo a Ud. y las personas que viven en su hogar) y después mire los números en las tres columnas a la derecha de la primera columna. Por favor marque con un círculo un número que es **más** de sus ingresos anual y también es **lo más cercano** a sus ingresos anual:

No. de habitantes			
1	\$39,650	\$24,800	\$14,900
2	\$45,300	\$28,300	\$17,000
3	\$51,000	\$31,850	\$19,150
4	\$56,650	\$35,400	\$21,250
5	\$61,200	\$38,250	\$22,950
6	\$65,700	\$41,050	\$24,650

¿Recibe Ud. SSI, OHP, Cupones de Alimentos, TANF, or Ayuda Social (marque uno)? Sí No

Por favor marque la casilla al lado de su raza: *(Se puede marcar más de una.)*

- India Americana o Nativo de Alaska
- Asiático
- Negro o Afro-americano
- Nativo de Hawaii u otro habitante de las Islas del Pacífico
- Blanco

Por favor marque la casilla al lado de su etnicidad (origen étnico):

- (Marque solamente una casilla.)*
- Hispano o Latino
- ni Hispano ni Latino

Por favor marque la casilla al lado de su sexo: masculino femenino

Si Ud. marcó “mujer” más arriba, ¿es Ud. la cabeza de familia (si Ud. vive sola, o es una madre sin pareja, o vive con un compañero de apartamento)?

Marque con un círculo: Sí No

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City of Corvallis
CDBG Human Services Fund
FY 10-11 Monthly Reporting Form

Agency: _____
Program: _____

All information in this report is subject to random verification by the City of Corvallis.

Instructions. In completing the following report please make sure that:

- A. You count each client served in your CDBG-funded program only once.
- B. In question 3, you must distinguish between continuing clients and new clients (clients who came to you for the first time this fiscal year during the month on which you are reporting).
- C. In question 4, each client may be reported on only one line. If a client *could* be reported on more than one line, report them on the line that applies to the primary reason they came to you for services. Your total for question 4 should be equal to the number of new clients reported in question 3.
- D. All clients reported in question 4 as not presumed to be low income should be reported in question 5; it is desirable that you gather income information from people who are presumed to be low income and report these numbers in question 5 as well.
- E. Instructions for gathering race and ethnicity information about your clients can be found under question 7 below.

1. Month/Year of Report: _____ 2. Total Number of Clients Who Received Services Funded by CDBG Grant Money: _____

3. *Of the total clients served, please indicate how many are continuing from the prior month, and how many are new clients:*

	New	Continuing
	_____	_____

4. *Of the **NEW clients** served during the month, please indicate which target population they fall into (please count each client in **only one category** - whichever is most appropriate):*

Presumed Low Income Populations:

Homeless individuals (including youth) & families with children:	_____
Victims of domestic violence	_____
Adults with severe disabilities:	_____
Elderly persons:	_____
Frail elderly persons:	_____
TOTAL PRESUMED LOW INCOME:	_____

Populations NOT Presumed to be Low Income:

Individuals (including youth) & families w/children who are at risk of becoming homeless:	_____
Persons with chronic/severe mental illness:	_____
Persons with alcohol and/or drug addiction:	_____
Children with severe disabilities	_____
Low income persons:	_____
Not low income persons:	_____
TOTAL NOT PRESUMED TO BE LOW INCOME:	_____

PLEASE COMPLETE QUESTIONS 5. THROUGH 7. ON THE OPPOSITE SIDE OF THIS SHEET.

5. Of the **NEW clients** served during the month whose incomes you have verified, please indicate which income category they fall into (again, count each client in only one income category):

- >80% of median income (NOT low income): _____
- 51% - 80% of median income (Low Income): _____
- 31% - 50% of median income (Very Low Income): _____
- 30% of median income or less (Extremely Low Income): _____
- TOTAL CLIENTS WITH VERIFIED INCOMES: _____

6. Of the **NEW clients** served during the month, how many are female heads of household? _____

7. In the table below, please indicate the number of **NEW clients** served during the month in each race and ethnicity category.

Program guidance provided by HUD and the Office of Management and Budget states:

Self-reporting or self-identification, rather than observer identification, is the preferred method for collecting race and ethnicity data. Self-identification for race and ethnicity means that responses are based on self-perception.

OMB’s new standards for race and ethnicity do not include an “other race” category. Therefore, grantees must make every effort to collect data in the following racial and ethnic categories.

This HUD/OMB guidance means that each NEW client served during the month must be reported in one of the race categories below. The total at the bottom of the race column must be equal to the total number of NEW clients reported in question 3. above.

