



and are referred to as the Uniform Guidance. This guidance rescinded the following OMB Circulars:

- Circular A-21, Cost Principles for Educational Institutions
- Circular A-87, Cost Principles for State, Local and Indian Tribal Governments
- Circular A-122, Cost Principles for Non-Profit Organizations

Subrecipients are advised to review these regulations related to allowable costs and cost principles for more detail than is included in this directive.

#### **DEFINITIONS:**

Contractor means an entity that receives a contract which is defined as a legal instrument by which a non-Federal entity purchases property or services needed to carry out the project or program under a Federal award. The term as used in this Part does not include a legal instrument, even if the non-Federal entity considers it a contract, when the substance of the transaction meets the definition of a Federal award or subaward.

Direct costs are those costs that can be identified specifically with a particular final cost objective, such as a Federal award or subaward, or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy.

Indirect Cost means those costs incurred for a common or joint purpose benefitting more than one cost objective, and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved.

Subaward means an award provided by a pass-through entity to a subrecipient for the subrecipient to carry out part of a Federal award received by the pass-through entity. It does not include payments to a contractor or payments to an individual that is a beneficiary of a Federal program. A subaward may be provided through any form of legal agreement, including an agreement that the pass-through entity considers a contract.

Subrecipient means a non-Federal entity that receives a subaward from a pass-through entity to carry out part of a Federal program; but does not include an individual that is a beneficiary of such program. A subrecipient may also be a recipient of other Federal awards directly from a Federal awarding agency.

#### **POLICY AND PROCEDURES:**

2 CFR 200.400 to 200.475 provides general principles and guidance on selected items of cost identifying allowable and unallowable costs. Certain items are allowable only if approval is granted prior to the expenditure of funds.

The Uniform Guidance contains a listing of selected items of cost, both allowable and unallowable, at 2 CFR 200.420 through 200.475. These costs are general and nature and

not applicable to any one specific grant program. CSS and applicable laws and regulations pertinent to particular subawards may impose additional conditions regarding the expenditure of funds. It is the responsibility of the subrecipient to review not only the principles set forth in 2 CFR 200.400-200.475, but the subaward document and regulations and laws applicable to the program being administered. No one particular set of guidance can be taken out of context from all guidance applicable to a subaward.

### **Factors Affecting Allowability of Costs**

Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

- Be necessary and reasonable for the performance of the subaward and be allocable thereto.
- Conform to any limitations, exclusions, or any other directives and guidance set forth in these regulations or in the CSS subaward as to types or amount of cost items.
- Be authorized under the subaward or subcontract agreement.
- Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the subrecipient.
- Be accorded consistent treatment. A cost may not be assigned to a Federal subaward as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal subaward as an indirect cost.
- Be determined in accordance with generally accepted accounting principles (GAAP).
- 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 if that program prohibits such action.
- Be adequately documented.

### **Reasonableness of Costs**

A cost is reasonable if, in its nature and 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 cost. In determining reasonableness of a given cost, consideration must be given to:

- Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the subrecipient or the proper and efficient performance of the subaward.
- The restraints or requirements imposed by such factors as: sound business practices; arm's-length bargaining; Federal, state and other laws and regulations; and terms and conditions of the Federal subaward.
- Market prices for comparable goods or services for the geographic area.
- Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the subrecipient.

- Whether the subrecipient significantly deviated from its established practices and policies regarding the incurrence of costs, which may unjustifiably increase the Federal subaward's cost.

### **Allocable Costs**

A cost is allocable to a subaward or other cost objective if the goods or services involved are chargeable or assignable to that subaward or cost objective in accordance with relative benefits received. This standard is met if the cost:

- Is incurred specifically for the subaward;
- Benefits both the subaward and other work of the subrecipient and can be distributed in proportions that may be approximated using reasonable methods; and
- Is necessary and necessary to the overall operation of the subrecipient and is assignable in part to the Federal subaward in accordance with the principles set forth in 2 CFR 200.400-200.475.

All activities which benefit from the subrecipient's indirect cost, including unallowable activities and donated services will receive an appropriate allocation of indirect costs.

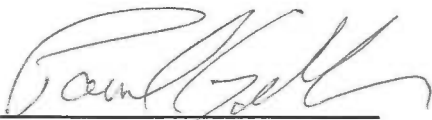
Any cost allocable to a particular subaward under the principles provided for in these regulations may not be charged to other Federal awards or subawards to overcome fund deficiencies, to avoid restrictions imposed by Federal statutes, regulations, or terms and conditions of the Federal awards, or for other reasons.

### **ACTION:**

CSS and its subrecipients shall follow this policy. This policy shall remain in effect until such time that a revision is required.

### **INQUIRIES:**

If you have any questions regarding this Directive, please contact Melissa Tarver at (213) 738-3605 or [mtarver@css.lacounty.gov](mailto:mtarver@css.lacounty.gov)



PAUL GOLDMAN, Assistant Director  
Contracting Services