

## **ALLOWABLE COSTS AND TECHNICAL ASSISTANCE FEDERAL REGISTER (§ 200.420 pp. 78644 – 78662)**

The Federal Register (FR) provides direction for establishing allowable cost, and the responsibility of pass through agencies to provide technical assistance.

The following are the principles to be applied in establishing the allowability of certain items involved in determining cost, and SAPC's committed support in providing technical assistance.

In reference to allowable cost, the below principles apply whether or not a particular item of cost is properly treated as direct cost or indirect cost.

Failure to mention a particular item of cost is not intended to imply that it is either allowable or unallowable, rather, determination as to allowability in each case should be based on the treatment provided for similar or related items of cost, and based on the principles described in the FR, which is to be used to aid in establishing the allowability of certain items in determining allowable costs, and factors that affect the allowability of costs.

1. Factors affecting allowability of costs. (**FR: §200.402 – §200.411 pp. 78640 – 78641**) & (**Appendix XI, FR: pp. 78691**, Compliance Supplement) Supplement available: (<http://www.whitehouse.gov/omb/circulars/>) Compliance Supplement Requirements Part 3 reads in part on p. 3.2-B-2.
  - 1) Except where otherwise authorized by statute, cost must meet the following general criteria in order to be allowable under Federal awards. State and County follow the same criteria in cost determination.
    - a. Be necessary and reasonable for the performance of the award, and be allocable under the principles in 2 CFR part 200, subpart "E."
    - b. Conform to any limitations or exclusions set forth in 2 CFR part 200, subpart "E."
    - c. Be consistent with policies and procedures that apply uniformly to both federally financed and other activities of your agency.

- d. Be accorded consistent treatment, ,i.e. a cost may not be treated as an direct cost if any other cost for the same purpose in like circumstances has been allocated as an indirect cost.
  - e. Be determined in accordance with generally accepted accounting principles.
  - f. Be adequately documented.
- 2) Provider Reimbursement Manual, Chapter 21, section 2102.1: Reasonable costs of any services are determined in accordance with regulations establishing the method or methods to be used, and the items to be included. Reasonable cost takes into account both direct and indirect costs of providers of services, including normal standby costs.
2. The following are general costs identified in the FR as allowable and unallowable. Please note that some of the allowable cost may have restrictions, and special cost application, therefore, please see **FR § 200.421 - § 200.475** for a complete explanation of any applicable restrictions (The bolded items represent items which appear on the year end cost report, and budget submission reports):
- a. Advertising and public relations
  - b. Advisory councils
  - c. Alcoholic beverages
  - d. Alumni/ae activities – higher education
  - e. Audit services**
  - f. Bad Debts – disallowed units of service
  - g. Bank charges**
  - h. Bonding costs
  - i. Bookkeeping fees**
  - j. Books and publication**
  - k. Collection of improper payments
  - l. Communication - telephone**
  - m. Compensation – personal services
  - n. Compensation – fringe benefits
  - o. Conferences
  - p. Contingencies provisions
  - q. Contributions and donations
  - r. Defense and prosecution of civil proceedings, and appeals.

- s. Depreciation
- t. Employee health and welfare
- u. Entertainment costs
- v. Equipment costs
- w. Fines, penalties, damages and other settlements
- x. Food – residential only**
- y. Fund raising and investment management costs
- z. Gains and losses on disposition of depreciable assets.
- aa. General cost of government
- bb. Goods or services for personal use
- cc. Idle facilities and idle capacity
- dd. Insurance and indemnification**
- ee. Intellectual property
- ff. Interest expense**
- gg. Household expense (see II)**
- hh. Incentives – Prevention only**
- ii. License – permit and fees**
- jj. Lobbying
- kk. Losses on other awards or contracts
- ll. Maintenance (facility & office), pest control and repair costs**
- mm. Material and office supplies costs, printing, including postage and cost of computing devices**
- nn. Memberships, subscriptions, and professional activity costs
- oo. Organization costs
- pp. Participant support costs
- qq. Plant and security costs
- rr. Pre-award costs.
- ss. Professional services costs/consultant & physician fees**
- tt. Proposal costs
- uu. Publication and printing costs
- vv. Rearrangement and reconversion costs.
- ww. Recruiting costs
- xx. Relocation cost of employees
- yy. Rental costs of real property and equipment - vehicle**
- zz. Scholarships and student aid costs
- aaa. Specialized service facilities
- bbb. Student activity costs
- ccc. Taxes**
- ddd. Termination cost
- eee. Training and education cost**
- fff. Transportation cost – mileage, gas & oil**
- ggg. Travel cost**

hhh. Trustees.

3. To aid agencies in transitioning to the Outpatient Delivery System, SAPC's finance help will include, but will not be limited to the following areas:
  - a. Forecasting.
    - 1) By definition forecasting is the use of historical data to determine the direction of future trends.
    - 2) SAPC finance can help agencies utilize forecasting to determine how to allocate their budgets or plan for anticipated expenses for the next fiscal year based on the projected treatment services provided.
    - 3) SAPC finance can also help agencies use forecasting as a planning tool to help management in its attempts to cope with the uncertainty of the future, relying mainly on data from the past and present and analysis of trends.
    - 4) The basis of SAPC's involvement will be in collaboration with the agencies management's experience, knowledge, and judgment.
  - b. Budget preparation.
    - 1) Using the budget template as the basis for estimating future cost.
  - c. General ledger set-up for the Outpatient Delivery System.
  - d. Indirect cost rate development.
  - e. Fund availability.
    - 1) If items of cost are not allowable, technical assistance will be offered to show how to bill another funding source.
    - 2) Over/under utilization of funds.
  - f. Financial trend analysis.
    - 1) Assist agencies in how to do more with their funding.
    - 2) Identifying areas of growth and the cost associated with that growth.
    - 3) Assist agencies in identifying methods of how to grow their agency.
  - g. Assessing cash flow.
  - h. Reducing cost without affecting cost per unit.

4. Any questions related to technical assistant regarding financial concerns may be directed to Emily Chan (626) 299-4173 or Vinnie Liu (626) 299-4131.