In addition, each client may be identified as Hispanic or Latino, or as not Hispanic or Latino. If they are identified as Hispanic or Latino they should be counted on the line that corresponds to their race. If they are not Hispanic or Latino, only their race should be reported.

Race Category	Race Total	Hispanic or Latino
American Indian or Alaska Native		
Asian		
Black or African American		
Native Hawaiian or Other Pacific Islander		
White		
American Indian or Alaska Native <i>and</i> White		
Asian <i>and</i> White		
Black or African American <i>and</i> White		
American Indian or Alaska Native <i>and</i> Black or African American		
Other Multi-racial		
TOTAL		

Invoice (sample of first month's invoice)

July 15, 2010

To: City of Corvallis Human Services Fund
c/o: Corvallis Housing Division
P.O. Box 1083
Corvallis, OR 97339

From: HSF Agency name and address

For: Delivery of the XYZ program for the month of July, 2010

Grant/Invoice/Payment Summary:

Human Services Fund Grant Amount:	\$12,000
Invoiced to Date:	0
Received to Date:	0
Balance of Human Services Fund Grant:	12,000
 Amount of This Invoice:	 \$1,000
 Grant Balance Following Invoice Payment:	 \$11,000

HSF Agency Name
Expenditure and Reimbursement Detail (Sample)
For the Month of July, 2010

	Original Budget (Total from All Sources)	Human Services Fund Budget	Expenses to Date (Excluding Current Month)	Expenses Current Month	Total Expenses Incurred	HSF Reimbursements to Date (Excluding Current Invoice)	Expenses Paid to Date by Other Sources	Total Reimbursements to Date - All Sources	Current Amount Due from HSF
Personnel Costs	\$30,000	\$12,000	\$0	\$2,500	\$2,500	\$0	\$1,500	\$1,500	\$1,000

Please note: this sample report is a suggested format only. Other formats may be used as well as long as they provide adequate detail to meet HUD and City standards. Prior to submitting an Expenditure and Reimbursement report in an alternate format, please discuss it with and get approval from the Housing Division.

Invoice (sample of second month's invoice)

August 15, 2010

To: City of Corvallis Human Services Fund
c/o: Corvallis Housing Division
P.O. Box 1083
Corvallis, OR 97339

From: HSF Agency name and address

For: Delivery of the XYZ program for the month of August, 2010

Grant/Invoice/Payment Summary:

Human Services Fund Grant Amount:	\$12,000
Invoiced to Date:	1000
Received to Date:	1000
Balance of Human Services Fund Grant:	11,000
 Amount of This Invoice:	 \$1,000
 Grant Balance Following Invoice Payment:	 \$10,000

HSF Agency Name
Expenditure and Reimbursement Detail (Sample)
For the Month of August, 2010

	Original Budget (Total from All Sources)	Human Services Fund Budget	Expenses to Date (Excluding Current Month)	Expenses Current Month	Total Expenses Incurred	HSF Reimbursements to Date (Excluding Current Invoice)	Expenses Paid to Date by Other Sources	Total Reimbursements to Date - All Sources	Current Amount Due from HSF
Personnel Costs	\$30,000	\$12,000	\$2,500	\$2,500	\$5,000	\$1,000	\$3,000	\$4,000	\$1,000

Please note: this sample report is a suggested format only. Other formats may be used as well as long as they provide adequate detail to meet HUD and City standards. Prior to submitting an Expenditure and Reimbursement report in an alternate format, please discuss it with and get approval from the Housing Division.

Race Descriptions For Federal Government Reporting

The following race descriptions are provided by the federal government to assist grantees with reporting race data of its beneficiaries. These categories of race and their description encompass those which the federal government collects data for, and is not meant to represent all categories of race.

Race	Description
White	A person having origins in any of the original peoples of Europe, North Africa or the Middle East.
Black or African American	A person having origins in any of the black racial groups of Africa. Terms such as “Haitian” or “Negro” can be used in addition to “Black or African American.”
Asian	A person having origins in any of the original peoples of the Far East, Southeast Asia, or the Indian subcontinent including, for example, Cambodia, China, India, Japan, Korea, Malaysia, Pakistan, the Philippine Islands, Thailand and Vietnam.
American Indian or Alaska Native	A person having origins in any of the original peoples of North and South America (including Central America), and who maintains affiliation or community attachment.
Native Hawaiian or Other Pacific Islander	A person having origins in any of the original people of Hawaii, Guam, Samoa or other Pacific Islands.
American Indian or Alaska Native and White	A person having these multiple race heritages as defined above.
Asian and White	A person having these multiple race heritages as defined above.
Black or African American and White	A person having these multiple race heritages as defined above.
American Indian or Alaska Native and Black or African American	A person having these multiple race heritages as defined above.

FY 10-11 CDBG Human Services Fund
Site Visit/Program Review
Monitoring Worksheet

Agency: _____

Program: _____

Date: _____

1. What procedures are being used to document the incomes of clients?

Issues for follow-up: _____

2. Which of the following methods is being used to determine beneficiary's family income:

- a. _____ Beneficiary individual/family/household is a recipient of HUD Section 8 Rental Housing Assistance.
- b. _____ Beneficiary individual/family/household is a recipient of other low or poverty income-based assistance (e.g., SSI, food stamps, TANF)
- c. _____ Adjusted gross income as reported on most recent individual Federal Form 1040 annual income tax return or annual income as reported under the Census long-form for the most recent available decennial Census.
- d. _____ Estimate of the annual income of a family or household by projecting the prevailing rate of income of each person at the time assistance is provided for the individual, family, or household (as applicable). Estimated annual income shall include income from all family or household members, as applicable. Income or asset enhancement derived from the CDBG-assisted activity shall not be considered in calculating estimated annual income.

Issues for follow-up: _____

3. If clients are presumed to be low income, what is the basis for that presumption?

Issues for follow-up: _____

4. What methods are being used to count beneficiaries? Is there a clear differentiation between “new” clients and continuing clients?

Issues for follow-up: _____

5. Race/Ethnicity data gathering:

- a. _____ How is this being documented?
- b. _____ Can data about both race and ethnicity be collected and reported for each client?

Issues for follow-up:

6. Documentation of program costs:

- a. _____ Documentation of all program costs being maintained?
- b. _____ One-for-one relationship between documented expenditures and requests for CDBG reimbursement?
- c. _____ Are requests for reimbursement in compliance with the approved program budget items as contained in the funding agreement?
- d. _____ Are costs eligible for reimbursement under OMB Circular A-122?

Issues for follow-up: _____

7. Are the activities being supported with CDBG funding in line with what was proposed by the agency and what is being reported?

Issues for follow-up:

8a. What methods are being used to track outcomes? What documentation is being used?

8b. Are methods/documentation of outcomes adequate? _____ Yes _____ No

Issues for follow-up: _____

9. Has the agency received any program income from activities being supported with CDBG funds?

_____ Yes _____ No

List any follow up items below, with time frames for compliance:

Resolved?

1. _____

2. _____

3. _____

4. _____

Program Review Completed By: _____

Date of Review: _____

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Attachment C.

Where to Get Additional Information

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Attachment C

Where to Get Additional Information

The following Web sites offer a wealth of information about the Community Development Block Grant program, its rules and regulations, and the ways in which agencies can take advantage of its resources.

CDBG Program Guide to National Objectives and Eligible Activities for Entitlement Communities:
<http://www.hud.gov/offices/cpd/communitydevelopment/library/deskguid.cfm>

CDBG Program Regulations (24 CFR Part 570):
<http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&sid=f4bc7666c2d46568524286302811e3c1&rgn=div5&view=text&node=24:3.1.1.3.4&idno=24>

City of Corvallis Housing Division Web Page - Low, Very Low and Extremely Low Income Figures:
<http://www.ci.corvallis.or.us/index.php?option=content&task=view&id=300&Itemid=251>

CPD Notice re: Performance Measurement:
<http://www.hud.gov/offices/cpd/lawsregs/notices/2003/03-09.pdf>

Federal Office of Management and Budget (site with all of the applicable OMB circulars):
<http://www.whitehouse.gov/omb/circulars/index.html>

General link to all HUD CPD Notices:
<http://www.hud.gov/offices/cpd/communitydevelopment/rulesandregs/notices.cfm>

Guidebooks for CDBG Entitlements and their Subrecipients:
<http://www.hud.gov/offices/cpd/communitydevelopment/library/subrecipient/index.cfm>

HUD Office of Community Planning & Development (CPD) Home Page:
<http://www.hud.gov/offices/cpd/index.cfm>

U.S. Census Bureau- American Fact Finder demographic data for Corvallis (just the intro page - there's a lot more depth to be found within this American Fact Finder section of the Census site):
http://factfinder.census.gov/servlet/SAFFFacts?_event=Search&geo_id=&_geoContext=&_street=&_county=corvallis&_cityTown=corvallis&_state=04000US41&_zip=&_lang=en&_sse=on&_pctxt=fph&pgsl=010